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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1673)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS			
	For the year ended 30 June		
	2019	2018	**change**
	RMB	RMB	**%**
Revenue	**763,974,000**	612,123,000	24.8
Gross profit	**120,977,000**	137,257,000	(11.9)
Gross profit margin	***15.8%***	*22.4%*	*(6.6)*
(Loss)/profit for the year	**(129,868,000)**	47,901,000	(371.1)
Net (loss)/profit margin	***(17.0)%***	*7.8%*	*(24.8)*
(Loss)/profit attributable to owners of the parent	**(128,269,000)**	48,285,000	(365.7)
(Losses)/earnings per share attributable to ordinary equity holders of the parent(RMB cents per share)			
- basic	**(17.61)**	7.16	
- diluted	**(17.61)**	7.14	
Non-GAAP profit for the year	**22,302,000**	56,654,000	(60.6)
Non-GAAP profit margin	***2.9%***	*9.3%*	
Non-GAAP earnings per share (RMB cents per share)			
- basic	**3.06**	8.48	

The Board does not recommend the payment of a final dividend for the year ended 30 June 2019 (2018: 3.0 HK cents per share).

The board (the "Board") of directors (the "Directors") of the Huazhang Technology Holding Limited (the "Company") hereby announces the consolidated financial results of the Company and its subsidiaries (together, the "Group") for the year ended 30 June 2019, together with the comparative figures for the year ended 30 June 2018, which have been prepared in accordance with the Hong Kong Financial Reporting Standards as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the year ended 30 June **2019** **RMB**	2018 RMB
REVENUE	3	**763,974,066**	612,123,398
Cost of sales	3,5	**(642,997,382)**	(474,866,492)
Gross profit		**120,976,684**	137,256,906
Selling and distribution expenses	5	**(13,361,947)**	(13,132,905)
Administrative expenses	5	**(56,982,127)**	(42,541,892)
Research and development expenses	5	**(22,924,758)**	(18,747,547)
Net impairment losses on financial and contract assets		**(28,602,266)**	(2,560,211)
Other income and (losses) / gains, net	4	**(108,630,916)**	5,548,305
OPERATING (LOSS)/PROFIT		**(109,525,330)**	65,822,656
Finance income	6	**1,258,747**	10,278,815
Finance costs	6	**(12,777,131)**	(15,679,199)
Finance costs - net		**(11,518,384)**	(5,400,384)
(LOSS)/PROFIT BEFORE INCOME TAX		**(121,043,714)**	60,422,272
Income tax expense	7	**(8,824,351)**	(12,521,204)
(LOSS)/PROFIT FOR THE YEAR		**(129,868,065)**	47,901,068
(Loss)/profit is attributable to:			
- Owners of the parent		**(128,269,107)**	48,285,144
- Non-controlling interests		**(1,598,958)**	(384,076)
		(129,868,065)	47,901,068
(LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE PARENT			
- Basic (losses)/earnings per share (RMB cents)	8	**(17.61)**	7.16
- Diluted (losses)/earnings per share(RMB cents)	8	**(17.61)**	7.14
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(3,111,103)**	(259,464)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(3,111,103)**	(259,464)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(132,979,168)**	47,641,604
Total comprehensive (loss)/income for the year attributable to:			
- Owners of the parent		**(131,380,210)**	48,025,680
- Non-controlling interests		**(1,598,958)**	(384,076)
		(132,979,168)	47,641,604

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2019 RMB	2018 RMB
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		**81,993,507**	199,586,539
Investment properties		**115,929,946**	5,989,795
Prepaid land lease payments		**78,799,512**	72,045,656
Goodwill	10	**39,934,884**	144,998,757
Other intangible assets		**14,557,893**	14,846,912
Deferred tax assets		**8,353,095**	4,212,878
Trade and other receivables	11(i)	**7,075,588**	32,023,284
Prepayments	11(iii)	**195,903**	208,963
Total non-current assets		**346,840,328**	473,912,784
CURRENT ASSETS			
Prepaid land lease payments		**-**	1,292,172
Inventories		**86,875,342**	80,188,203
Trade and other receivables	11(i)	**606,753,581**	574,743,632
Prepayments	11(iii)	**79,861,762**	128,671,118
Financial assets at fair value through other comprehensive income		**28,760,512**	-
Pledged deposits		**29,976,599**	69,697,182
Contract assets	11(ii)	**82,261,590**	-
Cash and cash equivalents		**24,196,754**	72,880,335
Total current assets		**938,686,140**	927,472,642
TOTAL ASSETS		**1,285,526,468**	1,401,385,426
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**6,847,232**	7,594,890
Deferred income		**25,537,500**	25,500,000
Convertible bonds	13	**-**	75,710,498
Total non-current liabilities		**32,384,732**	108,805,388
CURRENT LIABILITIES			
Trade and other payables	12	**305,179,522**	489,903,745
Contract liabilities		**141,166,067**	-
Interest-bearing loans		**54,785,664**	21,857,880
Income tax payable		**11,911,209**	6,675,441
Convertible bonds		**85,525,913**	-
Contingent consideration arose from business acquisition		**-**	7,540,000
Total current liabilities		**598,568,375**	525,977,066
TOTAL LIABILITIES		**630,953,107**	634,782,454
NET ASSETS		**654,573,361**	766,602,972

	Note	As at 30 June 2019 RMB	2018 RMB
EQUITY			
Share capital		**6,203,955**	6,107,141
Share premium		**509,708,723**	491,227,935
Equity component of convertible bonds	13	**23,609,589**	23,609,589
Other reserves		**78,411,838**	73,713,139
Retained earnings		**37,422,220**	171,129,174
Capital and reserves attributable to the owners of the parent		**655,356,325**	765,786,978
Non-controlling interests		**(782,964)**	815,994
TOTAL EQUITY		**654,573,361**	766,602,972

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 are 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").

On 25 September 2017, the Group acquired 100% of the equity interest of Hangzhou Haorong Technology Co., Ltd. and Hangzhou MCN Paper Tech Co., Ltd. (together, the "MCN Group"). As part of the sale and purchase agreement of MCN Group, contingent consideration is payable to former shareholders of MCN Group, which was calculated based on its profit for the calendar years 2017 and 2018. The initial contingent consideration of RMB7,617,422 was recognised as a liability in prior year. As of the reporting date, the criteria of adjustment to the initial contingent consideration had been fulfilled and a fair value change of RMB30,437,752 was recognised in other income and (losses)/gains, net (Note 4) during this year.

This consolidated financial statements are presented in Renminbi Yuan ("RMB"), unless otherwise stated. These consolidated financial statements were approved and authorised for issue by the Board on 25 September 2019.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income ("FVOCI") and contingent consideration arose from business acquisition, which are carried at fair value.

(c) New and amended standards adopted by the Group

The following new standards and amendments and interpretation to standards are mandatory for the Group's financial year beginning 1 July 2018.

HKFRS 2 (Amendment)	*Classification and Measurement of Share - based Payment Transactions*
HKFRS 4 (Amendment)	*Insurance Contracts "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
HKAS 28 (Amendment)	*Investment in Associates and Joint Ventures*
HKAS 40 (Amendment)	*Transfers of Investment Property*
HK (IFRIC) – Interpretation 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements	*2014-2016 Cycle*

The Group had to change its accounting policies and make certain adjustments following the adoption of HKFRS 9 and HKFRS 15. Other newly adopted standards or amendments listed above did not have material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations that are relevant to the Group but not yet effective for the financial year beginning at 1 July 2018 and have not been early adopted by the Group are as follows:

Standards/Interpretation	Subject of standard/amendment	Effective for annual years beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) – Interpretation 23	Uncertainty over Income tax Treatment	1 January 2019
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term Interests in an Associate or Joint Venture	1 January 2019
Annual Improvements to HKFRS Standards 2015-2017 Cycle	Amendments to HKFRS 3,HKFRS 11, HKAS 12 and HKAS 23	1 January 2019

The Group has already commenced an assessment of the impact of these new or revised standards which are relevant to the Group's operation.

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of RMB1,162,053.

The Group expects that there will be an increase in total assets and liabilities due to the recognition of right-of-use assets and lease liabilities.

The Group will also recognise amortisation of the right-of-use assets and interest expenses on the lease liabilities in the statement of profit or loss in the financial year ending 30 June 2020. The Group's operating cash flows will increase and the financing cash flows will decrease as the repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's leasing activities as a lessor and lessee are not material and hence, the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 July 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(e) Changes in accounting policy

HKFRS 9 and HKFRS 15 were generally adopted by the Group without restating comparative information. As a result of the changes in the entity's accounting policies, adjustments are therefore not reflected in the statement of financial position as at 30 June 2018, but are recognised in the opening balance as at 1 July 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	**30 June 2018 As originally presented**	**HKFRS 9**	**HKFRS 15**	**1 July 2018 Restated**
	RMB	**RMB**	**RMB**	**RMB**
Non-current assets				
Deferred tax assets	4,212,878	587,655	-	4,800,533
Current assets				
Trade and other receivables	574,743,632	(6,163,055)	(186,754,410)	381,826,167
FVOCI	-	3,989,783	-	3,989,783
Contract assets	-	(442,388)	186,754,410	186,312,022
Current liabilities				
Trade and other payables – advances from customers	229,297,919	-	(229,297,919)	-
Contract liabilities	-	-	229,297,919	229,297,919
Equity				
Retained earnings	171,129,174	(2,028,005)	-	169,101,169

(i) HKFRS 9 Financial Instruments - Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

The total impact on the Group's retained earnings as at 1 July 2018 is as follows:

	RMB
Closing retained earnings at 30 June 2018 - HKAS 39	171,129,174
Increase in provision for trade and other receivables and contract assets	(2,615,660)
Increase in deferred tax assets relating to impairment provisions	587,655
Adjustment to retained earnings from adoption of HKFRS 9 on 1 July 2018	(2,028,005)
Opening retained earnings at 1 July 2018 - HKFRS 9	169,101,169

Classification and measurement

On 1 July 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 measurement categories, which are those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss) and those to be measured at amortised cost. The main effects resulting from this reclassification are as follows:

	FVOCI (Trade and other receivables)	**Amortised Cost (Trade and other receivables)**
	RMB	**RMB**
Closing balance 30 June 2018 – HKAS 39	-	83,702,261
Reclassify bills receivable from trade and other receivables to FVOCI	3,989,783	(3,989,783)
Opening balance 1 July 2018 – HKFRS 9	3,989,783	79,712,478

Impairment of financial assets

The Group's financial assets include cash and cash equivalents, pledged deposits, trade and other receivables and FVOCI.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial and contract assets.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets. Impairment on other receivables is measured either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group established ECL model based on historical settlement records, past experience and available forward-looking information. The impact of the change in impairment methodology on the Group's retained earnings is disclosed in the table above. While cash and cash equivalents, pledged deposits and FVOCI are also subject to the impairment requirements of HKFRS 9, the identified impairment losses were immaterial.

The loss allowances for trade and other receivables, and contract assets as at 30 June 2018 reconcile to the opening loss allowances on 1 July 2018 as follows:

	Trade and other receivables and contract assets
	RMB
At 30 June 2018 - calculated under HKAS 39	15,312,397
Amounts restated through opening retained earnings	2,615,660
Opening loss allowance as at 1 July 2018 - calculated under HKFRS 9	17,928,057

Trade and other receivables, and contract assets are written off when there is no reasonable expectation of recovery.

(ii) HKFRS 15 Revenue from Contracts with Customers - Impact of adoption

HKFRS 15 replaces the provisions of HKAS 18 Revenue and HKAS 11 Construction contracts that relate to the recognition, classification and measurement of revenue and costs.

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes in accounting policy. The Directors consider that the changes in accounting policy of revenue recognition pursuant to HKFRS 15 do not have significant impact on the revenue recognised in the statement of profit or loss.

The following reclassifications were made as at 1 July 2018 to be consistent with the terminology used under HKFRS 15:

	HKAS 11 and 18 carrying amount 30 June 2018	**Reclassification**	**HKFRS 15 carrying amount 1 July 2018**
	RMB	**RMB**	**RMB**
Trade and other payables - advances from customers	229,297,919	(229,297,919)	-
Contract liabilities	-	229,297,919	229,297,919
Trade and other receivables	622,079,313	(186,754,410)	435,324,903
Contract assets	-	186,754,410	186,754,410

3 Segment information

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

(a) Industrial products;
(b) Project contracting services;
(c) Environmental products; and
(d) Supporting services

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 (losses)/gains, net, finance costs - net and income tax expense are excluded from such measurement.

Segment assets include all assets of the Group except deferred tax assets, pledged deposits, cash and cash equivalents, certain prepayments and investment properties, as these assets are managed on a group basis.

Segment liabilities include all liabilities of the Group except convertible bonds, income tax payables and certain other payables, as these liabilities are managed on a group basis.

The segment results for the year ended 30 June 2019

	Industrial products RMB	Project contracting services RMB	Environmental products RMB	Supporting services RMB	Total RMB
Segment revenue from external customers	**203,307,550**	**261,329,219**	**48,041,591**	**251,295,706**	**763,974,066**
Timing of revenue recognition					
At a point in time	**203,307,550**	**-**	**39,730,535**	**251,295,706**	**494,333,791**
Over time	**-**	**261,329,219**	**8,311,056**	**-**	**269,640,275**
Segment cost of sales	**(150,189,743)**	**(217,942,033)**	**(46,506,390)**	**(228,359,216)**	**(642,997,382)**
Segment gross profit	**53,117,807**	**43,387,186**	**1,535,201**	**22,936,490**	**120,976,684**
Segment results	**20,749,634**	**26,257,902**	**(11,247,163)**	**(15,519,824)**	**20,240,549**
Common administrative expenses					**(21,134,963)**
Other income and (losses)/gains, net(Note 4)					**(108,630,916)**
Finance costs – net(Note 6)					**(11,518,384)**
Loss before income tax					**(121,043,714)**
Income tax expense(Note 7)					**(8,824,351)**
Loss for the year					**(129,868,065)**

Other segment information:

	Industrial products RMB	Project contracting services RMB	Environmental products RMB	Supporting services RMB	Unallocated RMB	Total RMB
Capital expenditure	**2,155,231**	**75,239**	**54,687**	**12,798,487**	**-**	**15,083,644**
Depreciation of property plant and equipment	**1,452,854**	**25,146**	**1,660,317**	**3,644,361**	**-**	**6,782,678**
Amortisation of prepaid land lease payments	**106,539**	**-**	**141,355**	**1,622,361**	**127,474**	**1,997,729**
Depreciation of investment properties	**-**	**-**	**-**	**6,114,005**	**310,742**	**6,424,747**
Amortisation of other intangible assets	**2,047,850**	**-**	**-**	**98,763**	**-**	**2,146,613**
Impairment of goodwill (Note 10)	**-**	**-**	**-**	**105,063,873**	**-**	**105,063,873**

The segment results for the year ended 30 June 2018

	Industrial products RMB	Project contracting services RMB	Environmental products RMB	Supporting services RMB	Total RMB
Segment revenue from external customers	121,692,110	215,873,846	99,827,528	174,729,914	612,123,398
Timing of revenue recognition					
At a point in time	121,692,110	-	76,241,367	174,729,914	372,663,391
Over time	-	215,873,846	23,586,161	-	239,460,007
Segment cost of sales	(82,359,528)	(180,266,556)	(77,197,909)	(135,042,499)	(474,866,492)
Segment gross profit	39,332,582	35,607,290	22,629,619	39,687,415	137,256,906
Segment results	17,409,130	29,088,968	9,203,634	27,629,519	83,331,251
Common administrative expenses					(22,853,670)
Unallocated net impairment losses on financial and contract assets					(203,230)
Other income and (losses)/gains, net(Note 4)					5,548,305
Finance costs – net(Note 6)					(5,400,384)
Profit before income tax					60,422,272
Income tax expense(Note 7)					(12,521,204)
Profit for the year					47,901,068

Other segment information:

	Industrial products RMB	Project contracting services RMB	Environmental products RMB	Supporting services RMB	Unallocated RMB	Total RMB
Capital expenditure	16,685,280	-	405,248	233,500,146	280,129	250,870,803
Depreciation of property, plant and equipment	886,942	-	1,181,896	743	1,973,197	4,042,778
Amortisation of prepaid land lease payments	51,029	-	67,704	836,189	61,055	1,015,977
Depreciation of investment properties	-	-	-	-	310,742	310,742
Amortisation of other intangible assets	1,535,888	-	-	-	-	1,535,888

Segment assets	For the year ended 30 June	
	2019	2018
	RMB	RMB
Project contracting services	**490,983,666**	403,673,667
Supporting services	**443,391,478**	479,699,633
Industrial products	**212,327,398**	253,070,470
Environmental products	**70,422,522**	107,378,222
Total segment assets	**1,217,125,064**	1,243,821,992
Unallocated:		
Pledged deposits	**29,976,599**	69,697,182
Cash and cash equivalents	**24,196,754**	71,832,837
Deferred tax assets	**8,353,095**	4,212,878
Investment properties	**5,679,053**	5,989,795
Prepayments — non - current portion	**195,903**	208,963
Prepaid land lease payments	**-**	5,621,779
Total assets as per the statement of financial position	**1,285,526,468**	1,401,385,426

Segment liabilities	For the year ended 30 June	
	2019	2018
	RMB	RMB
Project contracting services	**201,993,421**	173,632,010
Supporting services	**149,700,093**	64,919,044
Industrial products	**121,413,440**	195,202,469
Environmental products	**59,759,940**	78,785,709
Total segment liabilities	**532,866,894**	512,539,232
Unallocated:		
Convertible bonds	**85,525,913**	75,710,498
Income tax payable	**11,911,209**	6,675,441
Other payables	**649,091**	32,317,283
Contingent consideration arose from business acquisition	**-**	7,540,000
Total liabilities as per the statement of financial position	**630,953,107**	634,782,454

The Group has recognised the following assets and liabilities related to contracts with customers:

	For the year ended 30 June	
	2019	2018*
	RMB	RMB
Contract assets (i):		
Contract assets relating to sale of goods	**16,435,710**	15,447,384
Contract assets relating to sale of project contracting services	**66,797,352**	171,307,026
Less: Provision for impairment	**(971,472)**	(442,388)
Total contract assets	**82,261,590**	186,312,022
Contract liabilities (ii):		
Contract liabilities relating to sales of goods	**101,549,740**	139,605,009
Contract liabilities relating to sale of project contracting services	**39,616,327**	89,692,910
Total contract liabilities	**141,166,067**	229,297,919

* Reclassified and remeasured amounts – see note 2.1(e) for explanations

(i) Significant changes in contract assets and liabilities

The decrease in contract assets was mainly due to reclassification to trade receivables as the rights to consideration relating to sale of project contracting services become unconditional. The decrease in contract liabilities was mainly due to revenue recognised related to those contract liabilities and less receipt in advance from customers.

(ii) Revenue recognised in relations to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	For the year ended 30 June 2019 RMB
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	**215,514,462**

(iii) Unsatisfied long-term contracts

The following table shows unsatisfied performance obligations resulting from long-term contracts:

	For the year ended 30 June 2019 RMB
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully satisfied as at 30 Jun 2019	**399,047,108**

* As permitted under the transitional provisions in HKFRS 15, the transaction price allocated to (partially) unsatisfied performance obligation as of 30 June 2018 is not disclosed.

Management expects that 36% of the transaction price allocated to the unsatisfied contracts as of 30 June 2019 will be recognised as revenue during the next reporting period (RMB144,591,601). The remaining 64% (RMB254,455,507) will be recognised in the year ended 30 June 2021.

4 Other income and (losses)/gains, net

	For the year ended 30 June	
	2019	2018
	RMB	RMB
Interest income from customer delaying on payment	**12,670,796**	-
Interest income recongnised form project contracting services	**4,729,429**	-
Government grants	**3,121,071**	1,097,122
Lawsuit	**2,298,000**	-
Tax refund	**1,388,268**	-
Exhibition service income	**1,132,076**	-
Rental income	**617,554**	381,566
Interest income from loan to a customer	**368,115**	-
Gain on scrap steel sale	**204,203**	209,817
Bidding service income	**-**	3,363,208
Change in fair value of contingent consideration (Note 1)	**(30,437,752)**	77,422
Impairment of goodwill (Note 10)	**(105,063,873)**	-
Others	**341,197**	419,170
	(108,630,916)	5,548,305

5 Expenses by nature

	For the year ended 30 June	
	2019	2018
	RMB	RMB
Raw materials used	**617,448,136**	420,660,870
Employee benefit expenses	**61,204,032**	43,871,276
Travelling expenses	**10,304,861**	8,603,406
Depreciation of investment properties	**6,424,747**	310,742
Depreciation of property, plant and equipment	**6,782,678**	4,042,778
Outsourcing service fees	**4,160,109**	3,449,730
Professional service fees	**3,922,562**	2,992,396
Entertainment expenses	**3,587,276**	3,118,248
Office expenses	**3,280,953**	4,209,123
Addition of provision for write-down of inventories	**2,697,019**	259,144
Warranty expenses	**2,675,543**	2,847,105
Transportation expenses	**2,356,717**	2,953,914
Amortisation of other intangible assets	**2,146,613**	1,535,888
Amortisation of prepaid land lease payments	**1,997,729**	1,015,977
Miscellaneous tax charges other than value added tax and income tax	**1,870,012**	3,046,537
Auditors' remuneration	**1,830,000**	2,555,136
Advertising costs	**653,057**	654,615
Utilities	**564,994**	221,572
Change in inventories of finished goods and work in progress	**(34,171)**	34,099,739
Other expenses	**2,393,347**	8,840,640
	736,266,214	549,288,836

6 Finance costs - net

	For the year ended 30 June	
	2019	2018
	RMB	RMB
Finance costs		
Interest on convertible bonds	**(10,819,398)**	(14,804,185)
Interest on loans	**(2,343,973)**	(1,116,317)
Amount capitalised	**386,240**	241,303
	(12,777,131)	(15,679,199)
Finance income		
Interest income	**737,621**	9,329,181
Exchange gain, net	**521,126**	949,634
	1,258,747	10,278,815
Finance costs- net	**(11,518,384)**	(5,400,384)

7 Income tax expense

	For the year ended 30 June	
	2019	2018
	RMB	RMB
Current income tax		
PRC enterprise income tax(iii)	**13,124,571**	13,287,529
Deferred income tax	**(4,300,220)**	(766,325)
Income tax expense	**8,824,351**	12,521,204

(i) Cayman Islands profits tax

Corporate income is not imposed on corporations in the Cayman Islands.

(ii) Hong Kong profits tax

No Hong Kong profits tax has been provided for the year ended 30 June 2019 (2018: Nil), as the Group had no taxable profits earned in Hong Kong during the year.

(iii) 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.

Zhejiang Huazhang Technology Limited ("Zhejiang Huazhang")'s applicable EIT rate is 25% according to the New EIT Law. Under the relevant regulations of the New EIT Law, Zhejiang Huazhang had obtained the qualification of High and New Technology Enterprise in the calendar years of 2017 with a validation period of three years. The applicable EIT rate of Zhejiang Huazhang is 15% from 2008 till 2019.Thus the applicable income tax rate for Zhejiang Huazhang was 15% for the year ended 30 June 2019 (2018: 15%).

The difference between the actual income tax expense in the consolidated statement of profit or loss and the amounts which would result from applying the enacted tax rate to profit before tax can be reconciled as follows:

	For the year ended 30 June	
	2019	2018
	RMB	RMB
(Loss)/profit before income tax	**(121,043,714)**	60,422,272
Tax calculated at the statutory tax rate of 25%	**(30,260,929)**	15,105,568
Tax effects of:		
Preferential income tax enjoyed by Zhejiang Huazhang	**(5,741,452)**	(3,533,345)
Different tax rate effect	**8,380,849**	-
Income not subject to tax	**(651,050)**	-
Provision for goodwill impairment not deductable for tax purpose	**26,265,968**	-
Expenses not deductible for income tax purpose	**5,095,277**	238,086
Research and development tax credit	**(1,652,199)**	(1,147,642)
Tax losses for which no deferred tax assets was recognised	**8,212,054**	1,906,891
Adjustments for current tax of prior years	**(824,167)**	(48,354)
Income tax expense	**8,824,351**	12,521,204

8 Earnings per share

For years ended 30 June 2019 and 2018, basic earnings per share are based on the (loss)/profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

The diluted earnings per share is same as the basic earnings per share for the year ended 30 June 2019 as any potential ordinary shares would have anti-dilutive effect (2018: Adjustment has been made to the basic earnings per share in respect of the impact of shares that were contingently issuable as part of the consideration for the business acquisition on 25 September 2017. Impact of convertible bonds is not adjusted as it would have an anti-dilutive effect) .

	For the year ended 30 June	
	2019	2018
	RMB	RMB
Basic		
Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent	**(128,269,107)**	48,285,144
Number of shares		
Weighted average number of ordinary shares in issue during the year	**728,246,767**	674,223,209
Basic (losses)/earnings per share (RMB cents)	**(17.61)**	7.16
Diluted		
Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent	**(128,269,107)**	48,285,144
Number of shares		
Weighted average number of ordinary shares in issue during the year	**728,246,767**	674,223,209
Adjustment for contingent shares	**-**	2,017,142
Weighted average number of ordinary shares in issue and potential ordinary shares issued as the denominator in calculating diluted earnings per share during the year	**728,246,767**	676,240,351
Diluted (losses)/earnings per shares(RMB cents)	**(17.61)**	7.14

9 Dividends

	For the year ended 30 June	
	2019	2018
	RMB	RMB
Proposed final dividend	**-**	18,953,520
	-	18,953,520

The dividend of 3.0 HK cents per share (2018:2.4 HK cents per share) , an amount of RMB18,994,497 was paid for the year ended 30 June 2019 (2018: RMB12,438,575).

On 25 September 2019, the Board resolved not to declare any dividend for the year ended 30 June 2019 (2018: RMB18,953,520).

10 Goodwill

	Headbox business	Logistics and warehousing services	Others	Total
	RMB	RMB	RMB	RMB
Year ended 30 June 2019				
Opening net book amount as at 1 July 2018	36,155,379	108,247,008	596,370	144,998,757
Impairment charge (Note 4)	-	(105,063,873)	-	(105,063,873)
Closing net book amount as at 30 June 2019	36,155,379	3,183,135	596,370	39,934,884
Year ended 30 June 2018				
Opening net book amount as at 1 July 2017	-	-	596,370	596,370
Goodwill on acquisition	36,155,379	108,247,008	-	144,402,387
Closing net book amount as at 30 June 2018	36,155,379	108,247,008	596,370	144,998,757

Goodwill of the Group mainly arose from the acquisition of MCN Group and Fu An 777 Logistics Limited ("777 Logistics", together with its subsidiaries, collectively known as the "777 Logistics Group") in 2017.

Goodwill is allocated to the cash generating unit ("CGU") of headbox business under the business segment of industrial products and the CGU of logistics and warehousing services under the business segment of supporting services for impairment test.

The following table sets out the key assumptions for the CGUs that have significant goodwill allocated to them:

30 June 2019	**Headbox business**	**Logistics and warehousing services**
Sales (% annual growth rate)	4%-5%	8%-94%
Budgeted gross margin (%)	33%-34%	51%-85%
Long term growth rate (%)	3%	3%
Pre-tax discount rate (%)	16.7%	16%
30 June 2018		
Sales (% annual growth rate)	9%-10%	15%-33%
Budgeted gross margin (%)	33%-34%	8%
Long term growth rate (%)	2.5%	3%
Pre-tax discount rate (%)	14%	16%

These assumptions have been used for the analysis of CGUs within the operating segment.

Sales is the average annual growth rate over the five-year forecast period. It is based on past performance and management's expectations of market development.

Gross margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the current sales margin levels and sales mix, with adjustments made to reflect the expected future price rises in rubber, a key raw material, which management does not expect to be able to pass on to customers through price increases.

The long term growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the CGUs.

As at 30 June 2019, the impairment charge of RMB105,063,873 (30 June 2018: Nil) arose in the logistics and warehousing services CGU was due to the slow growth of this operation which made the management adjust its five-year cash flow forecast.

11 Trade and other receivables, contract assets and prepayments

(i) Trade and other receivables

	As at 30 June	
	2019	2018
	RMB	RMB
Warranty receivables (a)	**19,906,655**	24,294,874
Amounts due from contract customers	**-**	74,894,609
Other trade receivables (b)	**493,389,612**	411,084,130
	513,296,267	510,273,613
Less: provision for impairment of trade receivables (c)	**(39,538,917)**	(13,156,318)
Trade receivables-net	**473,757,350**	497,117,295
Bills receivables	**20,218,173**	83,702,261
Trade and bills receivables	**493,975,523**	580,819,556
Payment on behalf of an independent third party	**91,449,840**	-
Deductible input value added tax	**9,669,086**	8,639,801
Loan deposit to an independent third party	**8,796,600**	8,431,000
Loan to a customer	**7,228,531**	-
Other receivables - guarantee	**3,247,643**	5,697,560
Other receivables due from a related party	**23,612**	17,428
Others	**5,419,728**	5,317,650
	125,835,040	28,103,439
Less: provision for impairment of other receivables (d)	**(5,981,394)**	(2,156,079)
Other receivables - net	**119,853,646**	25,947,360
Total trade and other receivables	**613,829,169**	606,766,916
Less: trade and other receivables - non-current portion	**(7,075,588)**	(32,023,284)
	606,753,581	574,743,632

(a) The warranty receivables represent approximately 5% to 10% of the contract value of the sales of the Group which will be collected upon the expiry of the warranty period (which is usually for a period of 18 months from the date of delivery or 12 months after on-site testing, whichever is earlier).

The ageing analysis of the warranty receivables based on the date that the Groups was entitled to collect the revenue is as follows:

	As at 30 June	
	2019	2018
	RMB	RMB
Warranty receivables		
Up to 3 months	**-**	3,133,994
3 months to 6 months	**-**	2,427,836
6 months to 1 year	**-**	4,444,200
1 year to 2 years	**6,138,336**	5,418,323
Over 2 years	**13,768,319**	8,870,521
	19,906,655	24,294,874

As at 30 June 2019 and 2018, the management expects that approximately RMB19,906,655 and RMB24,294,874 respectively, will be received within one year.

(b) The ageing analysis of the other trade receivables based on the date that the Group was entitled to collect the revenue date is as follows:

	As at 30 June	
	2019	2018
	RMB	RMB
Other trade receivables		
Up to 3 months	**208,786,984**	310,309,198
3 months to 6 months	**3,524,681**	948,389
6 months to 1 year	**3,775,227**	48,487,548
1 year to 2 years	**230,500,138**	41,625,606
Over 2 years	**46,802,582**	9,713,389
	493,389,612	411,084,130

As at 30 June 2019 and 2018, the management expects that approximately RMB493,389,612 and RMB411,084,130 respectively, will be received within one year.

The ageing analysis of the other trade receivables based on the due date is as follows:

	As at 30 June	
	2019	2018
	RMB	RMB
Other trade receivables		
Not due	**38,536,280**	293,240,150
Up to 3 months past due	**238,066,464**	94,966,932
3 months to 6 months past due	**33,350,026**	948,389
6 months to 1 year past due	**20,551,133**	12,477,048
1 year to 2 years past due	**154,813,281**	798,511
Over 2 years past due	**8,072,428**	8,653,100
	493,389,612	411,084,130

(c) Movements in the Group's provision for impairment of trade receivables are as follows:

	For the year ended 30 June	
	2019	2018
	RMB	RMB
At beginning of the year	**13,156,318**	6,529,385
Amounts restated through opening retained earnings	**2,173,272**	-
Additions resulting from acquisition of subsidiaries	**-**	5,111,746
Impairment losses recognised	**24,247,867**	2,356,981
Amounts written off as uncollectible	**(38,540)**	(841,794)
At the end of the year	**39,538,917**	13,156,318

(d) Movements in the Group's provision for impairment of other receivables are as follows:

	For the year ended 30 June	
	2019	2018
	RMB	RMB
At beginning of the year	**2,156,079**	1,952,849
Impairment losses recognised	**3,825,315**	203,230
At the end of the year	**5,981,394**	2,156,079

Due to the short-term nature of the current receivables, their carrying amounts approximate their fair value as at the end of the reporting period.

The carrying amounts of trade and other receivables (including non-current portion) are denominated in the following currencies:

	As at 30 June	
	2019	2018
	RMB	RMB
RMB	**603,253,912**	594,533,277
HKD	**9,029,847**	12,138,625
USD	**1,545,410**	95,014
	613,829,169	606,766,916

(ii) Contract assets

	As at 30 June	
	2019	2018
	RMB	RMB
Contract assets	**83,233,062**	-
Less: provision for impairment of contract assets (a)	**(971,472)**	-
	82,261,590	-

(a) Movements in the Group's provision for impairment of contract assets are as follows:

	For the year ended 30 June	
	2019	2018
	RMB	RMB
At beginning of the year	**-**	-
Amounts restated through opening retained earnings	**442,388**	-
Impairment losses recognised	**529,084**	-
At the end of the year	**971,472**	-

As at 30 June 2019, all the carrying amounts of contract assets were denominated in RMB.

(iii) Prepayments

	As at 30 June	
	2019	2018
	RMB	RMB
Prepayments for procurement	**79,921,802**	128,694,966
Others	**135,863**	185,115
Total prepayments	**80,057,665**	128,880,081
Less: prepayments - non-current portion	**(195,903)**	(208,963)
	79,861,762	128,671,118

12 Trade and other payables

	As at 30 June	
	2019	2018
	RMB	RMB
Trade payables	**129,178,810**	136,756,489
Bills payables	**110,852,396**	67,797,047
	240,031,206	204,553,536
Other taxes payables	**32,501,508**	31,863,486
Amounts due to suppliers on a customer's behalf	**13,775,461**	-
Payables for property, plant and equipment	**6,487,991**	14,051,015
Accruals	**5,694,078**	2,021,477
Employee benefit payables	**3,185,326**	2,630,637
Deposits	**915,000**	681,457
Provision for warranty expenses	**484,577**	370,008
Amounts due to related parties	**49,500**	-
Advances from customers	**-**	229,297,919
Others	**2,054,875**	4,434,210
	65,148,316	285,350,209
	305,179,522	489,903,745

The ageing analysis of the trade payables based on the invoice date is as follows:

	As at 30 June	
	2019	2018
	RMB	RMB
Up to 3 months	**85,129,189**	97,406,971
3 months to 6 months	**23,254,725**	15,447,171
6 months to 1 year	**5,631,296**	9,856,070
1 year to 2 years	**6,264,575**	11,053,489
Over 2 years	**8,899,025**	2,992,788
	129,178,810	136,756,489

The carrying amount of trade and other payables are denominated in the following currencies:

	As at 30 June	
	2019	2018
	RMB	RMB
RMB	**303,584,561**	469,257,192
HKD	**39,707**	19,878,902
USD	**1,555,254**	767,651
	305,179,522	489,903,745

13 Convertible Bonds

On 29 March 2017, the Company issued convertible bonds in principal amount of HK$100,000,000 (equivalent to RMB88,780,000) (the "Convertible Bonds").

Pursuant to the bond subscription agreement, the Convertible Bonds are:

(a) convertible at the option of the bond holders into ordinary shares of the Company at HK$2.50 per share (subject to adjustment) at any time on or after 29 April 2017 up to the close of business on the 30th day prior to the maturity date;

(b) the maturity date is 29 March 2019 and it is at the Company's discretion to extend one additional year;

The Convertible Bonds bear interest at a rate of 5% per annum payable semi-annually in arrears on 28 September and 28 March.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The proceeds from the issuance of Convertible Bonds of HK$100,000,000 have been split into liability and equity components on 29 March 2017 (the issuance date). On the issuance date, the fair value of the liability component of the Convertible Bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar bond without conversion option with consideration of the Group's own non-performance risk. And it will be measured on the amortized cost basis until extinguished on conversion or redemption. The remaining proceeds are allocated to the equity component of Convertible Bonds. Transaction cost are apportioned between liability and equity components of the Convertible Bonds based on the allocation of proceeds to the liability and equity components on the issuance date.

There is no movement in the number of the Convertible Bonds during the year.

The fair value of the liability and equity components are determined based on the valuations performed by Duff and Phelps, an independent firm of professional valuers, using binomial model.

On 25 Mar 2019, the Company received a notice from the investor requesting to extend the maturity date of the Convertible Bonds for 6 months after the maturity date, i.e. extend to 29 September 2019 under the same terms and conditions of the Convertible Bonds (the "Extension"). The Company agreed to the Extension and accounted for the Extension as a modification of the existing financial liability with the change in present value of the liability component, which represents the difference between carrying amount of liability component before the Extension and discounted new cash flows under new terms using original effective interest rate, recognised in the statement of profit or loss.

	Liability component of Convertible Bonds RMB	Equity component of Convertible Bonds RMB	Total RMB
At 1 July 2018	75,710,498	23,609,589	99,320,087
Interest expense (Note 6)	17,773,286	-	17,773,286
Interest paid	(2,176,667)	-	(2,176,667)
Modification (Note 6)	(6,953,888)	-	(6,953,888)
Currency translation differences	1,172,684	-	1,172,684
At 30 June 2019	85,525,913	23,609,589	109,135,502
At 1 July 2017	66,821,857	23,609,589	90,431,446
Interest expense (Note 6)	14,804,185	-	14,804,185
Interest paid	(4,277,500)	-	(4,277,500)
Currency translation differences	(1,638,044)	-	(1,638,044)
At 30 June 2018	75,710,498	23,609,589	99,320,087

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Over the past year, the Sino-US trade conflicts were escalating, which affected the economy and all industries in China to various extent. As reported by the National Bureau of Statistics, in 2018, the production of machine-made papers and cardboards in China declined 1.5% year-on-year to 116.6 million tonnes. Since June 2018, the cumulative production has turned to record a negative growth. For the six months ended 30 June 2019, the production of machine-made papers and cardboards in China was approximately 58.7 million tonnes, representing a year-on-year declined of 1.5%. Overall operating revenue from the paper-making industry in the year reached RMB1,300 billion, a year-on-year increase of 8.3%. Yet, under the impact of factors including rise in prices of raw materials and more stringent regulation of environmental protection, the net profit of the paper manufacturing industry in 2018 decreased by RMB7.1 billion year-on-year to RMB76.6 billion. As of 30 June 2019, operating revenue from the paper-making industry and the paper products industry in China was RMB652.83 billion, a year-on-year decrease of 2.3%; and the total profit was RMB28.15 billion, a year-on-year decrease of 25.4%.

In recent years, the state's emphasis on "lucid waters and lush mountains", together with measures such as more stringent environmental protection requirements and pollutant discharge permit system for the paper manufacturing industry have shown that stricter regulation of environmental protection has become the development trend of the industry. Due to the sharp increase in environmental protection costs in the industry, cost pressure forced outdated production capacity of small and medium-sized enterprises to withdraw from the market, leading to a significant increase in the concentration of leading paper enterprises. Meanwhile, leading paper enterprises increased investment in transforming production lines, in order to enhance operating efficiency of the enterprises and meet more stringent environmental protection requirements.

OPERATION DISCUSSION AND ANALYSIS

The Group's business segments can be classified as four types:

Industrial products – including industrial automation systems, headboxes
Project contracting services – including design services, project management services and installation services
Environmental products – including sludge treatment products, wastewater treatment products and refuse derived fuel products ("RDF products")
Supporting services – including after-sales services, machine running services, warehouse and logistic services and renovation services

For the year ended 30 June 2019, the Group recorded a turnover of approximately RMB764.0 million, representing an increase of approximately 24.8% as compared with the same period in 2018. However, the Group recorded a loss of approximately RMB129.9 million this year, compared with a profit of approximately RMB47.9 million in the same period in 2018. The substantial loss recorded this year was mainly the effect of one-off impairment and fee. If measured at non-generally accepted accounting standards, the profit of the Group during the year was approximately RMB22.3 million.

Although the Group recorded substantial loss and the results were below expectation, during the year, the Group still actively facilitated the corporate affairs as well as business by upholding the vision and principles of "Integrating Together, Creating Together, Benefiting Together". The Group played the role of providing all-encompassing services to maximize the interests by sharing, creating together and working together for win-win situation. The Group managed to achieve breakthrough in certain aspects.

“Integrating Together” – optimize the role of providing all-encompassing services for the paper-making industry

During the year, through the collective effort and cooperation with partners and customers, the Group completed the first entire paper machine production line transformation project during the year under review. The Group successfully completed the renovation, installation and debugging work within less than 30 days of the production line down time. The project marks an important milestone in the Group's transformation projects. The Group becomes the first domestic paper-making equipment enterprise which completed transformation services, which in turn provides great experience to improve the full-time all-encompassing services of paper manufacturing enterprises in the future.

“Creating Together” – create new opportunities for development

The Group worked together with suppliers and service providers to create new opportunities for development. During the year, the Group began to deliver supply chain financing services to the paper-making companies to assist them in sourcing raw materials and to provide financing services through the Group’s service platform and its close relationships with suppliers.

During the year, the overseas business division of the Group actively explored the overseas markets. During the year under review, the Group signed a contract with a paper manufacturing company in Vietnam for a project contract service agreement with a value of US$19.0 million (approximately RMB130.9 million) to build a 120,000 tonnes paper manufacturing production line for customers. In the past year, the Group’s sales personnel visited a lot of customers in overseas countries or invited overseas customers to conduct site visits to the Company. The Group believes that the overseas markets are full of opportunities.

“Benefiting Together” – collaborate for common benefits

The Group created common benefits by working with all parties to optimize its role of providing all encompassing services. Affected by the sluggish economic environment in China, during the year, the Group recorded negative growth for the first time, with new contract value dropped by 36.4% to approximately RMB602.0 million.

During the year under review, the Group was a title sponsor of “2018 China International Paper Innovation and Development Forum” and organised “The 4th China Pulp and Paper Machinery Development Forum”, which allowed it to exchange and establish good relationship with the domestic paper-making equipment industry peers.

FINANCIAL REVIEW

Revenue and gross profit margin

Revenue increased by approximately 24.8% from approximately RMB612.1 million for the year ended 30 June 2018 to approximately RMB764.0 million for the year ended 30 June 2019. Gross profit margin decreased from approximately 22.4% for the year ended 30 June 2018 to approximately 15.8% for the year ended 30 June 2019.

(i) Industrial products

Revenue from sales of industrial products increased significantly by approximately 67.1% from approximately RMB121.7 million for the year ended 30 June 2018 to approximately RMB203.3 million for the year ended 30 June 2019. Such increase was primarily attributable to the acquisition of the headbox business in September 2017 and increase in sales of industrial automation systems stimulated by supporting services amounting to approximately RMB56.0 million during the year. The revenue from sales of headbox increased from approximated RMB37.4 million for the year ended 30 June 2018 to approximately RMB52.1 million for the year ended 30 June 2019. The gross profit margin of industrial products decreased from approximately 32.3% for the year ended 30 June 2018 to approximately 26.1% for the year ended 30 June 2019. Such decrease was attributable to the Group reduced its profit margin in industrial products to support the supporting services.

(ii) Project contracting services

Revenue from project contracting services increased by approximately 21.1% from approximately RMB215.9 million for the year ended 30 June 2018 to approximately RMB261.3 million for the year ended 30 June 2019. Such increase was mainly due to a mega project was completed for the year ended 30 June 2019, which contributed a revenue of approximately RMB245.2 million. The Group will increase its resources to provide project contracting service in overseas. The gross profit margin of project contracting services remains stable for approximately 16.5% and approximately 16.6% for the year ended 30 June 2018 and 2019, respectively.

(iii) Environmental business

Revenue from sales of environmental business decreased significantly by approximately 51.9% from approximately RMB99.8 million for the year ended 30 June 2018 to approximately RMB48.0 million for the year ended 30 June 2019. Such decreased was primarily due to no RDF products, which had a lower profit margin, was sold for the year ended 30 June 2019 and the demand for wastewater treatment products was decreased. As a result, the gross profit margin of environmental business decreased significantly from approximately 22.7% for the year ended 30 June 2018 to approximately 3.2% for the year ended 30 June 2019 due to several projects are suspended, we recognized the loss of these projects for the year ended 30 June 2019.

(iv) Supporting services

Revenue from provision of supporting services increased by approximately 43.8% from approximately RMB174.7 million for the year ended 30 June 2018 to approximately RMB251.3 million for the year ended 30 June 2019. The revenue from the provision of support services increased significantly mainly due to the Group provided new services to customers, including entire paper machine production line transformation projects, and supply chain financial services for the year ended 30 June 2019. The gross profit margin for the provision of supporting services decreased from approximately 22.7% for the year ended 30 June 2018 to approximately 9.1% for the year ended 30 June 2019. The gross profit margin decreased due to the new service represented over 50% of the revenue of supporting service business, but the gross profit margin of the new service was low.

Selling and distribution expenses

The selling and distribution expenses increased by approximately 1.7% from approximately RMB13.1 million for the year ended 30 June 2018 to approximately RMB13.4 million for the year ended 30 June 2019, accounting for approximately 2.1% and approximately 1.7% of the Group's revenue for the year ended 30 June 2018 and 2019 respectively. Increase in selling and distribution expenses was primarily attributing to an increase in salaries and employee benefits for the year ended 30 June 2019 as compared with the same period of 2018. Such increase is a result of increase in number of sales personnel and sales activities.

Administrative expenses

The administrative expenses increased by approximately 33.9% from approximately RMB42.5 million for the year ended 30 June 2018 to approximately RMB57.0 million for the year ended 30 June 2019, accounting for approximately 6.9% and approximately 7.5% of the Group's revenue for the year ended 30 June 2018 and 2019 respectively. Increase in administrative expenses is mainly attributable to an increase in salaries and employee benefits of approximately RMB6.9 million for the year ended 30 June 2019 as compared with the same period of 2018 as the Group increase over 30 employees in relation to project management and technical supports and increased staff salaries and included the share options expenses amounting to approximately RMB4.4 million during the year. Also, the Group invested amounts of approximately RMB3.2 million for the preparation work of the waste recycling and treatment project, such as doing the feasible research and hiring a project team.

Research and development expenses

The research and development expenses increased by approximately 22.3% from approximately RMB18.7 million for the year ended 30 June 2018 to approximately RMB22.9 million for the year ended 30 June 2019, accounting for approximately 3.1% and approximately 3.0% of the Group's revenue for the year ended 30 June 2018 and 2019 respectively. Increase in research and development expenses was primarily attributing to increase in usage of materials for the research and development activities, including internet of things and headboxes etc.

Net impairment losses on financial and contract assets

Net impairment losses on financial and contract assets increased by approximately RMB26.0 million from approximately RMB2.6 million for the year ended 30 June 2018 to approximately RMB28.6 million for the year ended 30 June 2019, which was primarily due to an increase in impairment recognized on trade and other receivables for the year ended 30 June 2019 as several customers have financial difficulties and cannot repay the receivables timely in such economic environment.

Other income and (losses)/gains, net

Other income and (losses)/gains, net changed from a gain of approximately RMB5.5 million for the year ended 30 June 2018 to a loss of approximately RMB108.6 million for the year ended 30 June 2019. Such change mainly comprised of change in fair value of contingent consideration and impairment of goodwill, the reasons of increase are as follows:

Change in fair value of contingent consideration - For the year ended 30 June 2019, the Group recorded a one-off expenditure about the change in fair value of contingent consideration amounting to approximately RMB30.4 million in relation to acquisition of MCN Group. According to sales and purchase agreement dated 23 May 2017, if in the event that the average profits of MCN Group for the year ended 31 December 2017 and 2018 (the "Average Profits") equals to or exceeds RMB4.0 million, the Company is required to adjust the initial consideration for the acquisition of the MCN Group and will pay an additional consideration to the vendors. As the Average Profits exceeded RMB4.0 million, the Group recognised the additional consideration as the change in fair value of contingent consideration. The change in fair value is non-cash items and bear no impact on the cash flow and operation of the Group. On 20 June 2019, the Company has paid an additional consideration to the vendors at a total of approximately RMB42.3 million (equivalent to approximately HK$49.5 million) for the issuance of 11,248,224 new shares at HK$4.4 per share. For more details, please refer to the related announcements of the Company date on 29 April 2019.

Impairment of goodwill - For the year ended 30 June 2019, the Group made a one-off impairment provision for the goodwill, which was generated from the acquisition of the logistic and warehousing services business, amounting to RMB108.2 million. Impairment is determined by assessing the recoverable amount of the logistic and warehousing services business, where the recoverable amount of the logistic and warehousing services business is less than the carrying amount, due to the slow growth of the operation as the development of Yangjiang, PRC is lower than our expectation, an impairment loss is recognised. After the impairment, the goodwill generated from the acquisition of the 777 Logistics Group have been mostly impaired. The impairment is non-cash items and bears no impact on the cash flow and operation of the Group.

Finance costs - net

The net finance costs increased significantly by approximately 113.3% from approximately RMB5.4 million for the year ended 30 June 2018 to approximately RMB11.5 million for the year ended 30 June 2019, primarily attributing to an decrease in finance income of approximately RMB9.0 million for the year ended 30 June 2019 which partially offset by a decrease in finance costs of approximately RMB2.9 million for the year ended 30 June 2019.

Income tax expense

The income tax expense decreased by approximately 29.5% from approximately RMB12.5 million for the year ended 30 June 2018 to approximately RMB8.8 million for the year ended 30 June 2019. The decrease was mainly attributable to decrease in the operating profits of the Group for the year ended 30 June 2019.

The effective tax rates of the Group decreased from 20.7% for the year ended 30 June 2018 to 7.3% for the year ended 30 June 2019, such decreased was due to the fair value of contingent consideration and impairment of goodwill were non-deductible expenses. Excluding such non-deductible expenses, the effective tax rates of the Group for the year ended 30 June 2019 was 20.7% which was stable as compared with the effective tax rate for the year ended 30 June 2018.

(Loss)/profit for the year and net (loss)/profit margin

As a result of the foregoing, the Group recorded a loss for the year of approximately RMB129.9 million for the year ended 30 June 2019 as compared with the profit for the year of approximately RMB47.9 million for the year ended 30 June 2018. Since the Group had recorded a loss for the year, the net loss margin for the year ended 30 June 2019 was approximately 17.0% as compared with the net profit margin for the year ended 30 June 2018 was approximately 7.8%.

(Loss)/profit for the year attributable to owners of the parent

As a result of the foregoing, the Group recorded a loss for the year attributable to owners of the parent of approximately RMB128.3 million for the year ended 30 June 2019 as compared with a profit for the year attributable to owners of the parent of approximately RMB48.3 million for the year ended 30 June 2018.

Non-GAAP Financial Measures

To supplement the consolidated results of the Group prepared in accordance with HKFRS, certain additional non-GAAP financial measures (in terms of, profit for the year and net margin), have been presented in this announcement. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with HKFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies.

The Company's management believes that the non-GAAP financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain non-cash items and certain impact of discounting of receivables from installment transactions. In addition, non-GAAP adjustments include estimates made by the Company's management based on available information, certain expectations, assumptions and premises.

The following tables set forth the reconciliation between the Non-GAAP financial measures and measures prepared in accordance with HKFRS for the year ended 30 June 2019 and 2018:

	Year ended 30 June	
	2019	2018
	RMB	RMB
(Loss)/profit for the period	**(129,868,065)**	47,901,068
Amortised costs of liability component of the convertible bond (Note 1)	**6,466,064**	10,646,425
Financial components from provision for project contracting services (Note 2)	**5,801,972**	(1,893,783)
Impairment of goodwill	**105,063,873**	-
Change in fair value of contingent consideration	**30,437,752**	-
Share option expenses	**4,399,960**	-
Adjusted profit for the period	**22,301,556**	56,653,710

Note:

(1) Amortised costs of liability component of convertible bonds is the amount at which the convertible bonds were measured at initial recognitions plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

(2) Financial components from provision for project contracting services combines the difference between the sales price and the present value of the consideration, determined by discounting the instalments receivable at the imputed rate of interest, and the difference to be recognised as revenue as interest element using the effective interest method.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquidity position during the year under review. The Group was principally financed by internal resources. As at 30 June 2019, the Group have cash and cash equivalent balance amounting to approximately RMB24.2 million (30 June 2018: approximately RMB72.9 million) and interest-bearing loans amounting to approximately RMB54.8 million (30 June 2018: RMB21.9 million).

Convertible Bonds

On 29 March 2017, the Company issued Convertible Bonds in principal amount of HK$100.0 million (equivalent to approximately RMB88.8 million).

Pursuant to the bond subscription agreement, the Convertible Bonds are:

(a) convertible at the option of the bond holders into ordinary shares of the Company at HK$2.50 (subject to adjustment) at any time on or after 29 April 2017 up to the close of business on the 30th day prior to the maturity date; and

(b) the maturity date is 29 March 2019 and it is subject to the Company's discretion to extend one additional year;

The net proceeds from the Convertible Bonds amounted to approximately HK$99.5 million (the "Net Proceeds"). As at 30 June 2018, the Net Proceeds, after deducting all relevant costs and expenses, had been fully utilised as to approximately HK$79.6 million for the Group's new intergraded solution projects and as to approximately HK$19.9 million for the Group's general working capital, respectively.

On 25 March 2019, the Company received a notice from the Investor requesting to extend the maturity date of the Bonds for 6 months after the Maturity Date, i.e., to 29 September 2019 under the same terms and conditions of the Bonds (the "Extension"). On 21 May 2019, the Extension has been approved by extraordinary general meeting in the form of an ordinary resolution.

For more details on Extension, please refer to the related announcements of the Company dated 25 March 2019, 26 March 2019, 14 April 2019, 29 April 2019, and 21 May 2019 and the related circular of the Company dated 30 April 2019.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments held and disposals during the year ended 30 June 2019.

Borrowing and charges of assets

As at 30 June 2019, the Group's borrowings were approximately RMB54.8 million (30 June 2018: RMB21.9 million) which will be repayable within 1 year. Such loans were all denominated in RMB, and bear interest rates ranging from 5.31% to 7.2% per annum. (30 June 2018: all denominated in RMB, and bear an interest rate of 4.35% to 10.0% per annum).

As at 30 June 2019, the Group's convertible bond was approximately RMB85.5 million (30 June 2018: RMB75.7 million) which will mature on 29 March 2019 and the interest is 5.0% per annum. The maturity date of the Bonds has been extended to 29 September 2019, as described in the section "LIQUIDITY AND FINANCIAL RESOURCES".

As at 30 June 2019, the banking facilities granted by the bank was secured by property, plant and equipment, investment properties and prepaid land lease payments of the Group amounting to approximately RMB63.4 million, RMB115.9 million and RMB78.8 million respectively (30 June 2018: approximately RMB29.8 million, RMB6.0 million and RMB3.2 million, respectively).

Gearing ratio

The gearing ratios as at 30 June 2019 and 2018 were approximately 8.4% and 2.8% respectively. The increase in gear ratio was mainly attributable to increase in the Group's interest bearing loans from approximately RMB21.9 million as at 30 June 2018 to approximately RMB54.8 million as at 30 June 2019. Based on the gearing ratio as at 30 June 2019, the Group still maintained a good financial position.

Gearing ratio is calculated based on the total debt (excluding the Convertible Bonds) at the end of the year divided by total debt plus total equity at the end of the respective year and multiplied by 100%.

Trade and bills receivables

Trade and bills receivables decreased by approximately RMB86.8 million from approximately RMB580.8 million as at 30 June 2018 to approximately RMB494.0 million as at 30 June 2019, as the amounts due from contract customers amounting to approximately RMB74.9 million, which included in trade and bills receivables, as at 30 June 2018 was reclassified to the contract assets amounting to approximately RMB82.3 million as at 30 June 2019 due to the change in accounting standards. Due to overall downward economic environment, several customers delayed the settlement of the receivables, the receivables and contract assets with aged over one year increased from approximately RMB63.8 million as at 30 June 2018 to approximately RMB377.7 million as at 30 June 2019. The Group will strengthen customer credit risk management to guard against the increased in bad debt provision, and will take legal action if necessary.

Capital Expenditure

For the year ended 30 June 2019, the Group's capital expenditure amounted to approximately RMB15.1 million (30 June 2018: RMB250.9 million).The capital expenditure of the Group for the year was mainly used to acquire the land use rights in Yangjiang.

COMMITMENTS

As at 30 June 2019, the Group had no capital commitments.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group had no material contingent liabilities.

FOREIGN CURRENCY RISK

The Group's principal business is located in the PRC and its transactions are settled in RMB. Most of its assets and liabilities are denominated in RMB, except for certain payables to professional parties and administrative expenses in Hong Kong office that are denominated in Hong Kong dollars.

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 has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rate between HK$, US$ and RMB.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 314 employees (30 June 2018: 318 employees), including the Directors. Total staff costs (including Directors' emoluments) for the year ended 30 June 2019 were approximately RMB61.2 million, as comparable to approximately RMB43.9 million for the year ended 30 June 2018. 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. During the period, the Group continued its commitment to employees' training and development programme.

FUTURE PROSPECTS

Looking ahead to the second half of 2019, there will be more difficulties and challenges with the ongoing Sino-US trade disputes and the increasingly complicated business environment in China. As a leading paper-making equipment supplier in China, the Group will step up its efforts in innovation as well as research and development, enabling "Made in China" to include more China created elements. The Group will maintain its existing business development while actively explore new business.

During the year under review, with the support of its major shareholder, Florescent Holdings Limited, the Group plans to develop waste recycling project overseas. In recent years, China has started gradually to ban the import of waste materials (including recyclable plastics, waste paper and scrap metal). About half of the world's recyclable plastics, waste paper and scrap metal originally received by China will hence be excess. At present, most of the metals can be recycled in the form of recycled metals, including a larger output of scrap steel, recycled copper, recycled aluminum, and recycled lead etc. The comprehensive utilization of discarded resources has become an important option for the sustainable development of economic, social and environmental in various countries. Therefore, the Group has actively studied the feasibility of the project to take the chance for developing the global waste recycling. In early 2019, a new subsidiary, 華章環境投資有限公司 ("Huazhang Environment"), was established, with the principal business as waste recycling. During the year under review, an environmental assessment of a waste recycling plant was carried out in Dubai with a goal of performing recycling in 2020. The Group expects to devote more resources in the future to support related work.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 30 June 2019, 256,000 of its ordinary shares were repurchased on the Stock Exchange at an aggregate price of approximately HK$0.9 million. Subsequent to these share repurchase exercises, the Company has acquired and cancelled approximately 0.03% of the total number of issued shares of the Company immediately prior to such repurchases and cancellations.

Month of repurchases	Number of Shares purchased on the Stock Exchange	Price paid per Share Highest	Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$*
July 2018	200,000	3.52	3.48	703,560
November 2018	56,000	2.95	2.87	163,326
	256,000			866,886

The Directors believe that repurchases of shares are in the best interests of the Company and its shareholders and that such repurchases of shares would lead to an enhancement of the earnings per share.

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2019.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 6 May 2013 and effective on the 16 May 2013.

As at 15 January 2019, a total of 19,000,000 share options have been granted to a Director and certain employees of the Group under the Share Option Scheme. The following table discloses the share options granted under the Share Option Scheme:-

Name or category of participants	Exercise price	Number of share option	Approximate percentage of shareholding as at 30 June 2019
Executive directors:			
Jin Hao	HK$4.04	450,000	0.06%
Other Employees	HK$4.04	18,550,000	2.53%
In aggregate		19,000,000	2.59%

The closing price of the shares immediately before the date on which the options were granted was HK$3.76 per share.

If all such share options is exercised, there would be a dilution effect on the shareholdings of our shareholders of approximately 2.59% as at 30 June 2019.

During the year under review, there has been no movement of options granted under the Share Option Scheme.

The details of the grant of share options such as exercise periods are disclosed in the announcement of the Company dated on 15 January 2019 and the annual report.

As at the date of this announcement, no share option is exercised.

SHARE AWARD SCHEME

The Company conditionally adopted the share award scheme (the "Share Award Scheme") on 11 January 2019. The purposes of the Share Award Scheme are to attract talents who might be able to assist in the development of the waste recycling and treatment project. Florescent Holdings Limited and the Company entered into a agreement setting out, amongst others, the conditions and other terms in relation to the gift over the gift shares (consisting of 170 million Shares) at nil consideration to the trustee of the Share Award Scheme to be established by the Company.

For more detail and the principal terms of the Share Award Scheme are disclosed in the announcement of the Company dated on 11 January 2019.

As at the date of this announcement, no share award is granted and exercised.

COMPLIANCE OF NON-COMPETITION UNDERTAKINGS

In order to protect the Group's interest in its business activities, on 19 December 2014, each of Florescent Holdings Limited, Lian Shun Limited, Mr. Zhu Gen Rong, Mr. Wang Ai Yan, Mr. Liu Chuan Jiang and Ms. Zhu Ling Yun, the controlling shareholders (the "Controlling Shareholders") of the Company, has entered into a non-competition undertaking (the "Deed") in favour of the Company, pursuant to which each of them undertakes and covenants with the Company that, for as long as it/he and/or its/his associates, directly or indirectly, whether individually or taken together, remain to be the controlling shareholders, it/he will not and will procure its/his associates not to directly or indirectly carry on, participate, engage or otherwise be interested in any business which is or may be in competition with the business of any members of the Group (the "Restricted Business") from time to time.

Each of the Controlling Shareholders has also covenanted to notify the Company shall he/she/it or his/ her/ its associates be offered or become aware of any business opportunity regarding the Restricted Business and shall provide the Company all necessary information. An independent board committee (the "Independent Board Committee") of the Company comprising all independent non-executive directors shall decide whether to accept such opportunity by simple majority, taking into account the Company's prevailing business, the financial resources required for the relevant opportunity and the commercial viability of such opportunity.

In this regard, each of the Controlling Shareholders has provided the Company a written confirmation in respect of his/its compliance with the Deed for the year ended 30 June 2019. The independent non-executive directors of the Company who forms the Independent Board Committee have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings in the Deed and have confirmed that, as far as they can ascertain, there is no breach of any of the undertakings in the Deed given by the Controlling Shareholders.

As of the date of this announcement, the Company is not aware of any other matters regarding the compliance of the undertakings in the Deed that are required to be brought to the attention of the shareholders of the Company.

The Company will continue to disclose in its further annual reports the status of compliance to the Deed as reviewed by the Independent Board Committee.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value. Continuous efforts are made to review and enhance the Group's risk management, internal controls and procedures in light of changes in regulations and developments in best practices. To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also the intent of the regulations to enhance corporate performance and accountability. The Board is pleased to report compliance with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules for the year ended 30 June 2019.

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 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code for the year ended 30 June 2019 and they all confirmed that they have fully complied with the required standard set out in the Model Code.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, the Group had no material events after the reporting period.

AUDIT COMMITTEE

The audit committee was established on 6 May 2013. The primary duties of the audit committee are mainly to review the financial systems of the Group; to review the accounting policy, financial position and financial reporting procedures of the Group; to communicate with external auditors; to assess the performance of internal financial and audit personnel; and to assess the risk management and internal controls of the Group. The audit committee consists of three independent non-executive Directors namely, Mr. Kong Chi Mo, Mr. Dai Tian Zhu and Mr. Heng, Keith Kai Neng. The audit committee is chaired by Mr. Kong Chi Mo.

The audit committee of the Company has discussed with the management and external auditors about the accounting principles and policies adopted by the Group and discussed risk management, internal controls and financial reporting matters including a review of the Group's consolidated financial statements for the year ended 30 June 2019.

FINAL DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 31 December 2019 (2018: Nil).

The Board does not recommend the payment of a final dividend for the year ended 30 June 2019 (2018: 3.0 HK cents per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 27 November 2019 (Wednesday) to 2 December 2019 (Monday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 26 November 2019 (Tuesday).

During the period mentioned above, no transfers of shares will be registered.

ANNUAL GENERAL MEETING

The AGM will be held on Monday, 2 December 2019. Shareholders should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto to be dispatched by the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual report for the year ended 30 June 2019 will be dispatched to shareholders and published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.hzeg.com in due course. This announcement can also be accessed on these websites.

On behalf of the Board
Huazhang Technology Holding Limited
Zhu Gen Rong
Chairman

Zhejiang Province, China, 25 September 2019

As at the date of this announcement, the executive Directors are Mr. Zhu Gen Rong, Mr. Wang Ai Yan, Mr. Liu Chuan Jiang, Mr. Jin Hao and Mr. Liang Huiqun, and the independent non-executive Directors are Mr. Dai Tian Zhu, Mr. Kong Chi Mo and Mr. Heng, Keith Kai Neng.