



華章科技控股有限公司
Huazhang Technology Holding Limited

(Incorporated in Cayman Islands with limited liability)

Stock code : 1673

2026
INTERIM REPORT



CORPORATE INFORMATION

DIRECTORS

Executive directors

Mr. Fang Hui (*Chairman*)
Mr. Chen Hongwei
Mr. Cai Haifeng

Independent non-executive directors

Mr. Heng, Keith Kai Neng
Mr. Yao Yang Yang
Ms. Zhang Dong Fang

AUDIT COMMITTEE

Mr. Heng, Keith Kai Neng (*Chairman*)
Mr. Yao Yang Yang
Ms. Zhang Dong Fang

REMUNERATION COMMITTEE

Mr. Heng, Keith Kai Neng (*Chairman*)
Mr. Cai Haifeng
Mr. Fang Hui
Mr. Yao Yang Yang
Ms. Zhang Dong Fang

NOMINATION COMMITTEE

Mr. Yao Yang Yang (*Chairman*)
Mr. Chen Hongwei
Mr. Fang Hui
Mr. Heng, Keith Kai Neng
Ms. Zhang Dong Fang

COMPANY SECRETARY

Ms. Yeung Wing Yan

AUTHORIZED REPRESENTATIVES

Mr. Fang Hui
Ms. Yeung Wing Yan

LEGAL ADVISOR

As to Hong Kong Law
Stevenson, Wong & Co.

CORPORATE INFORMATION *(Continued)*

AUDITORS

KTC Partners CPA Limited

REGISTERED ADDRESS

Cricket Square, Hutchins Drive, PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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No. 99 Xiangyuan Road, Gongshu District
Hangzhou City
Zhejiang Province, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 901, 9/F, Ocean Centre
5 Canton Road, Tsim Sha Tsui
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

1673

WEBSITE

www.hzeg.com

FINANCIAL HIGHLIGHTS

	For the six months ended		
	31 December		
	2025	2024	Change
	RMB	RMB	%
Revenue	151,449,911	195,645,329	(22.6)
Gross profit	33,639,414	40,613,427	(17.2)
<i>Gross profit margin</i>	22.2%	20.8%	6.8
Loss for the period	(22,222,487)	(6,814,392)	226.1
<i>Net loss margin</i>	(14.7)%	(3.5)%	321.3
Loss attributable to the shareholders of the Company	(22,361,733)	(6,944,670)	222.0
Loss per share attributable to the shareholders of the Company (RMB cents per share)			
— basic	(1.40)	(0.44)	
— diluted	(1.40)	(0.44)	

The Board resolved not to declare any interim dividend for the six months ended 31 December 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “Board”) of directors (the “Directors”) of Huazhang Technology Holding Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (together, the “Group”) for the six months ended 31 December 2025, together with the unaudited comparative figures for the corresponding period in 2024.

INDUSTRY REVIEW

In 2025, against the backdrop of a complex and ever-changing global economic landscape and pressures from domestic structural adjustments, China’s economy maintained steady growth through the coordinated implementation of proactive fiscal policy and prudent monetary policy. According to data published by the National Bureau of Statistics of China, China’s gross domestic product (GDP) amounted to RMB140.2 trillion, representing a year-on-year increase of 5.0%. As a foundational raw material sector that is closely tied to the national economy and public livelihoods, the paper-making industry displayed the characteristics of “operational pressure alongside business divergence” under the combined effects of policy guidance and market demand, with the pace of transformation and upgrading notably accelerating.

The paper-making industry is a vital foundational raw material sector in China, characterized by intensive capital and technology and significant scale efficiency. Paper-making equipment, serving as the core driver for the intelligent and green transformation of the paper-making industry, embraced new development opportunities in 2025. According to data from the National Bureau of Statistics, China’s production of machine-made paper and paperboard reached 164.054 million tons in 2025, marking a year-on-year increase of 2.9%. The growth rate moderated compared to the previous year, reflecting the industry’s progression into a phase of deep adjustment against the backdrop of structural overcapacity.

The year 2025 represents a critical juncture for the conclusion of the PRC’s 14th Five-Year Plan and the formulation for the 15th Five-Year Plan, as well as the fifth anniversary of the national “Dual Carbon” targets. Under the systematic guidance of national industrial policies, the development of the paper-making industry has centered on three core themes: green and low-carbon initiatives, industrial transformation and upgrading, and digitalization. The “Energy Consumption Limits Per Unit Product in Pulp and Papermaking,” (《制漿造紙單位產品能源消耗限額》), which came into effect on 1 May 2025, introduced energy consumption requirements for 16 additional refined product categories and lowered the energy consumption standards for certain paper products. These regulatory updates have directly raised compliance thresholds for small and medium-sized paper enterprises, thereby accelerating the pace of industry consolidation and market rationalization.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

In terms of technological innovation and equipment upgrading, China's paper-making technology and equipment had developed a relatively comprehensive proprietary technological system by 2025, achieving breakthroughs in critical areas including high-speed paper machines, energy-efficient drying, and intelligent control. The paper-making equipment industry continued to broaden the application of advanced technologies such as artificial intelligence, industrial internet, and digital twins, driving production processes toward greater flexibility, intelligence, and lower carbon intensity. The integrated equipment supply capabilities of certain leading enterprises have further narrowed the gap with international first tier standards, resulting in a notable enhancement of their competitiveness in the Asia Pacific market.

Overall, in 2025, the paper-making industry continued to accelerate its transition towards a new phase of high quality development under the combined influence of policy support and market driven pressures. While the industry faced short-term challenges arising from profitability pressures and structural adjustments, the long-term trend towards greener, more intelligent and higher-end development remains clear and irreversible. Such transformation lays a solid foundation for the coordinated achievement of economic and environmental benefits.

BUSINESS REVIEW

For the six months ended 31 December 2025, the Group's revenue decreased by approximately 22.6% to RMB151.4 million and gross profit decreased by approximately 17.2% to RMB33.6 million, respectively, as compared to the corresponding period last year. For the six months ended 31 December 2025, the Group recorded a loss of approximately RMB22.2 million, representing a significant increase of approximately RMB15.4 million as compared to a loss of approximately RMB6.8 million for the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Paper Making Related Business

Contracts

For the six months ended 31 December 2025, the Group proactively advanced its dual-drive strategy of “Internal Expansion and Deepening + External Expansion and Breakthrough.” The value of newly signed contracts increased by approximately 20.9% to approximately RMB193.6 million, while the total value of outstanding contracts amounted to approximately RMB590.3 million. During the period under review, the Group successfully secured the bid for the Guangxi Jianhui PM7 Paper Machine Permanent Magnet Direct Drive Transmission Project (廣西建暉PM7紙機永磁直驅傳動項目). The paper machine has a width of 6,600 mm, a designed operating speed of 1,200 m/min and an annual production capacity of over 400,000 tonnes. This project represents Jianhui Paper’s first paper machine equipped with a permanent magnet direct-drive transmission system and marks the Group’s further entry into the high-end segment of the permanent magnet transmission market. Additionally, the Group successfully secured the bid for the APP Jindong PM6 Project of the Sinar Mas Group (金光集團-APP金東PM6項目), which includes the VOITH paper machine with a width of 4,970 mm and a designed speed of 1,400 m/min for thermal base paper, together with the transmission and rewinder control system incorporating permanent magnet direct-drive motors paired with Siemens drives. The Group also secured the ND Paper Leshan Base PM60 Main Transmission Project (玖龍紙業樂山基地PM60主傳動專案), further consolidating its strategic cooperative position with leading industry participants. At the 2025 China International Paper Technology Exhibition, the Company achieved breakthrough progress in overseas market expansion, and entered into a number of cooperation intentions. Hangzhou MCN secured over ten orders for headboxes. Furthermore, the Vietnam GDT Project (越南GDT專案), comprising a three ply corrugated paper machine with a width of 5,700 mm and a designed speed of 1,000 m/min, officially entered the implementation stage, marking the Group’s return to the Vietnamese market and its active expansion into markets along the Belt and Road initiative.

Focusing on High-Quality Delivery and Technological Expertise

The Group promoted high-quality delivery through its “integrated solutions” approach, completing over 100 projects in the second half of 2025. Several major projects progressed smoothly or were successfully completed. The Sun Paper PM46 Turnkey Project (太陽紙業PM46總包專案) and the PM2 project for Huabang New Materials (華邦新材PM2項目) were successfully commissioned and put into operation. The WanGuo Sun Paper PM18 Coating machine and Gas System Retrofit Project (萬國太陽PM18塗布機及燃氣系統改造專案) was efficiently completed and commissioned within just 25 days, achieving breakthroughs in both production capacity and energy efficiency. During the period, the Group successfully completed the commissioning of six domestic and overseas projects within 10 days, located in Algeria, Saudi Arabia, Egypt, as well as Zhejiang, Jiangxi, and Shandong in China, demonstrating exceptional project execution and global service capabilities.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Technological innovation continues to lead the industry in energy efficiency enhancement and intelligent upgrades. The Xinjiang Dongshengxiang Paper Industry Permanent Magnet Direct Drive Retrofit Project (新疆東盛祥紙業永磁直驅技改項目) was successfully put into operation, facilitating the subsequent implementation of a number of permanent magnet direct drive orders. The Gold East Paper Specialty Paper Project (金東紙業特種紙專案) overcame three major challenges: high operating speed, stringent supporting control requirements, and full permanent magnet direct drive implementation. Hangzhou MCN consecutively delivered multiple domestically produced hydraulic headboxes with the widest width (9,150 mm) and highest speed (1,200 m/min), solidifying its leading position in the high-end market. An equipment condition monitoring system powered by AI algorithms was officially launched. In addition, newly developed pulping equipment, including an energy-efficient 80 m³ pulper (with a disintegration consistency of 6.0% and power configuration of 400 KW), as well as the HJR-04 (supporting power: 1,600 KW) and HJR-05 (supporting power: 3,000 KW) conical refiners, were well received by customers, contributing to improved product quality and cost efficiency.

Building an Industrial Ecosystem and Deepening Strategic Synergy

The Group adheres to the principle of “aligning with first-class partners and serving leading enterprises,” with a view to expanding and deepening its industrial ecosystem. It has consistently retained its platinum-level system integrator status for three major international brands: Siemens, Rockwell Automation, and Inmenda. The Group further deepened its collaboration with top-tier domestic and international suppliers such as SKF, Schneider Electric, ABB, Voith, Danfoss, Andritz, and Dingtu Technology. In addition, the Group introduced and engaged nearly 100 qualified suppliers through an open recruitment process, establishing a stable cooperative mechanism focused on joint technological development and co-creation of integrated solutions. In the second half of the year, the Group conducted senior management exchanges and technical discussions with partners including Rockwell Automation, Siemens, Inmenda, ABB, Danfoss, KUKA and HEIDENHAIN, to jointly explore market strategies and technology integration, with the aim of enhancing supply chain resilience and overall competitiveness.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Innovation-Driven Development and Accreditations

The Group has delivered notable innovative outcomes and garnered multiple significant recognitions. Leveraging its profound industry expertise, robust innovation capabilities, and steady momentum in comprehensive development, the Group successfully passed the re-evaluation as a national-level “Little Giant” enterprise specializing in niche sectors with innovative strengths, as well as the re-evaluation as a Zhejiang Province “Specialized, Refined, Distinctive, and Innovative” small and medium-sized enterprise. The Large High-Speed Paper Machine Intelligent Control System (《大型高速紙機智能控制系統》) was recognized as a “Digital Intelligence Excellence Product” (「數智優品」) by Zhejiang Province, while the Large Cylinder Hot Press Special Paper Machine (《大缸熱壓榨特種紙機》) was included in the list of Jiaxing City’s first batch (set) of significant manufacturing equipment. The Company was further honored with the title of “Jiaxing Green and Low-Carbon Factory” (「嘉興市綠色低碳工廠」) and incorporated into Tongxiang City’s “Waist-Strengthening Project” cultivation enterprise list (「壯腰工程」培育企業名單). Additionally, the Company successfully passed the review (certification) for its Intellectual Property Compliance Management System, obtained the AA-level certification for the Integration of Informatization and Industrialization Management System, and completed the annual surveillance audit for its Quality, Environmental and Occupational Health and Safety (QES) management systems.

The Group continues to invest substantial resources in product research and development, striving for breakthroughs in the domestic paper-making equipment sector in China. For the six months ended 31 December 2025, the Group’s research and development expenses amounted to approximately RMB22.4 million, with 3 new patent applications. As of 31 December 2025, the Group cumulatively holds 125 invention patents, 180 utility model patents, and 40 software copyrights, establishing comprehensive technological coverage spanning core equipment development, intelligent control, and process optimization.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Management Efficiency Enhancement and Talent Empowerment

In 2025, the Group initiated a new phase of high-quality development by implementing a partner-based operational mechanism. This involved the optimization and consolidation of its original nine departments into three core divisions: the Customer Service Centre, the Project Execution Centre, and the Public Service Centre. This restructuring was designed to streamline decision-making processes and improve operational responsiveness. Within project execution, a comprehensive internal bidding and contracting mechanism was adopted, incentivizing employees to take greater initiative and accountability in leading projects.

Simultaneously, the Group places high emphasis on talent development and client empowerment. In the second half of the year, multiple customized technical training sessions were conducted, covering the application of systems from brands such as Siemens and Rockwell Automation. These sessions attracted over 200 technical backbones from nearly 30 enterprises, including Vinda Paper, Hainan Jinhai, Renfeng Special Paper, and Jinshun Heavy Machinery, strengthening clients' independent technical capabilities and fostering long-term cooperative relationships.

Renewable Resources Related Business

The Group has always been committed to the development of green and environmentally friendly businesses, particularly since 2019 when it established renewable resources recycling and processing plants outside China to seize opportunities in the global renewable resources recycling and treatment sector. During the period under review, the Group continued to explore suitable opportunities overseas and engaged in negotiations with foreign governments and business partners to secure optimal investment conditions. Currently, the renewable resource recycling business team of the Group has more than 20 years of industry experience. The core members of the team have participated in the creation and management of the recycled metal recycling and processing company listed on the Hong Kong stock market. In the future, considering the market potential of global scrap metal recycling treatment, the Group will allocate further resources to environmental-related business and believes that with the team advantages, both in terms of business development and management experience, the Group can lead the further expansion and growth of business in this sector.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FUTURE PROSPECTS

Looking ahead to 2026, the paper-making industry will continue to deepen its transformation toward green and low-carbon initiatives, digital intelligence, and the circular economy under the guidance of the 15th Five-Year Plan. Significant growth potential exists in the domestic high-end equipment sector for intelligent upgrades and green manufacturing initiatives. Supported by the implementation of macroeconomic policies and a potential recovery in consumer markets, demand within the paper-making industry is anticipated to gradually improve.

Facing opportunities and challenges, the Group will steadfastly advance its new round of high-quality development strategy: accelerating the deep integration and innovation of “AI + process + equipment + service” across all stages of the industry chain; continuously enhancing the research, development, and application of core technologies such as permanent magnet direct drive systems, intelligent control systems, high-end headboxes, and efficient pulping equipment; further expanding overseas markets and strengthening its global presence; and improving the competitiveness of its integrated solutions through deepened ecosystem collaboration with top-tier domestic and international partners. Adhering to the principle of “Everything for customers, for all customer needs,” the Group will drive forward with innovation and perseverance, working hand in hand with all employees, clients, and partners to stride toward a promising future of “steady progress and shared prosperity,” contributing greater strength to the high-quality development of the paper-making industry.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW

Revenue and gross profit margin

Revenue decreased by approximately 22.6% from approximately RMB195.6 million for the six months ended 31 December 2024 to approximately RMB151.4 million for the six months ended 31 December 2025, primarily attributing to the delay of certain projects by customers. The gross profit margin increased from approximately 20.8% for the six months ended 31 December 2024 to approximately 22.2% for the six months ended 31 December 2025, primarily attributing to cost control efforts contributed by the whole management team.

(i) Industrial products

Revenue from sales of industrial products decreased by approximately 19.7% from approximately RMB108.8 million for the six months ended 31 December 2024 to approximately RMB87.4 million for the six months ended 31 December 2025. Such decrease was primarily attributable to a decrease in sales of industrial automation system from the current economic environment. The gross profit margin of industrial products decreased from approximately 22.3% for the six months ended 31 December 2024 to approximately 20.2% for the six months ended 31 December 2025.

(ii) Project contracting services

Revenue from project contracting services decreased by approximately 38.5% from approximately RMB54.4 million for the six months ended 31 December 2024 to approximately RMB33.4 million for the six months ended 31 December 2025. The gross profit margin of project contracting services increased from approximately 20.3% for the six months ended 31 December 2024 to approximately 48.0% for the six months ended 31 December 2025, such increase was primarily due to the Group strengthened its costs control in provision for the project contracting services for the six months ended 31 December 2025.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

(iii) Environmental business

Revenue from sales of environmental business increased significantly from approximately RMB1.5 million for the six months ended 31 December 2024 to approximately RMB11.1 million for the six months ended 31 December 2025. Such increase was primarily due to an increase in demand in sludge treatment products and wastewater treatment business. The gross profit of environmental business increased from approximately RMB1.1 million for the six months ended 31 December 2024 to approximately RMB2.9 million for the six months ended 31 December 2025.

(iv) Supporting services

Revenue from the provision of supporting services decreased by approximately 33.4% from approximately RMB28.0 million for the six months ended 31 December 2024 to approximately RMB18.6 million for the six months ended 31 December 2025, mainly due to the decreased demands on supporting service under the current economic environment. The gross profit margin for the provision of supporting services decreased from approximately 20.0% for the six months ended 31 December 2024 to approximately 1.1% for the six months ended 31 December 2025.

(v) Property investment

Revenue from the rental income from investment properties decreased by approximately 69.2% from approximately RMB3.0 million for the six months ended 31 December 2024 to approximately RMB0.9 million for the six months ended 31 December 2025. Segment loss from property investment was RMB4.3 million for the six months ended 31 December 2025 as compared with RMB2.6 million for the six months ended 31 December 2024.

Selling and distribution expenses

The selling and distribution expenses increased by approximately 38.5% from approximately RMB5.3 million for the six months ended 31 December 2024 to approximately RMB7.4 million for the six months ended 31 December 2025 and as a percentage of revenue was approximately 2.7% and approximately 4.9% for the six months ended 31 December 2024 and 2025, respectively. The increase in selling and distribution expenses was mainly attributable to an increase in overseas marketing activities during the period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Administrative expenses

The administrative expenses decreased by approximately 10.9% from approximately RMB30.6 million for the six months ended 31 December 2024 to approximately RMB27.3 million for the six months ended 31 December 2025 and as a percentage of revenue was approximately 15.6% and approximately 18.0% for the six months ended 31 December 2024 and 2025, respectively.

Research and development expenses

The research and development expenses increased by approximately 6.5% from approximately RMB21.0 million for the six months ended 31 December 2024 to approximately RMB22.4 million for the six months ended 31 December 2025 and as a percentage of revenue was approximately 10.7% and approximately 14.8% for the six months ended 31 December 2024 and 2025, respectively. Increase in research and development expenses was mainly attributable to an increase in material used in research and development activities.

Net impairment losses on financial and contract assets

Net impairment losses on financial and contract assets increased from approximately RMB0.4 million for the six months ended 31 December 2024 to approximately RMB1.0 million for the six months ended 31 December 2025. The Group holds on-going discussion with those customers with regard to collection. The Group is also considering further engaging legal counsels to enforce the judgement if a cost-efficient arrangement with legal counsels can be reached.

Other income and gains, net

Other income and gains, net decreased by approximately 53.3% from approximately RMB10.7 million for the six months ended 31 December 2024 to approximately RMB5.0 million for the six months ended 31 December 2025, primarily attributing to an over provision for claims of approximately RMB4.5 million and gain on disposal of financial assets at fair value through profit or loss of approximately RMB2.6 million for the six months ended 31 December 2024, being offset by bad debts recovered of approximately RMB1.9 million for the six months ended 31 December 2025.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Finance costs, net

The Group recorded a net finance costs of approximately RMB1.77 million for the six months ended 31 December 2025 as compared to a net finance income of approximately RMB0.06 million for the corresponding period in 2024, primarily attributing to a decrease in interest income from bank deposits and an increase in average outstanding bank loans for the six months ended 31 December 2025.

Income tax expense

The Group recorded an income tax expense of approximately RMB0.8 million and RMB1.0 million for the six months ended 31 December 2024 and 2025, respectively.

Loss for the period and net loss margin

As a result of the foregoing, the loss for the period increased significantly by approximately 226.1% from approximately RMB6.8 million for the six months ended 31 December 2024 to approximately RMB22.2 million for the six months ended 31 December 2025. The net loss margin was increased from approximately 3.5% for the six months ended 31 December 2024 to approximately 14.7% for the six months ended 31 December 2025.

Loss for the period attributable to the shareholders of the Company

As a result of the foregoing, the loss for the period attributable to the shareholders of the Company increased by approximately 222.0% from approximately RMB6.9 million for the six months ended 31 December 2024 to approximately RMB22.4 million for the six months ended 31 December 2025.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquidity position during the period under review. The Group was principally financed by internal resources, bank loans as well as equity financing. As at 31 December 2025, the Group had cash and cash equivalent balance amounting to approximately RMB123.7 million (30 June 2025: approximately RMB120.6 million) and interest-bearing loans amounting to approximately RMB91.0 million (30 June 2025: approximately RMB98.1 million). The current ratio was 1.26 as at 31 December 2025 as compared to 1.31 as at 30 June 2025.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BORROWINGS AND CHARGES OF ASSETS

As at 31 December 2025, the Group's borrowings were approximately RMB91.0 million (30 June 2025: approximately RMB98.1 million), which will be repayable within 1 year. Such loans were all denominated in RMB, and bore an average interest rate of 3.32% per annum (30 June 2025: all denominated in RMB, and bore an average interest rate of 3.32% per annum).

As at 31 December 2025, the banking facilities granted to the Group were secured by property, plant and equipment, investment properties and prepaid land lease payments of the Group amounting to approximately RMB13.0 million and RMB152.8 million and RMB2.6 million, respectively (30 June 2025: approximately RMB13.8 million and RMB157.5 million and RMB2.6 million, respectively).

GEARING RATIO

The gearing ratios as at 31 December 2025 and 30 June 2025 were approximately 18.8% and 19.1%, respectively. The decrease in gearing ratio was mainly attributable to a decrease in the interest-bearing loans from approximately RMB98.1 million as at 30 June 2025 to approximately RMB91.0 million as at 31 December 2025. Based on the gearing ratio as at 31 December 2025, the Group still maintained a good financial position.

Gearing ratio is calculated based on the total interest-bearing loans at the end of the period/year divided by total interest-bearing loans plus total equity at the end of the respective period/year and multiplied by 100%.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group (i) did not perform any material acquisition or disposal of subsidiaries, associates or joint ventures or investments during the six months ended 31 December 2025; and (ii) did not hold any significant investment as at 31 December 2025.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in note 29 to this report, the Group did not have future plans for material investments and capital assets during the six months ended 31 December 2025 and up to the date of this report.

CAPITAL EXPENDITURE

For the six months ended 31 December 2025, the Group had no material capital expenditure.

CAPITAL COMMITMENTS

As at 31 December 2025, the Group had no material capital commitments (30 June 2025: Nil).

CONTINGENT LIABILITIES

Save as disclosed elsewhere in this report, the Group had no material contingent liabilities as at 31 December 2025 (30 June 2025: Nil).

TREASURY POLICY

The Group had a sufficient level of cash and banking facilities for the conduct of its trade in the normal course of business during the six months ended 31 December 2025. The management will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of any future growth opportunities.

FOREIGN CURRENCY RISK

The Group's transactions are mainly denominated in Renminbi ("RMB"), United States Dollars, and Hong Kong Dollars. The exchange rate changes of such currencies were monitored regularly and managed appropriately.

The RMB is not freely convertible. There is a risk that the Chinese government may take actions affecting exchange rates which may have a material adverse effect on the Group's net assets, earnings and any dividends it declares if such dividend is to be exchanged or converted into foreign exchange. The Group will enter into foreign currency forward contracts to manage and reduce the risk involved in the net position in each foreign currency, if necessary.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2025, the Group had 200 employees (30 June 2025: 207 employees), including the Directors. Total staff costs (including Directors' emoluments) for the six months ended 31 December 2025 were approximately RMB26.8 million, as comparable to approximately RMB29.0 million for the six months ended 31 December 2024. The remuneration of employees is determined based on job nature and market conditions, combined with increment on performance appraisal and year-end bonus which are designed to stimulate and award employee's individual performance. In addition to cash compensation and benefits, we may issue share options to our employees in accordance with our equity plans. During the period, the Group continued its commitment to employees' training and development programme.

DISCLOSURE OF INTEREST

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

As at 31 December 2025, the interests and short positions of the Directors and chief executive of the Company in the shares (the “Shares”), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which will have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) required to be notified to the Company and the Stock Exchange, are as follows:

Long positions in the Shares and/or underlying Shares

Name of directors	Capacity/Nature of interest	Number of Shares and/or underlying Shares held	Approximate percentage of shareholdings*
Mr. Chen Hongwei	Beneficial owner	273,000	0.02%
	Beneficial owner	553,359 (Note 1)	0.03%
Mr. Fang Hui	Interest of a controlled corporation	650,331,027 (Note 2)	40.74%
	Beneficial owner	11,100,000	0.70%
Mr. Cai Haifeng	Beneficial owner	553,360 (Note 1)	0.03%
Mr. Heng, Keith Kai Neng	Beneficial owner	332,016 (Note 1)	0.02%
Mr. Yao Yang Yang	Beneficial owner	332,016 (Note 1)	0.02%
Ms. Zhang Dong Fang	Beneficial owner	332,016 (Note 1)	0.02%

Notes:

- These are interests in underlying Shares which represent the interests in share options granted to the respective Director by the Company under the Share Option Scheme. Details of which are shown in the section headed “Share Option Scheme” of this report.
 - The 650,331,027 Shares are registered in the name of Dao He Investment Limited (“Dao He”), a company beneficially owned by Mr. Fang Hui (“Mr. Fang”). Under the SFO, Mr. Fang is deemed to be interested in all the Shares held by Dao He.
- * The percentage has been calculated based on the total number of shares of the Company in issue as at 31 December 2025 (i.e. 1,596,134,067 Shares) and rounded to two decimal places.

DISCLOSURE OF INTEREST *(Continued)*

Save as disclosed above, as at 31 December 2025, none of the Directors of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

As at 31 December 2025, so far as the Directors are aware of, persons/corporations (other than the Directors and the chief executive of the Company) which had interests and short positions in the Shares and underlying Shares of the Company or its associated corporations which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are as follows:

Long positions in the Shares and/or underlying Shares

Name of substantial shareholders	Capacity/Nature of interest	Number of Shares and/or underlying Shares held	Approximate percentage of shareholdings*
Dao He Investment Limited	Beneficial owner	650,331,027 (Note 1)	40.74%
Wealthy Land Investments Group Limited	Having a security interest in shares	123,964,000	7.77%
	Beneficial owner	230,326,400	14.43%
Mr. Yeung Wai	Interest of a controlled corporation	354,290,400 (Note 2)	22.20%
Mr. Yeung Yun Chuen	Interest of a controlled corporation	354,290,400 (Note 2)	22.20%
Mr. Shi Chenghu	Beneficial owner	89,452,000	5.60%

DISCLOSURE OF INTEREST *(Continued)*

Notes:

1. The shares are registered in the name of Dao He, a company beneficially owned by Mr. Fang.
 2. Wealthy Land Investments Group Limited ("Wealthy Land") is owned as to 42.00% by Mr. Yeung Wai and as to 36.00% by Mr. Yeung Yun Chuen. Under the SFO, Mr. Yeung Wai and Mr. Yeung Yun Chuen are deemed to be interested in all the Shares held by Wealthy Land.
- * The percentage has been calculated based on the total number of shares of the Company in issue as at 31 December 2025 (i.e. 1,596,134,067 Shares) and rounded to two decimal places.

Save as disclosed above, as at 31 December 2025, the Directors are not aware of any interests or short positions owned by any persons/corporations (other than the Directors and the chief executive of the Company) in the Shares or underlying Shares of the Company or its associated corporations which are required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under Section 336 of the SFO or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the six months ended 31 December 2025 was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPETING INTERESTS

For the six months ended 31 December 2025, the Directors are not aware of any business or interest of the Directors, the substantial shareholders of the Company or any of their respective associates had engaged in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person has or may have with the Company.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 31 December 2025, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

The Company did not have any treasury shares (as defined under the Listing Rules) as at 31 December 2025 and as at the date of this report.

USE OF PROCEEDS FROM OPEN OFFER

On 18 April 2024, the Group has successfully issued and allotted 532,044,689 new ordinary shares (with a nominal value of HK\$5,320,446.89) at HK\$0.20 per share (a discount of approximately 25.93% over the closing price of HK\$0.27 per share as quoted on the Stock Exchange on 11 March 2024, the latest practicable date, for the prospectus dated 15 March 2024 ("Prospectus") and a discount of approximately 49.37% over the closing price of HK\$0.395 per share as quoted on the Stock Exchange on the date of the underwriting agreement and the placing Agreement, 1 December 2023) through an open offer (the "Open Offer") to existing Shareholders on the basis of one open offer share for every two existing shares held by the qualifying shareholders on 16 February 2024, the record date. The net price per Open Offer share is approximately HK\$0.196. The gross proceeds raised from the Open Offer are approximately HK\$106.0 million and the net proceeds from the Open Offer after deducting the relevant expenses are approximately HK\$104.5 million, which would be used for (i) repayment of bank loans; (ii) the expansion of the Company's industrial automation and other related businesses and the supporting services; and (iii) general working capital of the Company.

The Board believes that it would be in the interest of the Company to raise equity funding via the Open Offer to facilitate long-term development of the Group and to save financial costs to be incurred for the Company's funding needs. In addition, the Open Offer would allow the Company to strengthen its capital base and provide an opportunity to all shareholders (other than the non-qualifying shareholders) to participate in the growth of the Company in proportion to their shareholdings.

OTHER INFORMATION *(Continued)*

The table below sets out the proposed application and the status of utilisation of the net proceeds from the Open Offer as at 31 December 2025:

	Planned	Net proceeds utilised as at 31 December 2025	Net proceeds unutilised as at 31 December 2025
	HK\$'000	HK\$'000	HK\$'000
Repayment of bank loans	68,620	68,620	–
Expansion of the Company's industrial automation and other related businesses and the supporting services	31,380	–	31,380
General working capital	4,500	4,500	–
	104,500	73,120	31,380

As at 31 December 2025, the Group has used the proceeds from the Open Offer of approximately HK\$73.1 million and the unused balance of approximately HK\$31.4 million was currently placed into deposits and/or money market instruments. The remaining unutilised net proceeds was expected to be fully utilised by the end of 2026 for expansion of the Company's industrial automation and other related business and the supporting services. The expected timeline for use of unutilised proceeds is based on the Group's best estimate of future market conditions, subject to current and future changes of market developments.

Details in relation to the Open Offer are disclosed in the Prospectus, the circular of the Company dated 12 January 2024 and the announcements of the Company dated 1 December 2023, 11 April 2024 and 17 April 2024.

OTHER INFORMATION *(Continued)*

2021 PLACING OF NEW SHARES AND SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

On 2 March 2021, the Company and Dao He Investment Limited (the “Subscriber”), a company incorporated in the British Virgin Islands with limited liability, entered into a subscription agreement pursuant to which the Company has agreed to allot and issue, and the Subscriber has agreed to subscribe for, an aggregate of 153,846,153 ordinary shares as subscription shares (with a nominal value of HK\$1,538,461.53) at the subscription price of HK\$0.65 per subscription share, which was already approved at an extraordinary general meeting held on 28 April 2021. The subscription price of HK\$0.65 per subscription share represented a discount of approximately 22.62% to the closing price of HK\$0.84 per share as quoted on the Stock Exchange on the date of the subscription agreement. Taking into account the Company’s expenses for the subscription, the net price was approximately HK\$0.65 per share. On 29 April 2021, Mr. Fang Hui, the ultimate beneficial owner of the Subscriber, was appointed as executive director of the Company.

The net proceeds from the issue of the subscription shares were approximately HK\$100 million. As disclosed in the Company’s announcement dated 2 March 2021 and the circular dated 13 April 2021, the Company intended to utilise the proceeds from such subscription towards the costs of purchasing and leasing plants and machineries for the Dubai Recycling Project. Subsequently, as disclosed in the announcement of the Company dated 8 June 2021, such proceeds would temporarily be used as working capital to purchase waste material for processing and/or re-sale.

As at 31 December 2025, the Group has temporarily used the proceeds from the subscription of approximately HK\$3.8 million as working capital to purchase waste material for processing and/or re-sale and the unused balance of approximately HK\$96.2 million was currently placed into deposits and/or money market instruments. It was expected that the remaining unutilised net proceeds from the subscription would be fully utilised by the end of 2026 for temporary use as working capital for the purchase of waste materials for processing and/or re-sale. The expected timeline for use of unutilised proceeds is based on the Group’s best estimate of future market conditions, subject to current and future changes of market developments.

Details in relation to the subscription of new shares under specific mandate are disclosed in the announcements of the Company dated 2 March 2021, 28 April 2021, 10 May 2021 and 8 June 2021, and the circular of the Company dated 13 April 2021.

OTHER INFORMATION *(Continued)*

USE OF PROCEEDS FROM THE LISTING BY WAY OF PLACING

The shares of the Company were listed on the Stock Exchange on 16 May 2013 (the “Listing Date”) by way of placing, raising total net proceeds of approximately HK\$48.1 million after deducting professional fees, underwriting commissions and other related listing expenses (the “Net Proceeds”).

References are made to (i) the prospectus of the Company dated 9 May 2013 in relation to the listing on the GEM of the Stock Exchange (the “Listing”), which sets out the intended use of the Net Proceeds from the Listing; and (ii) the announcement of the Company dated 23 December 2014 in relation to the transfer of listing from the GEM to the Main Board of the Stock Exchange and (iii) the announcement of the Company dated 31 March 2022 regarding the change in use of the Net Proceeds. Since the Listing Date and up to 31 December 2021, the Company has utilised approximately RMB26.3 million out of the Net Proceeds. The amount of Net Proceeds which remains unutilised (the “Unutilised Net Proceeds”) as at 31 December 2021 was approximately RMB21.8 million. Having carefully considered the business environment and development needs of the Group, on 31 March 2022, the Board has resolved to change the proposed use of the Unutilised Net Proceeds in the amount of approximately RMB21.8 million, which was originally allocated for the purposes of (i) increasing production capacity; (ii) cost saving construction; and (iii) increasing market awareness and image of the Group, to the following purposes: (i) approximately RMB8 million for the repayment of bank loan and other borrowings; (ii) approximately RMB5 million for research and development expenses; and (iii) approximately RMB8.8 million for administrative and management expenses, of which approximately RMB3 million, approximately RMB1.5 million, approximately RMB3 million and approximately RMB1.3 million will be used for salary adjustment of key employees, hiring additional employees, settling legal and professional advisers’ expenses and other corporate purposes, respectively.

OTHER INFORMATION *(Continued)*

Set out below is the original and revised allocation of the Net Proceeds and the actual use of the Net Proceeds from the Listing Date to 31 December 2025:

	Original planned use of the Net Proceeds RMB'000	Reallocation of Unutilised Net Proceeds as at 31 March 2022 RMB'000	Revised use of the Net Proceeds RMB'000	Actual use of Net Proceeds from the Listing Date to 31 December 2025 RMB'000	Unused Net Proceeds as at 31 December 2025 RMB'000
Increase production capacity	23,521	(5,222)	18,299	18,299	–
Cost saving construction	15,709	(15,709)	–	–	–
Continuous product development and innovation	5,208	–	5,208	5,208	–
Increase market awareness and image of the Group	3,385	(869)	2,516	2,516	–
Improve the current information management system	260	–	260	260	–
Repayment of bank loan and other borrowings	–	8,000	8,000	8,000	–
Research and development expenses	–	5,000	5,000	5,000	–
Administrative and management expenses					
— Salary adjustment for key employees	–	3,000	3,000	3,000	–
— Hiring of additional employees	–	1,500	1,500	1,500	–
— Legal and professional advisers' expenses	–	3,000	3,000	3,000	–
— Other general corporate purposes	–	1,300	1,300	1,300	–
	48,083	–	48,083	48,083	–

As at 31 December 2025, the Group had fully utilised all Net Proceeds on the manner as set out above.

OTHER INFORMATION *(Continued)*

SHARE OPTION SCHEME

A share option scheme of the Company (the “Share Option Scheme”) was approved and adopted by the shareholders of the Company at its extraordinary general meeting held on 10 February 2022 (the “Adoption Date”).

During the six months ended 31 December 2025 and as at the date of this report, no Share Options were granted and exercised under the Share Option Scheme.

As at 31 December 2025, the total number of ordinary shares that may be issued in respect of which Share Options had been granted and remained outstanding under the Share Option Scheme amounting of 33,976,285 divided by the weighted average number of shares of the relevant class in issue amounting of 1,596,134,067 Shares (excluding treasury shares) was approximately 2.13%. The exercise price of the Share Options granted under the Share Option Scheme is HK\$0.461 per share. The number of Share Options available for grant under the Share Option Scheme mandate as at 1 July 2025 and 31 December 2025 was 52,734,137 and 52,734,137, respectively.

The principal terms of the Share Option Scheme and details of the grant of Share Options are set out in the circular of the Company dated 21 January 2022 and the announcement of the Company dated 31 May 2022.

OTHER INFORMATION *(Continued)*

Particulars of the movement of the Share Options held by the Directors and employees of the Group during the six months ended 31 December 2025 were as follows:

Name or category of participants	Date of Grant <i>(Note b)</i>	Exercise price <i>(Note a)</i>	Vesting & exercise period	At 1 July 2025	Granted during the period	Number of share options			At 31 December 2025
						Exercised during the period	Lapsed/ Forfeited during the period	Cancelled during the period	
Directors									
Mr. Chen Hongwei	31 May 2022	HK\$0.461	<i>Note b</i>	553,359	-	-	-	-	553,359
Mr. Cai Haifeng	31 May 2022	HK\$0.461	<i>Note b</i>	553,360	-	-	-	-	553,360
Mr. Heng, Keith Kai Neng	31 May 2022	HK\$0.461	<i>Note b</i>	332,016	-	-	-	-	332,016
Mr. Yao Yang Yang	31 May 2022	HK\$0.461	<i>Note b</i>	332,016	-	-	-	-	332,016
Ms. Zhang Dong Fang	31 May 2022	HK\$0.461	<i>Note b</i>	332,016	-	-	-	-	332,016
Other Employees	31 May 2022	HK\$0.461	<i>Note b</i>	31,939,921	-	-	(66,403)	-	31,873,518
In aggregate				34,042,688	-	-	(66,403)	-	33,976,285

Notes:

(a) On 18 April 2024, the Group has successfully issued and allotted 532,044,689 new ordinary shares at HK\$0.20 per share through an open offer (the "Open Offer") to existing Shareholders on the basis of one open offer share for every two existing shares held by the qualifying shareholders on 16 February 2024, the record date. Pursuant to the terms and conditions of the Share Option Scheme and the Listing Rules, the exercise price and the number of Shares to be issued upon exercise of the outstanding Share Options were adjusted immediately after the completion of the Open Offer (i.e. 18 April 2024). Save for the above adjustments, all other terms and conditions of the outstanding Share Options granted under the Share Option Scheme remain unchanged.

(b) The validity period of the Share Options granted on 31 May 2022 is from 31 May 2022 to 30 May 2032.

The Share Options granted on 31 May 2022 shall be vested and are exercisable in the following manners:

- (i) 30% of the Share Options may be exercisable at any time commencing from the Date of Grant up to 30 May 2032;
- (ii) 30% of the Share Options and the first 30% of the Share Options which are yet to be exercised may be exercisable at any time commencing from 31 May 2023 up to 30 May 2032; and
- (iii) the remaining 40% of the Share Options and the first 60% of the Share Options which are yet to be exercised may be exercisable at any time commencing from 31 May 2024 up to 30 May 2032.

The closing price of the Company's shares immediately before the date on which the Share Options were granted was HK\$0.49 per share.

OTHER INFORMATION *(Continued)*

If all such Share Options were exercised, there would be a dilution effect on the shareholdings of shareholders of approximately 2.08% as at 31 December 2025.

The estimated value of the Share Options granted under the Share Option Scheme, calculated using the binomial lattice model, as at the Date of Grant of the Share Options was approximately HK\$9,034,000.

The binomial lattice model is a generally accepted method of valuing options. The significant assumptions used in the calculation of the values of the Share Options were risk-free rate of interest, dividend yield, volatility and early exercise multiple. The measurement date used in the valuation calculations was the date on which the options were granted.

Share price (HK\$)	0.51
Exercise price (HK\$)	0.51
Expected volatility (%)	70.1
Expected dividend yield (%)	0.0
Risk-free interest rate (%)	2.8

The expected volatility is based on the historical volatility (calculated based on the expected life of the share options), adjusted for any expected changes to future volatility due to public available information. The expected dividends are based on historical dividends. The risk-free interest rate is based on the yield of Hong Kong Exchange Fund Notes with a maturity life equal to the life of the share option.

The fair value calculated for the Share Options is inherently subjective due to the assumptions made and the limitations of the model utilised.

OTHER INFORMATION *(Continued)*

LEGAL PROCEEDINGS

(a) *Hubei Industrial*

Zhejiang Huazhang Technology Limited (“Zhejiang Huazhang”), a wholly owned subsidiary of the Company, received a first instance judgment (the “Judgment”) dated 24 December 2021 handed down by the Intermediate People’s Court of Chuxiong Yi Autonomous Prefecture of Yunnan Province (雲南省楚雄彝族自治州中級人民法院) (the “Court”) in the PRC in relation to a contractual dispute between Hubei Industrial Construction Group Installation Engineering Company Limited (湖北省工業建築集團安裝工程有限公司) (“Plaintiff”) as plaintiff and Yunnan Yunhong Paper Company Limited (雲南雲泓紙業有限公司) as defendant. Zhejiang Huazhang was also named as a co-defendant in the legal proceedings.

Zhejiang Huazhang had lodged an appeal application (the “Appeal Application”) with the Higher People’s Court of Yunnan Province (雲南省高級人民法院) (the “Appeal Court”) against the Judgment. The Appeal Application approved on 22 August 2022 whereby the Appeal Court ordered, among other things, to set aside the initial Judgement. However, the order made on 12 January 2022 to freeze the aggregate amount of approximately RMB37.6 million in the bank accounts remains in effect.

On 20 December 2023, the Court accepted the Plaintiff’s request to continue to freeze certain bank accounts of Zhejiang Huazhang to the amount of approximately RMB37.6 million for an additional year.

On 28 June 2024, Zhejiang Huazhang received a judgment from the courts for the retrial of the first instance case in which the courts awarded the Plaintiff compensation for breach of contract in the amount of RMB32,994,295 which had already been recognised in the consolidated financial statements. A retrial of the second instance case or appeal commenced in August 2024.

On 1 November 2024, Zhejiang Huazhang received the final verdict of the first instance case in which the courts awarded the Plaintiff compensation for breach of contract in the amount of RMB28,516,975. The Group settled the amount on 11 November 2024. Based on the final verdict, an over-provision of RMB4,477,320 was recognised in the six months ended 31 December 2024 and the related restricted bank deposit was released.

Details of the legal proceedings were set out in the Company’s announcements dated 21 January 2022 and 9 September 2022.

OTHER INFORMATION *(Continued)*

(b) Shanghai Kunde

Zhejiang Huazhang, a wholly-owned subsidiary of the Company, received a Civil Judgment dated 31 October 2025 handed down by the Jinzhong Intermediate People's Court of Shanxi Province (山西省晉中市中級人民法院) in the PRC in relation to a contractual dispute between Shanghai Kunde Construction Engineering Co., Limited (上海坤德建設工程有限公司) as plaintiff and Zhejiang Huazhang as defendant. Zhejiang Huazhang shall pay the outstanding project payment of RMB1,124,100 and accrued interest of RMB135,484 under the construction contract of this case. The property preservation application from plaintiff to freeze the aggregate amount of approximately RMB1,259,584 in the bank accounts approved. Management expects the cases to be concluded and the amounts becoming unrestricted within 12 months.

The above legal proceedings had no material adverse impact on the business operation and financials of the Group.

CORPORATE GOVERNANCE PRACTICES

The Board reported that the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Part 2 of Appendix C1 to the Listing Rules for the six months ended 31 December 2025, except the following deviation:

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing. Mr. Fang Hui was appointed as the chairman of the Board from 3 May 2024. Following the resignation of Mr. Wang Ai Yan as an executive Director and the Chief Executive Officer (the "CEO") of the Company on 1 December 2022, the Company has not appointed an individual to take up the vacancy of the CEO. The role and function of the CEO have been performed by all the executive Directors collectively.

OTHER INFORMATION *(Continued)*

The daily operation and management of the Company is monitored by the executive directors as well as the senior management. The Board is of the view that the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting operation of the Company. The Board has been nevertheless reviewing the structure and composition of the Board from time to time in light of prevailing circumstances.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code for the six months ended 31 December 2025 and they all confirmed that they have fully complied with the required standard set out in the Model Code.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 31 December 2025 (six months ended 31 December 2024: Nil).

AUDIT COMMITTEE

The audit committee (the “Audit Committee”) of the Company was established on 6 May 2013. The Audit Committee consists of three independent non-executive Directors namely, Mr. Heng, Keith Kai Neng, Mr. Yao Yang Yang and Ms. Zhang Dong Fang. The Audit Committee is chaired by Mr. Heng, Keith Kai Neng.

The Audit Committee has reviewed and discussed with the management about the accounting principles and practices adopted by the Group, and has reviewed the Group’s unaudited interim condensed consolidated financial statements for the six months ended 31 December 2025 and the interim report.

By order of the Board
Huazhang Technology Holding Limited
Fang Hui
Chairman and executive Director

Hong Kong, 26 February 2026

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 31 December	
		2025 (Unaudited) RMB	2024 (Unaudited) RMB
REVENUE	6	151,449,911	195,645,329
Cost of sales		(117,810,497)	(155,031,902)
Gross profit		33,639,414	40,613,427
Selling and distribution expenses		(7,395,701)	(5,340,346)
Administrative expenses		(27,265,702)	(30,595,167)
Research and development expenses		(22,385,847)	(21,029,293)
Net impairment losses on financial and contract assets		(1,040,244)	(429,556)
Other income and gains, net	7	4,995,864	10,702,457
OPERATING LOSS		(19,452,216)	(6,078,478)
Finance income		707,829	1,358,070
Finance costs		(2,473,391)	(1,296,245)
Finance cost — net	8	(1,765,562)	61,825
LOSS BEFORE INCOME TAX	9	(21,217,778)	(6,016,653)
Income tax expense	10	(1,004,709)	(797,739)
LOSS FOR THE PERIOD		(22,222,487)	(6,814,392)
(Loss)/profit attributable to:			
— Shareholders of the Company		(22,361,733)	(6,944,670)
— Non-controlling interests		139,246	130,278
		(22,222,487)	(6,814,392)
LOSS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY			
— Basic loss per share	12	(1.40)	(0.44)
— Diluted loss per share	12	(1.40)	(0.44)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 31 December	
	2025 (Unaudited) RMB	2024 (Unaudited) RMB
LOSS FOR THE PERIOD	(22,222,487)	(6,814,392)
OTHER COMPREHENSIVE INCOME/(LOSS) <i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	734,664	(1,028,740)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	734,664	(1,028,740)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(21,487,823)	(7,843,132)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO:		
— Shareholders of the Company	(21,627,069)	(7,973,410)
— Non-controlling interests	139,246	130,278
	(21,487,823)	(7,843,132)

The notes on pages 39 to 78 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2025 (Unaudited) RMB	As at 30 June 2025 (Audited) RMB
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	27,672,302	29,587,403
Other right-of-use assets	14	2,517,705	3,709,665
Investment properties	15	152,846,030	157,514,608
Prepaid land lease payments	16(i)	2,551,680	2,603,881
Other intangible assets	16(ii)	952,728	1,389,326
Goodwill	17	29,306,413	29,306,413
Trade and other receivables	19(i)	52,069,266	52,869,266
Prepayments	19(iii)	111,011	117,542
Deferred tax assets		1,300,603	1,300,603
		269,327,738	278,398,707
CURRENT ASSETS			
Inventories	18	194,040,001	151,266,452
Trade and other receivables	19(i)	160,514,390	172,467,633
Contract assets	19(ii)	40,809,957	51,669,827
Prepayments	19(iii)	120,871,941	72,916,013
Financial assets at fair value through other comprehensive income		35,575,563	45,780,051
Financial assets at fair value through profit or loss ("FVTPL")		3,930,362	9,398,036
Bank fixed deposits	20	24,979,279	49,822,287
Pledged deposits	20	9,513,281	8,181,215
Restricted deposits	20	1,259,584	–
Cash and cash equivalents	20	123,700,461	120,616,516
		715,194,819	682,118,030
Total assets		984,522,557	960,516,737
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax liabilities		4,340,190	4,365,674
Deferred income	23	16,762,500	17,437,500
Lease liabilities	14	685,781	1,355,888
		21,788,471	23,159,062

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	As at 31 December 2025 (Unaudited) RMB	As at 30 June 2025 (Audited) RMB
CURRENT LIABILITIES			
Trade and other payables	21	248,575,772	233,372,293
Contract liabilities		222,355,999	184,134,471
Interest-bearing loans	22	91,000,000	98,080,918
Income tax payable		5,152,051	4,020,082
Lease liabilities	14	1,585,008	2,196,832
		568,668,830	521,804,596
Total liabilities		590,457,301	544,963,658
NET ASSETS			
EQUITY			
Share capital	24	13,824,333	13,824,333
Share premium	24	754,015,624	754,015,624
Other reserves	25	136,495,498	129,999,261
Accumulated losses		(512,306,470)	(484,183,164)
Capital and reserves attributable to the shareholders of the Company		392,028,985	413,656,054
Non-controlling interests		2,036,271	1,897,025
Total equity		394,065,256	415,553,079

The notes on pages 39 to 78 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the shareholders of the Company					Non-controlling interests RMB	Total equity RMB
	Share capital RMB	Share premium RMB	Other reserves RMB (Note 25)	Accumulated losses RMB	Total RMB		
Balance at 1 July 2025 (audited)	13,824,333	754,015,624	129,999,261	(484,183,164)	413,656,054	1,897,025	415,553,079
(Loss)/profit for the period	-	-	-	(22,361,733)	(22,361,733)	139,246	(22,222,487)
Other comprehensive income	-	-	734,664	-	734,664	-	734,664
Total comprehensive income/(loss) for the period	-	-	734,664	(22,361,733)	(21,627,069)	139,246	(21,487,823)
Profit appropriation to statutory reserves	-	-	5,775,141	(5,775,141)	-	-	-
Forfeited share options	-	-	(13,568)	13,568	-	-	-
Balance at 31 December 2025 (unaudited)	13,824,333	754,015,624	136,495,498	(512,306,470)	392,028,985	2,036,271	394,065,256
Balance at 1 July 2024 (audited)	13,824,333	754,015,624	125,793,063	(462,382,400)	431,250,620	(6,373,184)	424,877,436
(Loss)/profit for the period	-	-	-	(6,944,670)	(6,944,670)	130,278	(6,814,392)
Other comprehensive loss	-	-	(1,028,740)	-	(1,028,740)	-	(1,028,740)
Total comprehensive (loss)/income for the period	-	-	(1,028,740)	(6,944,670)	(7,973,410)	130,278	(7,843,132)
Acquisition of additional interest in a subsidiary	-	-	-	(6,239,204)	(6,239,204)	6,239,204	-
Capital contribution from non-controlling interest	-	-	-	-	-	2,000,000	2,000,000
Forfeited share options	-	-	(68,807)	68,807	-	-	-
Balance at 31 December 2024 (unaudited)	13,824,333	754,015,624	124,695,516	(475,497,467)	417,038,006	1,996,298	419,034,304

The notes on pages 39 to 78 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the six months ended 31 December	
		2025 (Unaudited) RMB	2024 (Unaudited) RMB
Operating activities			
Cash generate from/(used in) operations		2,132,883	(22,551,854)
Income tax refunded/(paid)		67,973	(2,753,214)
Net cash inflow/(outflow) from operating activities		2,200,856	(25,305,068)
Investing activities			
Purchase of property, plant and equipment	13	(133,011)	(87,731)
Purchase of other intangible assets	16(ii)	(142,035)	(185,134)
Decrease in bank fixed deposit		24,843,008	–
Proceeds from disposal of property, plant and equipment		22,110	–
Purchase of investments in futures at FVTPL		(3,607,703)	–
Proceeds from sale of investments in futures at FVTPL		3,260,420	2,861,136
Purchase of investments in fund at FVTPL		(1,863,528)	–
Acquisition of creditor's rights	19(i)	(20,000,000)	–
Dividend received from investments in fund		6,794	–
Interest received	8	707,829	1,050,495
Net cash inflow from investing activities		3,093,884	3,638,766
Financing activities			
Proceeds from interest-bearing loans		–	48,020,000
Repayment of interest-bearing loans		–	(34,000,000)
Interest paid	8	(1,798,496)	(1,296,245)
Capital contribution from non-controlling in interest		–	2,000,000
Principal elements of lease payments		(1,240,990)	(937,461)
Net cash (outflow)/inflow from financing activities		(3,039,486)	13,786,294

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	Notes	For the six months ended 31 December	
		2025 (Unaudited) RMB	2024 (Unaudited) RMB
Net increase/(decrease) in cash and cash equivalents		2,255,254	(7,880,008)
Cash and cash equivalents at beginning of the period	20	120,616,516	96,450,667
Effect of exchange rate changes on cash and cash equivalent		828,691	(3,525,479)
Cash and cash equivalents at end of the period	20	123,700,461	85,045,180

The notes on pages 39 to 78 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2025

1 GENERAL INFORMATION

The Company was incorporated on 26 June 2012 in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in the research and development, manufacture and sale of industrial products, project contracting services, environmental products and the provision of supporting services in the People's Republic of China (the "PRC").

These condensed consolidated interim financial statements are presented in Renminbi Yuan ("RMB"), unless otherwise stated. These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 26 February 2026.

These condensed consolidated interim financial statements have not been audited.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 31 December 2025 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2025, which have been prepared in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants except for the adoption of new and amended standards as disclosed in Note 3.1.

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2025, as described in those annual financial statements.

3.1 *New and amended standards adopted by the Group*

The Group has applied the new standards, amendments to standards and interpretation that has been issued and effective for the annual reporting period commencing 1 July 2025. The adoption of these new standards and amendments to standards has no material impact on the Group's results and financial position.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2025

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)***3.2 New standards, amendments and interpretations not yet adopted by the Group**

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective.

Standards, amendments and interpretations	Key requirements	Effective for annual periods beginning on or after
HKFRS 9 and HKFRS 7 (Amendments)	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 9 and HKFRS 7 (Amendments)	Contracts: Referencing Nature — dependent Electricity	1 January 2026
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Annual Improvements to HKFRS Accounting Standards 2024	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027

The Directors are in the process of assessing the possible impact on the future adoption of the new and amendments to HKFRS Accounting Standards, but are not yet in a position to reasonably estimate their impact on the Group's condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2025

4 ESTIMATE

The preparation of condensed consolidated interim financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 30 June 2025.

5 FINANCIAL RISK MANAGEMENT**5.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focus on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2025.

There have been no significant changes in any risk management policies since the last reporting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2025

6 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable and operating segments as follows:

Industrial products — sales and manufacturing of industrial automation systems and headboxes;

Project contracting services — provision of design, procurement of parts, installation and project management services of production line in paper production factories;

Environmental products — provision of total wastewater treatment solution to customers including sales of sludge treatment products;

Supporting services — including after-sales and machine running services, warehouse and logistic services, supply chain services, rental income and renovation services; and

Property investment — rental income from investment properties and achieves gain from the appreciation in the properties' values in the long term. During the year ended 30 June 2025, the Group's chief operating decision maker began regularly reviewing the property investment business, and as a result, it has been identified as a new reportable segment, the segment data for the six months ended 31 December 2024 presented for comparative purposes have been restated to reflect the newly reportable segment as a separate segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that common administrative expenses, other income and gains, net, finance costs, net and income tax expense are excluded from such measurement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

6 SEGMENT INFORMATION (Continued)

The segment results for the six months ended 31 December 2025 (unaudited):

	Industrial products RMB	Project contracting services RMB	Environmental products RMB	Supporting services RMB	Property investment RMB	Total RMB
Segment revenue from external customers within the scope of HKFRS 15						
Sales of industrial products	87,354,414	-	-	-	-	87,354,414
Provision of project contracting services	-	33,437,304	-	-	-	33,437,304
Provision of after sales and machine running services	-	-	-	18,627,010	-	18,627,010
Provision of sludge treatment products	-	-	11,109,026	-	-	11,109,026
Revenue from other sources						
Rental income from investment properties	-	-	-	-	922,157	922,157
Total segment revenue	87,354,414	33,437,304	11,109,026	18,627,010	922,157	151,449,911
Timing of revenue recognition						
At a point in time	87,354,414	-	11,109,026	18,627,010	-	117,090,450
Over time	-	33,437,304	-	-	922,157	34,359,461
Total segment revenue	87,354,414	33,437,304	11,109,026	18,627,010	922,157	151,449,911
Segment cost of sales	(69,719,632)	(17,385,621)	(8,254,644)	(18,425,953)	(4,024,647)	(117,810,497)
Segment gross profit	17,634,782	16,051,683	2,854,382	201,057	(3,102,490)	33,639,414
Segment results	3,643,083	5,560,676	(5,764,173)	(6,844,584)	(4,279,504)	(7,684,502)
Common administrative expenses						(14,436,120)
Other income and gains, net						2,668,406
Finance costs, net (Note 8)						(1,765,562)
Loss before income tax						(21,217,778)
Income tax expense						(1,004,709)
Loss for the period						(22,222,487)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

6 SEGMENT INFORMATION (Continued)

Other segment information:

	Industrial products RMB	Project contracting services RMB	Environmental products RMB	Supporting services RMB	Property investment RMB	Unallocated RMB	Total RMB
Capital expenditure	65,187	33,603	15,502	160,754	-	-	275,046
Depreciation of property, plant and equipment	579,597	498,428	396,094	350,397	197,480	-	2,021,996
Depreciation of other right-of-use assets	-	-	-	-	-	1,153,858	1,153,858
Depreciation of investment properties	-	-	-	-	4,668,578	-	4,668,578
Gain on disposal and write off of property, plant and equipment	(3,317)	(3,275)	(429)	(1,825)	-	-	(8,846)
Net impairment loss on financial and contract assets	390,057	385,167	50,454	214,566	-	-	1,040,244
Amortisation of prepaid land lease payments	14,816	-	19,658	-	-	17,727	52,201
Amortisation of other intangible assets	573,269	-	-	-	5,364	-	578,633
Reversal of allowance for inventories	(1,130,626)	(813,808)	(196,880)	(758,074)	-	-	(2,899,388)
Loss on disposal of investments in futures at FVTPL	-	-	-	-	-	573,378	573,378
Loss on acquisition of creditor's rights	-	-	-	-	-	2,008,543	2,008,543
Dividend income from investments in fund	-	-	-	-	-	(6,794)	(6,794)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

6 SEGMENT INFORMATION (Continued)

The segment results for the six months ended 31 December 2024, restated (unaudited):

	Industrial products RMB	Project contracting services RMB	Environmental products RMB	Supporting services RMB	Property investment RMB	Total RMB
Segment revenue from external customers within the scope of HKFRS 15						
Sales of industrial products	108,812,365	-	-	-	-	108,812,365
Provision of project contracting services	-	54,352,034	-	-	-	54,352,034
Provision of after sales and machine running services	-	-	-	27,979,638	-	27,979,638
Provision of sludge treatment products	-	-	1,504,042	-	-	1,504,042
Revenue from other sources						
Rental income from investment properties	-	-	-	-	2,997,250	2,997,250
Total segment revenue	108,812,365	54,352,034	1,504,042	27,979,638	2,997,250	195,645,329
Timing of revenue recognition						
At a point in time	108,812,365	-	-	27,979,638	-	136,792,003
Over time	-	54,352,034	1,504,042	-	2,997,250	58,853,326
Total segment revenue	108,812,365	54,352,034	1,504,042	27,979,638	2,997,250	195,645,329
Segment cost of sales	(84,511,934)	(43,305,485)	(378,143)	(22,382,757)	(4,453,583)	(155,031,902)
Segment gross profit	24,300,431	11,046,549	1,125,899	5,596,881	(1,456,333)	40,613,427
Segment results	5,984,945	(864,963)	504,114	(6,047,270)	(2,614,228)	(3,037,402)
Common administrative expenses						(13,560,907)
Other income and gains, net						10,519,831
Finance costs, net (Note 8)						61,825
Loss before income tax						(6,016,653)
Income tax expense						(797,739)
Loss for the period						(6,814,392)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

6 SEGMENT INFORMATION (Continued)

Other segment information:

	Industrial products RMB	Project contracting services RMB	Environmental products RMB	Supporting services RMB	Property investment RMB	Unallocated RMB	Total RMB
Capital expenditure	45,713	-	-	227,152	-	-	272,865
Depreciation of property, plant and equipment	500,072	515,610	337,106	338,164	1,011,222	-	2,702,174
Depreciation of other right-of-use assets	-	-	-	-	-	735,004	735,004
Depreciation of investment properties	-	-	-	-	2,557,863	155,371	2,713,234
Loss on write off of property, plant and equipment	1,455	1,415	36	728	-	-	3,634
Net impairment loss on financial and contract assets	137,416	167,397	4,218	120,525	-	-	429,556
Amortisation of prepaid land lease payments	53,193	-	70,576	-	668,210	63,646	855,625
Amortisation of other intangible assets	1,023,925	-	-	87,912	5,364	-	1,117,201
Allowance for inventories	2,762,268	3,364,922	84,782	1,732,213	-	-	7,944,185
Gain on disposal of financial assets at FVTPL	-	-	-	-	-	(2,614,822)	(2,614,822)

Note: There were no inter-segment sales during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2025

7 OTHER INCOME AND GAINS, NET

	For the six months ended	
	31 December	
	2025	2024
	(Unaudited)	(Unaudited)
	RMB	RMB
Government grants	1,931,862	1,773,139
Other tax refund	2,653,516	2,324,493
Rental income	411,984	182,626
Dividend income from investments in fund	6,794	–
Gain on disposal and write off of property, plant and equipment	8,846	–
Bad debts recovered	1,892,163	–
Loss on acquisition of creditor's rights <i>(Note 19 (i))</i>	(2,008,543)	–
(Loss)/gain on disposal of investments in futures at FVTPL	(573,378)	2,614,822
Over provision for claims, net <i>(Note i)</i>	–	4,477,320
Write back of trade and other payables	87,819	–
Others	584,801	(669,943)
	4,995,864	10,702,457

Notes:

- (i) Zhejiang Huazhang Technology Limited ("Zhejiang Huazhang") received a judgment from the courts dated 1 November 2024 for the final verdict of the first instance case. The judgment awarded claims amounting to RMB28,516,975 to be paid by Zhejiang Huazhang to the plaintiff. Based on this judgment, an over provision of RMB4,477,320 was recognised in the six months ended 31 December 2024.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

8 FINANCE COSTS — NET

	For the six months ended 31 December	
	2025 (Unaudited) RMB	2024 (Unaudited) RMB
Finance income		
Exchange gains, net	–	307,575
Interest income	707,829	1,050,495
	707,829	1,358,070
Finance costs		
Interest on loans	(1,619,252)	(1,188,263)
Interest paid for overdue trade payables	(7,185)	–
Interest paid/payable for lease liabilities	(172,059)	(107,982)
Exchange losses, net	(674,895)	–
	(2,473,391)	(1,296,245)
Finance costs — net	(1,765,562)	61,825

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

9 LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after (crediting)/charging:

	For the six months ended 31 December	
	2025	2024
	(Unaudited) RMB	(Unaudited) RMB
(Reversal of)/allowance for inventories	(2,899,388)	7,944,185
Employee benefit expenses	26,825,734	29,005,420
Cost of inventories	109,731,706	123,905,584
Depreciation of property, plant and equipment	2,021,996	2,702,174
Professional service fees	3,710,295	3,681,582
Depreciation of investment properties	4,668,578	2,713,234
Amortisation of other intangible assets	578,633	1,117,201
Depreciation of other right-of-use assets	1,153,858	735,004
Amortisation of prepaid land lease payments	52,201	855,625
Loss on write off of property, plant and equipment	–	3,634

10 INCOME TAX EXPENSE

	For the six months ended 31 December	
	2025	2024
	(Unaudited) RMB	(Unaudited) RMB
Current income tax		
PRC enterprise income tax	1,063,996	681,244
Deferred income tax	(59,287)	116,495
Income tax expense	1,004,709	797,739

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2025

10 INCOME TAX EXPENSE *(Continued)*

PRC enterprise income tax ("EIT")

EIT is provided on the assessable income of entities within the Group incorporated in the PRC. Pursuant to the PRC Enterprise Income Tax Law (the "New EIT Law"), the EIT of companies established in the PRC is unified at 25%, effective from 1 January 2008.

The applicable EIT rate of Zhejiang Huazhang is 25% according to the EIT Law. Under the relevant regulations of the EIT Law, Zhejiang Huazhang had obtained the qualification of High and New Technology Enterprise in the calendar year of 2020 with a validation period of three years and extended in December 2023 for a further three years. The applicable EIT rate of Zhejiang Huazhang is 15% from December 2023 till November 2026. Thus the applicable income tax rate for Zhejiang Huazhang was 15% for the six months ended 31 December 2025 (six months ended 31 December 2024: 15%).

The applicable EIT rate of Hangzhou Haorong Technology Co., Ltd ("Haorong") is 25% according to the EIT Law. Under the relevant regulations of the EIT Law, Haorong qualified as a Small and micro-profit enterprises from January 2023 to December 2027. Thus the applicable income tax rate for Haorong was 5% for the six months ended 31 December 2025 (six months ended 31 December 2024: 5%).

11 DIVIDENDS

No dividends was paid during the six months ended 31 December 2025 (six months ended 31 December 2024: nil).

The Board resolved not to declare any interim dividend for the six months ended 31 December 2025 (six months ended 31 December 2024: nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2025

12 LOSS PER SHARE

The calculation of the basic loss per share amount is based on the loss for the period attributable to the shareholders of the Company and the weighted average number of ordinary shares of 1,596,134,067 (six months ended 31 December 2024: 1,596,134,067) which represents the shares in issue during the period.

The Company has one (2024: one) potential dilutive ordinary shares: share options (2024: share options). The diluted loss per share is same as the basic loss per share as these potential ordinary shares would have anti-dilutive effect for the six months ended 31 December 2025 and 2024.

	For the six months ended 31 December	
	2025	2024
	(Unaudited)	(Unaudited)
	RMB	RMB
Basic and diluted Loss		
Loss attributable to the shareholders of the Company	(22,361,733)	(6,944,670)
Number of shares		
Weighted average number of ordinary shares in issue during the period	1,596,134,067	1,596,134,067
Basic and diluted loss per share <i>(RMB cents)</i>	(1.40)	(0.44)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB	Machinery and vehicles RMB	Furniture, fittings and equipment RMB	Total RMB
Six months ended				
31 December 2025				
Opening net carrying amount as at 1 July 2025 (Audited)	24,907,343	3,237,509	1,442,551	29,587,403
Additions	–	–	133,011	133,011
Disposals	–	(12,521)	–	(12,521)
Write-off	–	(743)	–	(743)
Depreciation charge	(1,348,774)	(463,245)	(209,977)	(2,021,996)
Exchange difference	(6,710)	(4,760)	(1,382)	(12,852)
Closing net carrying amount as at 31 December 2025 (Unaudited)	23,551,859	2,756,240	1,364,203	27,672,302
Six months ended				
31 December 2024				
Opening net carrying amount as at 1 July 2024 (Audited)	48,626,174	4,127,276	1,727,044	54,480,494
Additions	–	15,044	72,687	87,731
Write-off	–	–	(3,634)	(3,634)
Depreciation charge	(2,019,630)	(462,069)	(220,475)	(2,702,174)
Exchange difference	7,309	4,485	1,714	13,508
Closing net carrying amount as at 31 December 2024 (Unaudited)	46,613,853	3,684,736	1,577,336	51,875,925

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

14 LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the condensed consolidated statement of financial position

The condensed consolidated statement of financial position shows the following amounts relating to leases:

	As at 31 December 2025 (Unaudited) RMB	As at 30 June 2025 (Audited) RMB
Right-of-use assets		
Properties	2,517,705	3,709,665
Prepaid land lease payments (Note 16(i))	2,551,680	2,603,881
	5,069,385	6,313,546
Lease liabilities		
Within one year	1,585,008	2,196,832
Within a period of more than one year but not more than two years	685,781	1,355,888
	2,270,789	3,552,720
Less: Amount due for settlement within 12 months shown under current liabilities	(1,585,008)	(2,196,832)
Amount due for settlement after 12 months shown under non-current liabilities	685,781	1,355,888

No additions to the right-of-use assets during the six months ended 31 December 2025 (year ended 30 June 2025: RMB3,640,717).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

14 LEASES (Continued)**(ii) Amounts recognised in the condensed consolidated statement of profit or loss**

The condensed consolidated statement of profit or loss shows the following amounts relating to leases:

	For the six months ended 31 December	
	2025 (Unaudited) RMB	2024 (Unaudited) RMB
Depreciation charge of right-of-use assets		
Buildings	1,153,858	735,004
Prepaid land lease payments	52,201	855,625
	1,206,059	1,590,629
Interest expense	172,059	107,982
Expense relating to short-term leases	1,413,049	937,461

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

15 INVESTMENT PROPERTIES

	Investment properties
	RMB
Six months ended 31 December 2025	
Opening net carrying amount as at 1 July 2025 (Audited)	157,514,608
Depreciation charge	(4,668,578)
Closing net carrying amount as at 31 December 2025 (Unaudited)	152,846,030
Six months ended 31 December 2024	
Opening net carrying amount as at 1 July 2024 (Audited)	78,082,033
Depreciation charge	(2,713,234)
Closing net carrying amount as at 31 December 2024 (Unaudited)	75,368,799

16 PREPAID LAND LEASE PAYMENTS AND OTHER INTANGIBLE ASSETS**(i) Prepaid land lease payments**

	Six months ended 31 December	
	2025	2024
	(Unaudited)	(Unaudited)
	RMB	RMB
Opening net carrying amount	2,603,881	70,329,672
Amortisation charge	(52,201)	(855,625)
Closing net carrying amount	2,551,680	69,474,047

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

16 PREPAID LAND LEASE PAYMENTS AND OTHER INTANGIBLE ASSETS

(Continued)

(ii) Other intangible assets

	Patents RMB	Software RMB	Total RMB
Six months ended 31 December 2025			
Opening net carrying amount as at 1 July 2025 (Audited)	511,962	877,364	1,389,326
Additions	–	142,035	142,035
Amortisation charge	(511,962)	(66,671)	(578,633)
Closing net carrying amount as at 31 December 2025 (Unaudited)	–	952,728	952,728
Six months ended 31 December 2024			
Opening net carrying amount as at 1 July 2024 (Audited)	2,559,812	850,994	3,410,806
Additions	–	185,134	185,134
Amortisation charge	(1,023,925)	(93,276)	(1,117,201)
Closing net carrying amount as at 31 December 2024 (Unaudited)	1,535,887	942,852	2,478,739

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

17 GOODWILL

	Headbox business	Others	Total
	RMB	RMB	RMB
Opening net carrying amount as at 1 July 2024 (Audited)	29,306,413	596,370	29,902,783
Disposal	–	(596,370)	(596,370)
Closing net carrying amount as at 30 June 2025 (audited) and 31 December 2025 (unaudited)	29,306,413	–	29,306,413

Goodwill of the Group mainly arose from the acquisition of Hangzhou Haorong Technology Co., Ltd (“Haorong”) and Hangzhou MCN Paper Tech Co., Ltd (“MCN”) (together, the “MCN Group”) in 2017 which represent the group of cash generating unit (“CGU”) in the headbox business.

MCN

MCN is a company established under the laws of the PRC and principally engaged in the research, development and distribution of headbox. Since its establishment in 2001, MCN has developed various kinds of stainless headboxes including rectifier roll headbox, hydraulic headbox, turbulence channel headbox, inclined wire and cylinder former headbox and turbulent flow away headbox etc which were customised for its customers. It also provides equipment installation, operation instruction and consultation services for its customers. Customers of MCN are located across the PRC and are primarily engaged in paper manufacturing.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

17 GOODWILL (Continued)**Haorong**

Haorong is a company established under the laws of the PRC. Since its establishment in 2006, it has principally engaged in the business of research, development and distribution of headboxes. It has developed various kinds of high frequency shake, headbox control system, etc. and provided equipment installation, operation instruction and consultation services in accordance with the specifications and requirements provided by its customers, which are primarily engaged in paper manufacturing in the PRC. Haorong was regarded as a "High-tech Enterprise in Hangzhou City" (杭州市高新技術企業) and a "Medium and Small Technology Enterprise in Zhejiang Province" (浙江省科技型中小企業).

Goodwill is allocated to the group of CGUs of headbox business under the business segment of industrial products for impairment testing purposes.

18 INVENTORIES

	As at 31 December 2025 (Unaudited) RMB	As at 30 June 2025 (Audited) RMB
Raw materials	106,389,127	105,806,461
Work in progress	66,546,465	25,682,703
Finished goods	57,397,793	58,970,060
	230,333,385	190,459,224
Less: provision	(36,293,384)	(39,192,772)
	194,040,001	151,266,452

As at 31 December 2025, raw materials and finished goods with a cost of RMB29,433,230 and RMB18,363,915 were considered as obsolete (30 June 2025: RMB32,332,618 and RMB18,363,915 respectively) and a provision of RMB19,222,402 and RMB17,070,982 (30 June 2025: RMB22,121,790 and RMB17,070,982 respectively) to write down their carrying amount to their net realisable value was made against these raw materials and finished goods respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

19 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS**(i) Trade and other receivables**

	As at 31 December 2025 (Unaudited) RMB	As at 30 June 2025 (Audited) RMB
Trade receivables	241,565,155	267,479,387
Less: provision for impairment of trade receivables	(186,572,146)	(185,983,943)
	54,993,009	81,495,444
Trade receivables	54,993,009	81,495,444
Bills receivables	65,035,911	66,358,018
	120,028,920	147,853,462
Consideration receivable for sale of equity investment at FVTPL (note c)	4,749,130	4,749,130
Deductible input value added tax	252,095	1,445,862
Other receivables — guarantee	839,210	1,064,259
Deposit for acquisition of the Debtor Company (note d)	50,000,000	50,000,000
Creditor's rights acquired in the Debtor Company (note e)	17,991,457	–
Others (note f)	18,722,844	20,224,186
	92,554,736	77,483,437
Other receivables	92,554,736	77,483,437
Total trade and other receivables	212,583,656	225,336,899
Less: trade and other receivables — non-current portion	(52,069,266)	(52,869,266)
	160,514,390	172,467,633

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

19 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS (Continued)**(i) Trade and other receivables** (Continued)

- (a) The ageing analysis of the net amount of trade receivables based on the date of the invoice is as follows:

	As at 31 December 2025 (Unaudited) RMB	As at 30 June 2025 (Audited) RMB
Up to 3 months	21,785,087	51,874,562
3 months to 6 months	14,925,128	9,036,850
6 months to 1 year	3,479,378	5,620,899
1 year to 2 years	11,829,455	11,436,069
Over 2 years	2,973,961	3,527,064
	54,993,009	81,495,444

- (b) As at 31 December 2025 (unaudited), provisions amounting to RMB186,572,146 (30 June 2025: RMB185,983,943, audited) and RMB176,758,653 (30 June 2025: RMB176,308,834, audited) were made on certain trade receivables and other receivables respectively given that certain customers were in significant financial difficulty and had defaulted in scheduled payments and there was significant uncertainty of recovering these trade and other receivables.
- (c) As at 31 December 2025 (unaudited), the consideration receivable for the sale of equity investment at FVTPL to the major shareholder of the investee is unsecured, interest-free. It includes a gross carrying amount of RMB2,700,000 (30 June 2025: RMB1,900,000, audited) with a provision for impairment of RMB20,136 (30 June 2025: RMB20,136, audited) receivable within one year, and a remaining gross carrying amount of RMB2,100,000 (30 June 2025: RMB2,900,000, audited) with a provision for impairment of RMB30,734 (30 June 2025: RMB30,734, audited) receivable within two to four years.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2025

19 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS *(Continued)***(i) Trade and other receivables** *(Continued)*

- (d) At 31 December 2025 (unaudited), the gross carrying amount of RMB50,000,000 (30 June 2025: RMB50,000,000, audited included within current assets) in relation to a deposit for the acquisition of Baoshan Xingshengtai Paper Co., Ltd. (the “Debtor Company”) (see note 29) included as non-current. At 31 December 2025 and 30 June 2025, the gross carrying amount due from the Debtor Company included in trade receivables was RMB72,925,417 and other receivable of RMB81,974,427 which was full impaired in the year ended 30 June 2022.
- (e) On 1 December 2025, the Yunnan Asset Management Company Limited, a company established in the PRC with limited liability and a secured creditor of the Debtor Company (the “Seller”) published an auction invitation in the Jingdong Asset Bidding Network Platform at <https://zcpm.jd.com> inviting public bids for the acquisition of the creditor’s rights legally held by the Seller in (i) the amount of approximately RMB38,320,000 due from the Debtor Company; and (ii) amount due from Zhaotong Junchi Trading Company Limited with a principal of RMB10,000,000 (“Creditor’s Rights”). The Group participated in the public auction and was the highest bidder.

On 17 December 2025, Huazhang Holdings (Taizhou) Company Limited (the “Purchaser”), a wholly owned subsidiary of the Company entered into the Debt Transfer Agreement with the Seller for the acquisition of the Creditor’s Rights at a consideration of RMB20,000,000, which will be fully settled by the Purchaser within five business days after the date of the Debt Transfer Agreement.

Pursuant to the Restructuring Plan, the recognised debt claim of RMB38,320,000 (“Verified Amount”) was secured and verified by the Administrator and Court, and in accordance with the Restructuring Plan was entitled to a repayment of RMB17,991,457 of the Verified Amount. Details of the acquisition of the Creditor’s Rights by way of public auction is disclosed in the announcement of the Company dated 17 December 2025.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2025

19 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS *(Continued)*

(i) Trade and other receivables (Continued)

- (f) At 31 December 2025 (unaudited), the net carrying amount of others of RMB18,722,844 (30 June 2025: RMB20,224,186, audited) included gross carrying amount of RMB2,946,013 (30 June 2025: RMB10,020,260, audited) with a provision for impairment of RMB2,434,600 (30 June 2025: RMB2,434,600) in relation to performance deposits for contracts and remaining gross carrying amount of RMB19,118,110 (2025: RMB13,545,205, audited) with a provision for impairment of RMB906,679 (2025: RMB906,679, audited) due from several other independent third parties.

As at 31 December 2025, included in others are the gross carrying amounts of RMB48,122,684 (30 June 2025: RMB48,122,684), RMB33,168,989 (30 June 2025: RMB33,168,989) and RMB7,047,327 (30 June 2025: RMB7,047,327) due from the abnormal transactions and balance of the Tongxiang Yuxin Electric Co., Ltd. (“Yuxin Electric”), Tongxiang Jiafu Papermaking Equipment Co., Ltd. (“Jiafu Paper”) and Zhejiang Hua Zhang Fibertech Co., Ltd. (“Fibertech”) related to the subject transactions which were all owned and connected to Mr. Zhu Gen Rong, a former chairman, executive director and substantial shareholder of the Company and the detail is reported to announcement on 26 October 2022. Provision for impairment of RMB48,122,684 (30 June 2025: RMB48,122,684), RMB33,168,989 (30 June 2025: RMB33,168,989), and RMB7,047,327 (30 June 2025: RMB7,047,327) respectively have been recognised to fully write down these receivables in the year ended 30 June 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2025

19 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS *(Continued)***(ii) Contract assets**

	As at 31 December 2025 (Unaudited) RMB	As at 30 June 2025 (Audited) RMB
Retention receivables	44,692,186	32,553,071
Contract assets relating to project contracting services	10,350,284	33,383,955
	55,042,470	65,937,026
Less: provision for impairment of contract assets	(14,232,513)	(14,267,199)
	40,809,957	51,669,827

(iii) Prepayments

	As at 31 December 2025 (Unaudited) RMB	As at 30 June 2025 (Audited) RMB
Prepayments for procurement	119,566,696	71,943,032
Others	1,416,256	1,090,523
Total prepayments	120,982,952	73,033,555
Less: prepayments — non-current portion	(111,011)	(117,542)
	120,871,941	72,916,013

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2025

20 CASH AND CASH EQUIVALENTS/PLEDGED DEPOSITS/RESTRICTED DEPOSITS

	As at 31 December 2025 (Unaudited) RMB	As at 30 June 2025 (Audited) RMB
Cash at bank and on hand	159,452,605	178,620,018
Less: bank fixed deposits	(24,979,279)	(49,822,287)
Less: pledged deposits <i>(note i)</i>	(9,513,281)	(8,181,215)
Less: restricted deposits <i>(note ii)</i>	(1,259,584)	–
Cash and cash equivalents	123,700,461	120,616,516

- (i) The pledged deposits represent cash set aside as deposits for issuance of trade facilities such as bills payable and bank guarantee.
- (ii) At 31 December 2025 (unaudited), bank balances that are placed in restricted bank accounts in accordance with the litigation amounting RMB1,259,584, such balances are frozen by court order. Details as disclosed in note 28 to the consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

21 TRADE AND OTHER PAYABLES

	As at 31 December 2025 (Unaudited) RMB	As at 30 June 2025 (Audited) RMB
Trade payables	137,935,801	130,213,832
Bills payable	25,675,939	12,668,395
Trade and bills payables	163,611,740	142,882,227
Other taxes payables — value added tax	24,091,096	29,887,005
Interest-free loan from independent third parties	9,969,828	13,080,800
Amount due to suppliers on a customer's behalf	13,155,421	13,155,421
Amount due to a related party (note)	3,140,704	–
Accruals	1,892,385	2,777,272
Employee benefit payables	9,244,138	7,672,539
Other deposits	1,016,017	909,182
Provision for warranty expenses	523,838	523,838
Payables for property, plant and equipment	70,754	70,754
Others	21,859,851	22,413,255
Sub-total	84,964,032	90,490,066
Total trade and other payables	248,575,772	233,372,293

Note:

As at 31 December 2025 (unaudited), the amount is due to Mr. Fang Hui, the Chairman and a director of the Company which is unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

21 TRADE AND OTHER PAYABLES (Continued)

The ageing analysis of the trade payables is as follows:

	As at 31 December 2025 (Unaudited) RMB	As at 30 June 2025 (Audited) RMB
Up to 3 months	55,601,568	63,719,990
3 months to 6 months	47,972,045	32,149,752
6 months to 1 year	8,401,462	5,343,867
1 year to 2 years	5,912,325	10,172,287
Over 2 years	20,048,401	18,827,936
	137,935,801	130,213,832

22 INTEREST-BEARING LOANS

	As at 31 December 2025 (Unaudited) RMB	As at 30 June 2025 (Audited) RMB
Loan from banks	91,000,000	91,000,000
Margin loans	–	7,080,918
	91,000,000	98,080,918

As at 31 December 2025 and 30 June 2025, the Group's borrowings are all denominated in RMB.

As at 31 December 2025 (unaudited), the Group's loans from bank carry interest at an average rate of 3.32% per annum (30 June 2025: 3.32% per annum, audited) and were borrowed by using banking facilities (30 June 2025: were borrowed by using banking facilities).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2025

22 INTEREST-BEARING LOANS *(Continued)*

At the end of the reporting period, the Group had the following unutilised banking facilities:

	As at 31 December 2025 (Unaudited) RMB	As at 30 June 2025 (Audited) RMB
Authorised banking facilities — expiring within one year	141,050,000	141,050,000
Less: utilised banking facilities	(65,000,000)	(65,000,000)
	76,050,000	76,050,000

As at 31 December 2025 (unaudited), the banking facilities granted by the bank were secured by property, plant and equipment, investment properties and prepaid land lease payments of the Group amounting to approximately RMB12,978,065, RMB152,846,030 and RMB2,551,680, respectively (30 June 2025: RMB13,780,150, RMB157,514,608 and RMB2,603,881, audited respectively).

23 DEFERRED INCOME

	As at 31 December 2025 (Unaudited) RMB	As at 30 June 2025 (Audited) RMB
At beginning of the period/year	17,437,500	18,787,500
Amortised as income	(675,000)	(1,350,000)
At end of the period/year	16,762,500	17,437,500

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

24 SHARE CAPITAL AND PREMIUM

RMB

Issued and fully paid:

At 1 July 2024 (audited), 30 June 2025 (audited) and
31 December 2025 (unaudited)

13,824,333

	Number of issued shares	Ordinary shares RMB	Share premium RMB	Total RMB
At 1 July 2024 (audited), 30 June 2025 (audited) and 31 December 2025 (unaudited)	1,596,134,067	13,824,333	754,015,624	767,839,957

Pursuant to Section 34 of the Cayman Companies Law (2003 Revision) and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency test on the Company and the provision of the Articles of Association of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

25 OTHER RESERVES

	Reorganisation reserve RMB	Merger reserve RMB	Statutory reserves RMB	Translation reserves RMB	Share Option Scheme (i) RMB	Fair value reserve RMB	Total RMB
At 1 July 2025 (Audited)	2,335,540	33,028,254	40,606,742	17,121,823	6,716,891	30,190,011	129,999,261
Forfeiture of share options (i)	-	-	-	-	(13,568)	-	(13,568)
Translation differences	-	-	-	734,664	-	-	734,664
Profit appropriation to statutory reserves	-	-	5,775,141	-	-	-	5,775,141
At 31 December 2025 (Unaudited)	2,335,540	33,028,254	46,381,883	17,856,487	6,703,323	30,190,011	136,495,498
At 1 July 2024 (Audited)	2,335,540	33,028,254	36,451,103	17,002,457	6,785,698	30,190,011	125,793,063
Share options (i)	-	-	-	-	(68,807)	-	(68,807)
Translation differences	-	-	-	(1,028,740)	-	-	(1,028,740)
At 31 December 2024 (Unaudited)	2,335,540	33,028,254	36,451,103	15,973,717	6,716,891	30,190,011	124,695,516

(i) Share option scheme

A new share option scheme of the Company (the “New Share Option Scheme”) was approved and adopted by the shareholders of the Company at its extraordinary general meeting held on 10 February 2022 (the “Adoption Date”) in replacement of the share option scheme adopted on 6 May 2013 and effective on 16 May 2013 (the “2013 Share Option Scheme”) and that no further options of the Company shall be offered or granted under the 2013 Share Option Scheme.

The classes of eligible persons under the New Share Option Scheme are materially the same as those of the 2013 Share Option Scheme, namely, any full-time or part-time employee of the Company or any member of the Group, including any executive Directors, non-executive Directors and independent non-executive Directors. The basis of eligibility of any class of eligible persons to the grant of any Option will be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group.

The Board may, at its absolute discretion, invite any eligible person to take up Options. Upon acceptance of the Option, the eligible person shall pay HK\$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2025

25 OTHER RESERVES *(Continued)*

(i) Share option scheme (Continued)

Subject to obtaining approval from the Shareholders with respect to the adoption of the New Share Option Scheme, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other scheme must not in aggregate exceed 10% of the Shares in issue as at the Adoption Date. Options lapsed in accordance with the terms of the New Share Option Scheme and any other share option schemes of the Company will not be counted for the purpose of calculating such 10% scheme mandate limit. The maximum aggregate number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option scheme of the Company must not exceed 30% of the total number of Shares in issue from time to time.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the New Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time. Where any further grant of Options to a Participant (the "Further Grant") would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the New Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time, the Further Grant must be separately approved by the Shareholders in general meeting with such Participant and his close associates (as defined in the Listing Rules) (or his associates (as defined in the Listing Rules) if the Participant is a connected person) abstaining from voting.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

25 OTHER RESERVES (Continued)**(i) Share option scheme** (Continued)

Details of the share options granted and outstanding during the period were:

Name or category of participants	Date of Grant (Note b)	Exercise price (Note e)	Number of share options				Vesting & exercise period	Closing price per share immediately before the date of grant
			Adjusted exercise price	At 1 July 2025	Forfeited during period	At 31 December 2025		
Directors								
Mr. Chen Hongwei	31 May 2022	HK\$0.51	HK\$0.461	553,359	–	553,359	Note c	HK\$0.49
Mr. Heng, Keith Kai Neng	31 May 2022	HK\$0.51	HK\$0.461	332,016	–	332,016	Note c	HK\$0.49
Mr. Yao Yang Yang	31 May 2022	HK\$0.51	HK\$0.461	332,016	–	332,016	Note c	HK\$0.49
Ms. Zhang Dong Fang	31 May 2022	HK\$0.51	HK\$0.461	332,016	–	332,016	Note c	HK\$0.49
Other Employees	31 May 2022	HK\$0.51	HK\$0.461	32,493,281	(66,403)	32,426,878	Note c	HK\$0.49
In aggregate				34,042,688	(66,403)	33,976,285		

Details of the share options granted and outstanding during the prior period were:

Name or category of participants	Date of Grant (Note b)	Exercise price	Number of share options			Vesting & exercise period	Closing price per share immediately before the date of grant
			At 1 July 2024	Forfeited during the period	At 31 December 2024		
Directors							
Mr. Chen Hongwei	31 May 2022	HK\$0.461	553,359	–	553,359	Note c	HK\$0.49
Mr. Heng, Keith Kai Neng	31 May 2022	HK\$0.461	332,016	–	332,016	Note c	HK\$0.49
Mr. Yao Yang Yang	31 May 2022	HK\$0.461	332,016	–	332,016	Note c	HK\$0.49
Ms. Zhang Dong Fang	31 May 2022	HK\$0.461	332,016	–	332,016	Note c	HK\$0.49
Other Employees	31 May 2022	HK\$0.461	32,825,297	(332,016)	32,493,281	Note c	HK\$0.49
In aggregate			34,374,704	(332,016)	34,042,688		

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2025

25 OTHER RESERVES *(Continued)*

(i) Share option scheme *(Continued)*

Notes:

- (a) Being also a substantial shareholder of the Company.
- (b) The validity period of the Share Options granted on 31 May 2022 is from 31 May 2022 to 30 May 2032.

The Share Options granted on 31 May 2022 shall be vested and are exercisable in the following manners:

- (i) 30% of the Share Options may be exercisable at any time commencing from the Date of Grant up to 30 May 2032;
- (ii) 30% of the Share Options and the first 30% of the Share Options which are yet to be exercised may be exercisable at any time commencing from 31 May 2023 up to 30 May 2032; and
- (iii) the remaining 40% of the Share Options and the first 60% of the Share Options which are yet to be exercised may be exercisable at any time commencing from 31 May 2024 up to 30 May 2032.

The closing price of the shares immediately before the date on which the Share Options were granted was HK\$0.49 per share.

- (c) On 31 May 2022, 85,940,000 share options were granted to the directors and employees of the Group under the New Share Option Scheme. The fair value of the share options granted was prepared by Valplus Consulting Limited, an independent qualified professional valuer not connected to the Group who holds a recognised and relevant professional qualification. The estimated fair value of the share options was approximately HK\$9,034,000 (equivalent to approximately RMB7,481,960).

Other than as disclosed above, at no time during the period was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) or their associates to acquire benefits by means of the acquisition of Shares and/or debt securities, including debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2025

25 OTHER RESERVES *(Continued)***(i) Share option scheme** *(Continued)**Notes: (Continued)*

- (d) The relevant model has been used to estimate the fair value of the share options granted to directors and employees. The variables and assumptions used in computing the fair value of the share options are based on the best estimate of the directors of the Company.

The following assumptions were used to calculate the fair values of share options granted to directors and employees:

	31 May 2022
Methodology	Binomial Model
Grant date share price	HK\$0.51
Exercise price	HK\$0.51
Expected life	10 years
Expected volatility	70.10%
Dividend yield	0%
Risk-free interest rate	2.80%

Expected volatility was determined by using quoted prices of comparable companies in active markets as of 31 May 2022.

Expected dividend yield is determined with reference to historical dividend payment of the Company.

The expected life used in the model is time to maturity of the financial instrument.

- (e) At the end of the reporting period, the Company revises its estimates of number of share options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

26 COMMITMENTS***As lessor***

The future minimum lease receivables under non-cancellable operating leases as at 31 December 2025 and 30 June 2025 are summarised as follows:

	As at 31 December 2025 (Unaudited) RMB	As at 30 June 2025 (Audited) RMB
No later than 1 year	2,561,457	4,444,162
Later than 1 year and no later than 5 years	3,476,820	4,757,548
	6,038,277	9,201,710

27 RELATED-PARTY TRANSACTIONS

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 31 December 2025 and 2024 and balances arising from related party transactions as at 31 December 2025 and 30 June 2025.

(a) Name and relationship with related parties

Name of related parties	Relationships
Mr. Fang Hui	Controlling shareholder, chairman and executive director of the Company
Mr. Jin Hao	Director of Zhejiang Huazhang
Dao He Investment Limited ("Dao He")	A wholly owned company by Mr. Fang Hui
Taizhou Hengshengtianyue Metal Co., Ltd. ("Taizhou Metal")	Controlled by close family members of Mr. Fang Hui

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

27 RELATED-PARTY TRANSACTIONS (Continued)**(b) Transactions with related parties**

	Six months ended 31 December	
	2025 (Unaudited) RMB	2024 (Unaudited) RMB
Key management compensation		
— Salaries	2,631,414	2,736,216
— Social security costs	32,807	33,163
— Pension costs — defined contribution plans	31,740	44,940
— Other benefits	12,480	13,500
	2,708,441	2,827,819

(c) Balances with related parties*Due from related parties*

	As at 31 December 2025 (Unaudited) RMB	As at 30 June 2025 (Audited) RMB
Other receivables (Note)		
— Jiafu Paper (Note 19)	—	—
Other payables		
— Mr. Fang Hui (Note 21)	3,104,704	—

Note:

As at 31 December 2025 (unaudited), the gross carrying amount due from Jiafu Paper was RMB33,168,989 (30 June 2025: RMB33,168,989, audited) and full provision for impairment was recognised in the year ended 30 June 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2025

28 LITIGATION

(a) *Hubei Industrial*

Zhejiang Huazhang Technology Limited (“Zhejiang Huazhang”), a wholly-owned subsidiary of the Company, received a first instance judgment (the “Judgment”) dated 24 December 2021 handed down by the Intermediate People’s Court of Chuxiong Yi Autonomous Prefecture of Yunnan Province (雲南省楚雄彝族自治州中級人民法院) (the “Court”) in the PRC in relation to a contractual dispute between Hubei Industrial Construction Group Installation Engineering Company Limited (湖北省工業建築集團安裝工程有限公司) (“Plaintiff”) as plaintiff and Yunnan Yunhong Paper Company Limited (雲南雲泓紙業有限公司) as defendant. Zhejiang Huazhang was also named as a co-defendant in the legal proceedings.

Zhejiang Huazhang had lodged an appeal application (the “Appeal Application”) with the Higher People’s Court of Yunnan Province (雲南省高級人民法院) (the “Appeal Court”) against the Judgment. The Appeal Application approved on 22 August 2022 whereby the Appeal Court ordered, among other things, to set aside the initial Judgement. However, the order made on 12 January 2022 to freeze the aggregate amount of approximately RMB37.6 million in the bank accounts remains in effect.

On 20 December 2023, the Court accepted the Plaintiff’s request to continue to freeze certain bank accounts of Zhejiang Huazhang to the amount of approximately RMB37.6 million for an additional year.

On 28 June 2024, Zhejiang Huazhang received a judgement from the courts for the retrial of the first instance case in which the courts awarded the Plaintiff compensation for breach of contract in the amount of RMB32,994,295 which had already been recognised in the consolidated financial statements. A retrial of the second instance case or appeal commenced on August 2024.

On 1 November 2024, Zhejiang Huazhang received the final verdict of the first instance case in which the courts awarded the Plaintiff compensation for breach of contract in the amount of RMB28,516,975. The Group settled the amount on 11 November 2024. Based on the final verdict, an over-provision of RMB4,477,320 was recognised in the six months ended 31 December 2024 and the related restricted bank deposit was released.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2025

28 LITIGATION *(Continued)***(b) Shanghai Kunde**

Zhejiang Huazhang, a wholly-owned subsidiary of the Company, received a Civil Judgment dated 31 October 2025 handed down by the Jinzhong Intermediate People's Court of Shanxi Province (山西省晉中市中級人民法院) in the PRC in relation to a contractual dispute between Shanghai Kunde Construction Engineering Co., Limited (上海坤德建設工程有限公司) as plaintiff and Zhejiang Huazhang as defendant. Zhejiang Huazhang shall pay the outstanding project payment of RMB1,124,100 and accrued interest of RMB135,484 under the construction contract of this case. The property preservation application from plaintiff to freeze the aggregate amount of approximately RMB1,259,584 in the bank accounts approved. Management expects the cases to be concluded and the amounts becoming unrestricted within 12 months.

29 EVENTS AFTER THE REPORTING PERIOD***Major acquisition of a debtor company***

On 28 July 2025, Yunnan Hengjia Assets Liquidation Co., Ltd. (the "Administrator"), Zhejiang Huazhang and the Debtor Company entered into the Restructuring Agreement. Pursuant to the Restructuring Agreement, Zhejiang Huazhang has agreed to invest a total sum of RMB95,693,842.33 (the "Investment Amount") into the Debtor Company which the Debtor Company will use to settle the outstanding debts due from the Debtor Company to its creditors that have been recognised, examined and verified by the Administrator as set out in the Restructuring Plan.

Upon satisfaction of all the Conditions Precedent, the Administrator will commence the procedure for the transfer of the entire equity interest in the Debtor Company (including all the assets it held) to Zhejiang Huazhang pursuant to the Restructuring Plan and will complete the transfer within 25 days after the full payment of the Investment Amount by Zhejiang Huazhang pursuant to the Restructuring Agreement. After the Equity Transfer Completion, the Debtor Company will become a wholly-owned subsidiary of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2025

29 EVENTS AFTER THE REPORTING PERIOD *(Continued)*

Major acquisition of a debtor company (Continued)

Based on the Restructuring Agreement and the verified liabilities, the Group is entitled to the recovery of RMB10,072,363 in respect of previous debts of RMB191,697,256 consisting of RMB124,902,270 (including principal of RMB101,365,456 and accrued interest and penalty of RMB23,536,814) due to Baoshan Jintaisheng Logistics Limited, a wholly-owned subsidiary of the Group and RMB66,803,986 (including principal of RMB58,443,972 and accrued interest of RMB8,360,014) due to Zhejiang Huazhang. The amount recoverable of RMB10,072,363 is included in the Investment Amount of RMB95,693,842.

At 30 June 2025, the Group has paid an application fee of RMB10,000,000 and a performance pledge of RMB40,000,000 to the Administrator (note 19 (i)(d)) which will be fully applied to partially satisfy the payment of the Investment Amount. At the date of issuance of the consolidated financial statements, the acquisition was still in progress. Details of the acquisition are disclosed in the announcement of the Company dated 28 July 2025 and circular of the Company dated 3 February 2026.