华章科技
HUAZHANG TECHNOLOGY

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 2025

FINANCIAL HIGHLIGHTS

	For the year ended 30 June		
	2025	2024	**change**
	RMB	*RMB*	**%**
Revenue	**430,004,718**	448,044,777	**-4.03%**
Gross profit	**74,042,891**	79,719,708	**-7.12%**
Gross profit margin	***17.2%***	*17.8%*	
Loss for the year	**(11,443,723)**	(18,597,269)	**-38.47%**
Loss margin	***-2.7%***	*-4.2%*	
Loss attributable to the shareholders of the Company	**(11,474,728)**	(18,729,124)	**-38.73%**
Loss per share attributable to the shareholders of the Company for the year (RMB cents per share)			
— Basic loss per share	**(0.72)**	(1.60)	
— Diluted loss per share	**(0.72)**	(1.60)	

The Board does not recommend the payment of a final dividend for the year ended 30 June 2025 (2024: nil).

The board (the "Board") of directors (the "Directors") of 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 2025, together with the comparative figures for the year ended 30 June 2024, which have been prepared in accordance with Hong Kong Financial Reporting Standards as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2025

	Notes	2025 RMB	2024 RMB
Revenue	3	**430,004,718**	448,044,777
Cost of sales		**(355,961,827)**	(368,325,069)
Gross profit		**74,042,891**	79,719,708
Other income and gains and losses, net	4	**19,544,306**	21,569,767
Selling and distribution expenses		**(11,574,973)**	(9,717,572)
Administrative expenses		**(60,537,190)**	(75,982,779)
Research and development expenses		**(23,643,687)**	(25,680,569)
Impairment loss on property, plant and equipment		**(515,173)**	–
Impairment loss on prepaid land lease payments		**(2,697,336)**	–
Net impairment losses on financial and contract assets	5	**(1,243,595)**	(8,137,196)
Operating loss		**(6,624,757)**	(18,228,641)
Finance income	6	**2,089,831**	2,943,254
Finance costs	6	**(3,410,120)**	(4,059,137)
Finance costs, net		**(1,320,289)**	(1,115,883)
Loss before income tax	7	**(7,945,046)**	(19,344,524)
Income tax (expense)/credit	8	**(3,498,677)**	747,255
Loss for the year		**(11,443,723)**	(18,597,269)
(Loss)/profit attributable to:			
The shareholders of the Company		**(11,474,728)**	(18,729,124)
Non-controlling interests		**31,005**	131,855
		(11,443,723)	(18,597,269)
Loss per share attributable to the shareholders of the Company for the year (expressed in RMB cents per share)			
Basic loss per share	9	**(0.72)**	(1.60)
Diluted loss per share	9	**(0.72)**	(1.60)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2025

	2025	2024
	RMB	*RMB*
Loss for the year	**(11,443,723)**	(18,597,269)
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**119,366**	(5,465,503)
Other comprehensive income/(loss) for the year, net of tax	**119,366**	(5,465,503)
Total comprehensive loss for the year	**(11,324,357)**	(24,062,772)
Total comprehensive (loss)/income for the year is attributable to:		
The shareholders of the Company	**(11,355,362)**	(24,194,627)
Non-controlling interests	**31,005**	131,855
	(11,324,357)	(24,062,772)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2025

	Notes	**2025** **RMB**	2024 *RMB*
ASSETS			
Non-current assets			
Property, plant and equipment		**29,587,403**	54,480,494
Other right-of-use assets		**3,709,665**	3,308,587
Investment properties		**157,514,608**	78,082,033
Prepaid land lease payments		**2,603,881**	70,329,672
Other intangible assets		**1,389,326**	3,410,806
Goodwill	*11*	**29,306,413**	29,902,783
Trade and other receivables	*12(i)*	**52,869,266**	4,177,784
Prepayments	*12(iii)*	**117,542**	130,602
Deferred tax assets		**1,300,603**	1,675,488
		278,398,707	245,498,249
Current assets			
Inventories		**151,266,452**	176,049,957
Trade and other receivables	*12(i)*	**172,467,633**	157,260,749
Contract assets	*12(ii)*	**51,669,827**	67,063,075
Prepayments	*12(iii)*	**72,916,013**	62,004,742
Financial assets at fair value through other comprehensive income	*12(iv)*	**45,780,051**	52,115,288
Financial assets at fair value through profit or loss		**9,398,036**	246,314
Bank fixed deposits		**49,822,287**	60,012,000
Pledged deposits		**8,181,215**	28,647,539
Restricted deposits		**–**	37,599,411
Cash and cash equivalents		**120,616,516**	96,450,667
		682,118,030	737,449,742
Total assets		**960,516,737**	982,947,991

	Notes	**2025**	2024
		RMB	*RMB*
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**4,365,674**	3,991,199
Deferred income		**17,437,500**	18,787,500
Lease liabilities		**1,355,888**	1,625,401
		23,159,062	24,404,100
Current liabilities			
Trade and other payables	*13*	**233,372,293**	300,081,917
Contract liabilities		**184,134,471**	152,879,736
Interest-bearing loans		**98,080,918**	73,367,184
Income tax payable		**4,020,082**	5,726,048
Lease liabilities		**2,196,832**	1,611,570
		521,804,596	533,666,455
Total liabilities		**544,963,658**	558,070,555
Net assets		**415,553,079**	424,877,436
EQUITY			
Share capital	*14*	**13,824,333**	13,824,333
Share premium	*14*	**754,015,624**	754,015,624
Other reserves		**129,999,261**	125,793,063
Accumulated losses		**(484,183,164)**	(462,382,400)
Capital and reserves attributable to the shareholders of the Company		**413,656,054**	431,250,620
Non-controlling interests		**1,897,025**	(6,373,184)
Total equity		**415,553,079**	424,877,436

NOTES

FOR THE YEAR ENDED 30 JUNE 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 Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The ultimate controlling party of the Company is Fang Hui, who is also an executive director and chairman of the Company. Dao He Investment Limited ("Dao He"), a company beneficially owned by Mr. Fang Hui, is the immediate and ultimate holding of the Company. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is suite 901, 9/F., Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

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

The consolidated financial statements are presented in Renminbi Yuan ("RMB").

2 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation

(a) Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with HKFRS Accounting Standards, which include all Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and interpretations as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong, and include applicable disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Companies Ordinance ("HKCO").

(b) Going concern assessment

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

(c) ***Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year***

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 July 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(d) ***New and amendments to HKFRS Accounting Standards in issue but not yet effective***

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature — Dependent Electricity[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11[3]
Amendments to HKAS 21	Lack of Exchangeability[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

Except for the new and amendments to HKFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 Statement of Cash Flows and HKAS 33 Earnings per Share are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

3 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, rental income and machine renovation services; and

Property investment — rental income from investment properties and achieves gain from the appreciation in the properties' values in the long term.

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 loss before income tax. The adjusted loss before income tax is measured consistently with the Group's loss before income tax except that common administrative expenses, other income and gains and losses, net, finance costs, net and income tax (expense)/credit are excluded from such measurement.

Segment assets include all assets of the Group except certain other receivables, cash and cash equivalents, pledged and restricted deposits, bank fixed deposits, deferred tax assets, other right-of-use assets, financial assets at FVTPL and certain prepayments as these assets are managed on a group basis.

Segment liabilities include all liabilities of the Group except deferred tax liabilities, interest-bearing loans, certain other payables, income tax payable and lease liabilities as these liabilities are managed on a group basis.

The segment results for the year ended 30 June 2025:

	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	**272,622,160**	**–**	**–**	**–**	**–**	**272,622,160**
Provision of project contracting services	**–**	**96,039,442**	**–**	**–**	**–**	**96,039,442**
Provision of after sales and machine running services	**–**	**–**	**–**	**45,995,753**	**–**	**45,995,753**
Sales of sludge treatment products	**–**	**–**	**9,591,197**	**–**	**–**	**9,591,197**
Revenue from other sources						
Rental income from investment properties	**–**	**–**	**–**	**–**	**5,756,166**	**5,756,166**
Total segment revenue	**272,622,160**	**96,039,442**	**9,591,197**	**45,995,753**	**5,756,166**	**430,004,718**
Timing of revenue recognition						
At a point in time	**272,622,160**	**–**	**9,591,197**	**45,995,753**	**–**	**328,209,110**
Over time	**–**	**96,039,442**	**–**	**–**	**5,756,166**	**101,795,608**
Total segment revenue	**272,622,160**	**96,039,442**	**9,591,197**	**45,995,753**	**5,756,166**	**430,004,718**
Segment cost of sales	**(229,491,887)**	**(73,017,451)**	**(5,702,080)**	**(37,755,983)**	**(9,994,426)**	**(355,961,827)**
Segment gross profit/(loss)	**43,130,273**	**23,021,991**	**3,889,117**	**8,239,770**	**(4,238,260)**	**74,042,891**
Segment results	**9,813,080**	**9,311,577**	**(3,429,987)**	**(5,149,605)**	**(5,441,823)**	**5,103,242**
Common administrative expenses						**(27,042,821)**
Other income and gains and losses, net						**15,314,822**
Finance costs, net *(Note 6)*						**(1,320,289)**
Loss before income tax						**(7,945,046)**
Income tax expense						**(3,498,677)**
Loss for the year						**(11,443,723)**

The segment results for the year ended 30 June 2024:

	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	288,329,929	–	–	–	–	288,329,929
Provision of project contracting services	–	102,612,145	–	–	–	102,612,145
Provision of after sales and machine running services	–	–	–	45,199,207	–	45,199,207
Provision of sludge treatment products	–	–	5,635,900	–	–	5,635,900
Revenue from other sources						
Rental income from investment properties	–	–	–	–	6,267,596	6,267,596
Total segment revenue	288,329,929	102,612,145	5,635,900	45,199,207	6,267,596	448,044,777
Timing of revenue recognition						
At a point in time	288,329,929	–	5,635,900	45,199,207	–	339,165,036
Over time	–	102,612,145	–	–	6,267,596	108,879,741
Total segment revenue	288,329,929	102,612,145	5,635,900	45,199,207	6,267,596	448,044,777
Segment cost of sales	(237,962,273)	(87,268,183)	(2,559,662)	(32,627,833)	(7,907,118)	(368,325,069)
Segment gross profit/(loss)	50,367,656	15,343,962	3,076,238	12,571,374	(1,639,522)	79,719,708
Segment results	9,592,891	(1,276,164)	758,424	(8,821,879)	(2,503,037)	(2,249,765)
Common administrative expenses						(35,750,595)
Other income and gains and losses, net						19,771,719
Finance costs, net *(Note 6)*						(1,115,883)
Loss before income tax						(19,344,524)
Income tax credit						747,255
Loss for the year						(18,597,269)

Revenue from one (2024: one) customer accounted for more than 10% of the Group's total revenue for the year, which are shown as follows:

	2025	2024
	RMB	*RMB*
Customer A from project contracting services segment	**N/A[1]**	65,313,695
Customer B from project contracting services segment	**61,276,646**	N/A[1]

[1] The corresponding revenue did not contribute 10% or more of the total revenue of the Group in the respective year.

The amount of the Group's revenue from external customers broken down by location of the customers is shown in the table below.

	2025	2024
	RMB	*RMB*
PRC	**413,039,916**	446,937,247
Others	**16,964,802**	1,107,530
	430,004,718	448,044,777

As at 30 June 2025 and 2024, all of the non-current assets of the Group were located in the People's Republic of China.

Segment assets	**2025**	2024
	RMB	*RMB*
Industrial products	**360,678,986**	359,812,537
Project contracting services	**117,244,148**	136,393,221
Environmental products	**11,627,232**	9,885,299
Supporting services	**66,096,614**	75,720,212
Property investment	**158,854,627**	158,888,330
Total segment assets	**714,501,607**	740,699,599
Unallocated:		
Cash and cash equivalents	**120,616,516**	96,450,667
Restricted deposits	**–**	37,599,411
Pledged deposits	**8,181,215**	28,647,539
Bank fixed deposits	**49,822,287**	60,012,000
Deferred tax assets	**1,300,603**	1,675,488
Other right-of-use assets	**3,709,665**	3,308,587
Financial assets at FVTPL	**9,398,036**	246,314
Other receivables	**52,869,266**	14,177,784
Prepayments — non-current portion *(Note 12(iii))*	**117,542**	130,602
Total assets	**960,516,737**	982,947,991

Segment liabilities	**2025**	2024
	RMB	*RMB*
Industrial products	**259,735,286**	249,669,032
Project contracting services	**78,869,239**	119,920,227
Environmental products	**9,335,630**	9,258,555
Supporting services	**86,039,379**	88,909,372
Property investment	**522,719**	2,286,503
Total segment liabilities	**434,502,253**	470,043,689
Unallocated:		
Deferred tax liabilities	**4,365,674**	3,991,199
Interest-bearing loans	**98,080,918**	73,367,184
Other payables	**442,011**	1,705,464
Income tax payable	**4,020,082**	5,726,048
Lease liabilities	**3,552,720**	3,236,971
Total liabilities	**544,963,658**	558,070,555

4 OTHER INCOME AND GAINS AND LOSSES, NET

	2025	2024
	RMB	*RMB*
Interest income recognised from project contracting services	**53,982**	232,221
Government grants *(note i)*	**3,063,456**	2,508,665
Bad debts directly written off	**(19,770)**	–
Rental income from property, plant and equipment	**928,789**	1,027,155
Fair value loss on investments in futures at FVTPL	**–**	(72,416)
Fair value loss on equity investments at FVTPL	**(215,676)**	–
Gain on disposal of investments in futures at FVTPL	**3,294,274**	1,325,431
Dividend income	**26,979**	–
Loss on disposal of equity investments at FVTPL	**–**	(1,196,647)
Over provision for claims, net *(note ii)*	**4,477,320**	16,609,004
Gain/(loss) on disposal and write off of property, plant and equipment	**3,604,115**	(2,166,989)
Gain on disposal of a subsidiary	**1,609,152**	–
Forfeiture of contract liabilities *(note iii)*	**–**	2,705,661
Write back of trade and other payable	**1,742,134**	–
Early termination of lease	**68,817**	–
Others	**910,734**	597,682
	19,544,306	21,569,767

Notes:

(i) During the years ended 30 June 2025 and 2024, all grants mainly related to subsidies granted to certain subsidiaries in respect of their operations in the PRC from government bodies which are either unconditional grants or grants with conditions having been satisfied.

(ii) As disclosed in note 15 to this announcement, Zhejiang Huazhang received a judgment from the courts dated 28 June 2024 for the retrial of the first instance case. The judgment awarded claims amounting to approximately RMB32,994,295 to be paid by Zhejiang Huazhang to the plaintiff. Based on this judgment, an overprovision of RMB16,844,650 was recognised during the year ended 30 June 2024.

On 1 November 2024, Zhejiang Huazhang received the final verdict of the first instance case. The compensation for breach of contract in the amount of RMB28,510,975. Based on the final verdict, an overprovision of RMB4,477,320 was recognised during the year ended 30 June 2025.

(iii) During the year ended 30 June 2024, certain customers cancelled contracts and the related deposits received totalling RMB2,705,661 were forfeited and recognised as other income.

5 NET IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

	2025	2024
	RMB	*RMB*
(Recognition of)/reversal of expected credit losses on:		
— trade receivables	**(4,816,222)**	(3,800,715)
— other receivables	**5,168,927**	(5,191,924)
— contract assets	**(1,596,300)**	855,443
	(1,243,595)	(8,137,196)

6 FINANCE COSTS, NET

	2025	2024
	RMB	*RMB*
Finance income		
— Interest income	**1,853,335**	2,943,254
— Net foreign exchange gain	**236,496**	–
	2,089,831	2,943,254
Finance costs		
— Net foreign exchange loss	**(303,406)**	(438,462)
— Interest on margin loans	**(37,691)**	–
— Interest on bank overdraft	**–**	(7,104)
— Interest on loans	**(2,432,611)**	(3,280,568)
— Interest paid for overdue trade payables	**(119,753)**	–
— Interest paid for lease liabilities	**(516,659)**	(333,003)
	(3,410,120)	(4,059,137)
Finance costs, net	**(1,320,289)**	(1,115,883)

7 LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived after charging the following:

	2025	2024
	RMB	*RMB*
Cost of sales		
Allowance for inventories	**11,106,273**	2,806,716
Amortisation of prepaid land lease payments	**1,606,845**	–
Cost of inventories		
— Sales of goods for industrial products	**212,000,901**	222,799,497
— Project contracting services	**69,582,735**	85,642,809
— Sales of environmental products	**5,421,340**	2,548,483
— Supporting services	**42,071,635**	39,927,256
Depreciation of investment properties	**6,204,630**	5,143,316
Depreciation of property, plant and equipment	**2,284,607**	2,777,306
Employee benefit expenses	**2,940,438**	4,401,864
Other tax	**501,416**	1,231,523
Others	**2,241,007**	1,046,299
	355,961,827	368,325,069
Selling and distribution expenses		
Advertising costs	**807,496**	1,159,951
Depreciation of property, plant and equipment	**74,827**	98,276
Expense relating to short-term leases	**–**	9,692
Employee benefit expenses	**4,130,707**	3,747,945
Entertainment expenses	**906,988**	532,637
Office expenses	**1,200,505**	121,368
Other expenses	**60,381**	312,420
Professional service fees	**48,479**	334,964
Travelling expenses	**4,285,091**	3,354,053
Utilities	**60,499**	46,266
	11,574,973	9,717,572

	2025	2024
	RMB	*RMB*
Administrative expenses		
Accounting fee	**196,703**	38,743
Advertising costs	**54,147**	73,197
Amortisation of other intangible assets	**2,206,613**	2,528,527
Amortisation of prepaid land lease payments	**104,405**	1,711,250
Auditor's remuneration	**1,462,426**	2,168,880
Auditor's remuneration — under-provision in prior year	**370,438**	–
Depreciation of investment properties	**–**	310,739
Depreciation of other right-of-use assets	**2,512,672**	2,877,196
Depreciation of property, plant and equipment	**3,310,648**	3,432,137
Expense relating to short-term leases	**188,453**	115,614
Employee benefit expenses	**29,412,338**	32,763,580
Entertainment expenses	**5,295,584**	5,428,716
Licence fee	**212,872**	282,743
Office expenses	**2,922,473**	7,529,287
Other expenses	**661,463**	633,172
Professional service fees	**7,300,611**	9,125,628
Transportation expenses	**508,777**	483,495
Travelling expenses	**2,498,505**	5,106,147
Utilities and management fee	**1,318,062**	1,373,728
	60,537,190	75,982,779
Research and development expenses		
Depreciation of property, plant and equipment	**89,757**	102,821
Expense relating to short-term leases	**–**	7,952
Employee benefit expenses	**19,223,250**	21,614,315
Licence fee	**272,563**	150,290
Office expenses	**24,901**	67,654
Other expenses	**181,796**	329,379
Professional service fees	**224,311**	161,217
Travelling expenses	**3,588,379**	3,200,871
Utilities	**38,730**	46,070
	23,643,687	25,680,569

8 INCOME TAX EXPENSE/(CREDIT)

	2025	2024
	RMB	*RMB*
PRC enterprise income tax *(ii)*		
Current income tax	**1,804,021**	604,734
Underprovision in prior year	**195,135**	268,941
Withholding tax *(iv)*	**500,000**	–
Deferred income tax	**999,521**	(1,620,930)
	3,498,677	(747,255)

(i) Cayman Islands profits tax

Profits tax is not imposed on corporations in the Cayman Islands.

(ii) 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 "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 Technology Limited ("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% (2024: 15%) for the year ended 30 June 2025.

In March 2023, China's tax authorities extended the policy of pre-tax super deduction of research and development expenses ("super deduction") indefinitely, making it a permanent preferential policy for all types of companies in China.

The super deduction policy allows companies a 200 percent pre-tax deduction of the expenses incurred in conducting research and development activities that do not form intangible assets.

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 had the qualification of Small and micro-profit enterprises in the 2025 and 2024, which is effective from 2023 to 2027. The applicable EIT rate of Haorong is 5% (2024: 5%). Thus the applicable income tax rate for Haorong was 5% (2024: 5%) for the year ended 30 June 2025.

(iii) Hong Kong profits tax

Under the two-tiered profits tax regime, Hong Kong profits tax is chargeable at the rate of 8.25% on assessable profits up to HK$2,000,000 and at the rate of 16.5% on any part of assessable profits over HK$2,000,000 for a corporation. No Hong Kong profits tax was provided as there was no estimated assessable profits for the year (2024: nil).

(iv) Withholding tax

According to the relevant laws and regulations in the PRC, the Group is also liable to a 10% withholding tax on dividends to be distributed from the Group's foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

9 LOSS PER SHARE

The calculation of the basic loss per share amount is based on the loss for the year attributable to the shareholders of the Company and the weighted average number of ordinary shares of 1,596,134,067 (2024: 1,170,498,316) in issue during the year.

The Company has one (2024: one) category of potential 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 are anti-dilutive because the exercise price of share options was higher than the average market price of the Company's shares during the years 30 June 2025 and 2024.

	2025	2024
	RMB	*RMB*
Basic and diluted		
Loss		
Loss attributable to the shareholders of the Company	**(11,474,728)**	(18,729,124)
Number of shares		
Weighted average number of ordinary shares in issue during the year	**1,596,134,067**	1,170,498,316
Basic and diluted loss per share (RMB cents)	**(0.72)**	(1.60)

Note: The weighted average number of ordinary shares for the year ended 30 June 2024 have been adjusted for the bonus element of the open offer of the Company's share in 2024.

10 DIVIDEND

No dividends were paid during the year ended 30 June 2025 and 2024.

The Board does not recommend to declare any dividend for the year ended 30 June 2025 (2024: nil).

11 GOODWILL

	Headbox business *RMB*	Others *RMB*	Total *RMB*
Opening net carrying amount as at 1 July 2023 and 30 June 2024	29,306,413	596,370	29,902,783
Disposal of a subsidiary	–	(596,370)	(596,370)
Closing net carrying amount as at 30 June 2025	29,306,413	–	29,306,413

Goodwill of the Group mainly arose from the acquisitions 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 CGUs 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.

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 that arose from the acquisition of the MCN Group was allocated to the group of CGUs of headbox business under the business segment of industrial products for impairment testing purposes.

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

	Headbox business	
	2025	2024
Sales (% annual growth rate)	**2.0%**	2.0%
Budgeted gross margin (%)	**20.4%**	19.6%
Long term growth rate (%)	**2.0%**	2.0%
Pre-tax discount rate (%)	**15.80%**	16.74%

These assumptions have been used for the analysis of the CGUs in 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.

For the years ended 30 June 2025 and 2024, based on the valuation report prepared by an independent professional valuer, Vincorn Consulting and Appraisal Limited ("Vincorn"), the recoverable amount of the headbox business CGU, determined based on value-in-use, exceeded its carrying amount, no impairment charge arose in the aforesaid CGUs. The management of the Group believes that any reasonably possible change in any of the aforementioned key assumptions would not cause the carrying amount of headbox business CGU to exceed its recoverable amount.

12 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS

(i) Trade and other receivables

	2025	2024
	RMB	*RMB*
Trade receivables	**267,479,387**	278,300,573
Less: provision for impairment of trade receivables	**(185,983,943)**	(183,367,508)
Trade receivables — net *(notes a & b)*	**81,495,444**	94,933,065
Bills receivables	**66,358,018**	36,158,340
	147,853,462	131,091,405
Consideration receivable for sale of equity investment at FVTPL *(note c)*	**4,749,130**	4,774,614
Deductible input value added tax	**1,445,862**	913,438
Loan to a customer	**–**	703,948
Other receivables — guarantee	**1,064,259**	1,220,243
Deposit for acquisition of the Debtor Company *(note d)*	**50,000,000**	10,000,000
Others *(note e)*	**20,224,186**	12,734,885
Other receivables	**77,483,437**	30,347,128
Total trade and other receivables	**225,336,899**	161,438,533
Less: trade and other receivables — non-current portion *(notes c & d)*	**(52,869,266)**	(4,177,784)
	172,467,633	157,260,749

Notes:

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

	2025	2024
	RMB	*RMB*
Up to 3 months	**51,874,562**	60,542,529
3 months to 6 months	**9,036,850**	4,589,665
6 months to 1 year	**5,620,899**	23,369,079
1 year to 2 years	**11,436,069**	1,213,549
Over 2 years	**3,527,064**	5,218,243
	81,495,444	94,933,065

(b) The ageing analysis of the net amount of trade receivables based on the due date is as follows:

	2025	2024
	RMB	*RMB*
Not due	**12,343,977**	41,693,013
Up to 3 months past due	**43,263,316**	19,076,043
3 months to 6 months past due	**7,762,584**	4,328,912
6 months to 1 year past due	**5,102,609**	23,324,844
1 year to 2 years past due	**9,223,111**	1,320,912
Over 2 years past due	**3,799,847**	5,189,341
	81,495,444	94,933,065

(c) As at 30 June 2025, 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 RMB1,900,000 (2024: RMB600,000) with a provision for impairment of RMB20,136 (2024: RMB3,170) receivable within one year, and a remaining gross carrying amount of RMB2,900,000 (2024: RMB4,200,000) with a provision for impairment of RMB30,734 (2024: RMB22,216) receivable within two to four years.

(d) At 30 June 2025, the gross carrying amount of RMB50,000,000 (2024: RMB10,000,000 included within current assets) in relation to a deposit for the acquisition of Baoshan Xingshengtai Paper Co., Ltd (the "Debtor Company") (see Note 16) included as non-current. At 30 June 2025 and 2024, 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) At 30 June 2025, the net carrying amount of others of RMB20,224,186 (2024: RMB12,734,885) included gross carrying amount of RMB10,020,260 (2024: RMB12,794,746) with a provision for impairment of RMB2,434,600 (2024: RMB6,361,543) in relation to performance deposits for contracts and remaining gross carrying amount of RMB13,545,205 (2024: RMB9,270,182) with a provision for impairment of RMB906,679 (2024: RMB2,968,500) due from several other independent third parties.

As at 30 June 2025, included in others are the gross carrying amounts of RMB48,122,684 (2024: RMB48,493,484), RMB33,168,989 (2024: RMB35,163,389) and RMB7,047,327 (2024: RMB7,054,352) 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 (2024: RMB48,493,484), RMB33,168,989 (2024: RMB35,163,389), and RMB7,047,327 (2024: RMB7,054,352) respectively have been recognised to fully write down these receivables in the year ended 30 June 2022.

(ii) Contract assets

	2025	2024
	RMB	*RMB*
Retention receivables	**32,553,071**	29,033,525
Contract assets relating to project contracting services	**33,383,955**	51,326,527
	65,937,026	80,360,052
Less: provision for impairment of contract assets	**(14,267,199)**	(13,296,977)
	51,669,827	67,063,075

(iii) Prepayments

	2025	2024
	RMB	*RMB*
Prepayments for procurements *(note)*	**71,943,032**	58,497,187
Others	**1,090,523**	3,638,157
Total prepayments	**73,033,555**	62,135,344
Less: prepayments — non-current portion	**(117,542)**	(130,602)
	72,916,013	62,004,742

Note: At 30 June 2025, the prepayments for procurements included the purchase of raw materials of rectifier roll headbox, hydraulic headbox, turbulence channel headbox of RMB71,249,562 (2024: RMB58,497,187) and raw materials of filter press of RMB693,470 (2024: Nil).

(iv) Financial assets at fair value through other comprehensive income

The Group manages its bills receivables using the business model whose objective is achieved by both collecting contractual cash flow and selling such financial assets and hence, they are categorised as financial assets measured at fair value through other comprehensive income accordance to HKFRS 9.

13 TRADE AND OTHER PAYABLES

	2025	2024
	RMB	*RMB*
Trade payables	**130,213,832**	166,907,010
Bills payable	**12,668,395**	32,646,273
	142,882,227	199,553,283
Other taxes payables — value added tax	**29,887,005**	26,414,207
Deposits for project contracting services	**–**	6,000,000
Interest-free loan from independent third parties	**13,080,800**	13,080,800
Amount due to suppliers on a customer’s behalf	**13,155,421**	13,177,942
Provision for legal claims *(note a)*	**–**	9,045,762
Accruals	**2,777,272**	2,880,255
Employee benefit payables	**7,672,539**	5,679,290
Other deposits	**909,182**	588,039
Provision for warranty expenses	**523,838**	523,838
Payables for property, plant and equipment	**70,754**	335,180
Others *(note b)*	**22,413,255**	22,803,321
	90,490,066	100,528,634
Total trade and other payables	**233,372,293**	300,081,917

Notes:

(a) As at 30 June 2024, provision for legal claims amounted to RMB7,299,949 was related to a legal claim made by a supplier in July 2020 against the Group in respect of a construction contract.

During the year ended 30 June 2024, the Group recognised a provision for legal claim of RMB1,745,813 made by the supplier.

During the year ended 30 June 2025, all provisions for claims was settled and no provisions was made at the end of the reporting period.

(b) As at 30 June 2025, included the amount of RMB20,447,000 (2024: RMB20,447,000) to Hangzhou Taige Automatic Co., Ltd, a company held by a close family member of Mr. Zhu Gen Rong, a former executive director, chairman and substantial shareholder of the Company. The detail is reported in the announcement of the Company on 26 October 2022.

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

	2025	2024
	RMB	*RMB*
Up to 3 months	**63,719,990**	48,412,492
3 months to 6 months	**32,149,752**	38,405,304
6 months to 1 year	**5,343,867**	13,829,390
1 year to 2 years	**10,172,287**	25,613,435
Over 2 years	**18,827,936**	40,646,389
	130,213,832	166,907,010

14 SHARE CAPITAL AND SHARE PREMIUM

	RMB
Issued and full paid:	
At 1 July 2023	8,907,761
Issuance of shares upon open offer *(note)*	4,916,572
At 30 June 2024 and 2025	13,824,333

	Number of issued shares	Share capital	Share premium	Total
		RMB	*RMB*	*RMB*
At 1 July 2023	1,064,089,378	8,907,761	663,145,447	672,053,208
Issue of shares upon open offer *(note)*	532,044,689	4,916,572	90,870,177	95,786,749
At 30 June 2024 and 2025	1,596,134,067	13,824,333	754,015,624	767,839,957

Note: On 18 April 2024, the Company issued an aggregate of 532,044,689 new ordinary shares (which included 133,298,891 taken open offer shares and 398,745,798 untaken open offer shares by way of placement) at the open offer price of HK$0.20. Proceeds from the open offer net of transaction costs of approximately HK$1,500,000 (equivalent to approximately RMB1,374,929) amounted to approximately HK$104,500,000 (equivalent to approximately RMB95,786,749) which was used for (i) repayment of certain bank loans; (ii) expansion of the Group's industrial automation and other related businesses and the supporting services; and (iii) general working capital of the Group. Details of the open offer were contained in the Company's announcements dated 17 April 2024, the Company's prospectus dated 15 March 2024 and the Company's circular dated 12 January 2024.

Pursuant to Section 34 of the Cayman Companies Law (2003 Revision) and the Articles of Association of the Company, the 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.

15 LITIGATION

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 year ended 30 June 2025 and the related restricted bank deposit was released.

16 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.

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 which will be fully applied to partially satisfy the payment of the Investment Amount. At the date of this announcement, the acquisition was still in progress. Details of the acquisition are disclosed in the announcement of the Company dated 28 July 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2025, China's paper-making industry and paper-making equipment industry showed a complex development trend under the influence of the macroeconomic environment. According to data released by the National Bureau of Statistics of China, China's gross domestic product (GDP) increased by 5.2% year-on-year in the first half of 2025, a slight increase from the same period last year, maintaining stable growth. In the consumer market, the total retail sales of consumer goods reached RMB24.55 trillion, a year-on-year increase of 5.0%.

The moderate expansion of the macroeconomy has provided a solid foundation for the paper-making industry, but the pressure for structural adjustment within the industry remains. According to data from the National Bureau of Statistics, in the first half of 2025, the national machine-made paper and cardboard production (excluding processed paper from purchased raw materials) was 79.332 million tons, representing a year-on-year increase of 3.2%. The paper-making and paper products industry among large-scale industrial enterprises nationwide achieved a total profit of RMB17.57 billion, a year-on-year decrease of 21.4%.

The paper-making industry has been affected by the slowdown in the macroeconomy, fluctuations in energy prices and tighter environmental protection policies, resulting in structural adjustments in market demand. As the important global markets for paper production and consumption, mainland China and Southeast Asia are facing the dual pressures of overcapacity and price competition. In addition, unstable supplies of waste paper raw materials and low-carbon transformation requirements have further compressed the profit margins of enterprises. Despite this, the industry still has long-term potential. Packaging paper maintains strong demand driven by e-commerce growth, while high-value-added paper types (such as specialty paper and medical paper) see steady demand growth. Meanwhile, the concept of sustainable development is driving the adoption of green packaging and recycled fiber technology, providing new directions for industry transformation.

Since 2025, the scope of the "Two New" policies (large-scale equipment upgrades and consumer goods trade-in) has continued to expand. In the first half of the year, policy-driven investment in the purchase of equipment and tools nationwide grew by 17.3% year-on-year. The paper-making industry must promote high-end, intelligent and green development through equipment upgrades and consumer goods trade-in.

As the upstream of the paper-making industry, the equipment manufacturing industry has also experienced order delays and cautious capital expenditure from customers. Against this backdrop, paper-making equipment companies must achieve sustainable development through technological innovation and digital transformation. Firstly, green development, through the research and development of new energy-saving and emission-reduction processes and new equipment to reduce production energy consumption and emissions; secondly, intelligent upgrading should be pursued by deeply integrating informatization and industrialization to promote intelligent manufacturing and remote operation and maintenance; thirdly, service transformation should be carried out by shifting from single equipment manufacturing to service-oriented manufacturing. In the future, paper-making equipment companies need to be driven by scientific and technological innovation, and through specialization and refined development, build a new business model of "technology + service" to achieve the transformation and upgrading from traditional manufacturing to service-oriented manufacturing, and ultimately enhance the overall competitiveness of the industry.

BUSINESS REVIEW

For the year ended 30 June 2025, the Group's revenue decreased by approximately 4.0% to RMB430.0 million and the Group's gross profit decreased by approximately 7.1% to RMB74.0 million, respectively, as compared to the corresponding period last year. For the year ended 30 June 2025, the Group recorded a loss of approximately RMB11.4 million, representing a significant decrease of approximately RMB7.2 million from losses of approximately RMB18.6 million as compared to the corresponding period last year.

Paper Making Related Business

Contracts

For the year ended 30 June 2025, the Group continued to adopt active marketing strategies and the Group's new contract amount increased by approximately 46.4% to approximately RMB573.1 million and the outstanding contract amount was approximately RMB557.8 million.

During the year under review, the Group has overcome difficulties and win customer recognition and trust by continuously improving technology and pursuing quality. During the year under review, the Group signed a contract with Jintianhe Paper (金天和紙業) for the largest domestic special food grade cardboard machine driving project (特種食品卡紙機傳動項目), with Fengsheng Paper (鳳生紙業) for the special paper driving project of 150,000 tons refined kraft paper (15萬噸精製牛皮紙特種紙傳動項目) and with Hainan Jinhai Paper Pulping Industrial (海南金海漿紙業) ("Hainan Jinhai") for the general contracting project of two specialty paper machines, PM3 and PM4 (PM3和PM4兩台特種紙機總包項目). Hainan Jinhai is a large-scale pulp and paper enterprise invested and built by APP (China), the Indonesian Sinar Mas Group (印尼金光集團). This cooperation marks that the Group's comprehensive strength in general contracting in the field of special paper equipment has once again been recognized by leading companies in the industry. It is also an important milestone for the strong alliance of China's paper-making equipment industry to move towards localization, high-end, intelligent and green development.

Deeply Expanding Markets and Efficiently Implementing Projects

Looking back at the year, the Group demonstrated exceptional capabilities in project implementation and execution, with multiple automation and precision manufacturing projects progressing efficiently according to schedule. Among these, the general contracting project of Hunan Golden Leaf (湖南金葉) achieved an industry breakthrough by completing commissioning, acceptance and full-scale production within the same year, with successful paper production in March 2024 and final acceptance in December 2024, fully showcasing the Group's efficient project execution capabilities.

In the specialty paper sector, Huazhang Technology successfully delivered a 150,000-ton refined kraft paper project to Fengsheng Paper (鳳生紙業15萬噸精製牛皮特種紙項目); the 5,800-ton project for Xingtai Shengyuan New Materials (邢臺盛源新材料5800項目), the PM8 long-wire corrugated paper machine for Anhui Yongrun Paper Industry (安徽永潤紙業PM8長網瓦楞紙機), and the PM3 decorative base paper production line for Zhejiang Jiding New Materials (浙江吉鼎新材料PM3裝飾原紙生產線) all commenced operations as scheduled. The PM1 production line for the 200,000-ton annual capacity photovoltaic glass anti-mold packaging new material project (光伏玻璃防黴包裝新材料項目) at Qian'an Hengmao New Materials (遷安恒茂新材料) has been successfully commissioned. The No. 8 and No. 20 machines at Minfeng Special Paper (民豐特紙) have been successfully installed, commissioned, and put into production, and the PM46 project at Taiyang Paper Industry (太陽紙業) was successfully commissioned in June this year, further validating the Group's project implementation capabilities.

Additionally, the newly signed Hainan Jinhai PM3 & PM4 general contracting project is progressing smoothly. The Group is fully leveraging its technical advantages to ensure the equipment operates at high speed and high efficiency with low energy consumption, continuously creating value for customers. These successful cases fully demonstrate the Group's professional strength in full-cycle project management.

In recent years, in response to the urgent industry demand for energy conservation and efficiency improvement, the Group has closely collaborated with multiple domestic permanent magnet motor brands, combining fully integrated drive systems to conduct systematic testing and validation. This has resulted in the development of a permanent magnet synchronous direct drive solution that combines high energy efficiency, precise control and low maintenance costs. This solution optimizes energy efficiency, significantly enhances system automation levels and improves return on investment. Looking back at the year, the permanent magnet synchronous direct drive transmission system was successfully commissioned in the main drive system of the Xinjiang Dongshengxiang Paper Industry project (新疆東盛祥紙業項目), marking another breakthrough for the Group in technological innovation and industrial application in enabling customers to achieve energy conservation and efficiency improvements.

Continuous Technological Innovation and Accelerated R&D

In the new era of green, low-carbon and high-quality development in the paper-making industry, the technical requirements for paper-making equipment continue to rise. The Group has consistently adhered to its innovation-driven development strategy, consistently increasing investment in research and development, and achieving a series of high-value scientific and technological achievements, providing a strong technological foundation for the Group's new round of high-quality development.

Looking back on the year, the Group actively responded to the national green sustainable development strategy, fully leveraging its 30 years of experience and advantages in automatic control systems in the paper-making equipment field, and combining the pain points of customers, to develop and overcome the "High-Efficiency Utilization Technology and Complete Equipment for Paper-making Waste Residue" (《造紙廢渣資源高效利用技術及成套裝備》), which was successfully selected for the 2024 Zhejiang Province First-of-a-Kind Equipment List (2024年度浙江省首台(套)裝備名單). The R&D team's innovative HJR-04 conical pulping machine, currently the largest-scale pulping equipment in China, has received high market recognition for its intelligent and integrated design. The concurrently launched HJR-05 conical pulping machine (with a power rating of 3,000 kW) has also garnered customer favor. Following breakthroughs in the application of permanent magnet motors in high-speed paper machine main drives with large widths, the market response has been enthusiastic, with multiple customers placing orders.

In terms of digital transformation, the Group's technical team takes "low-carbon, energy-saving and intelligent" as the starting point, using digital means to precisely address the operational pain points of major paper companies, not only effectively improving operational efficiency but also significantly reducing internal losses; the independently developed "Huazhang Technology Digital Monitoring System" has been successfully implemented in multiple paper-making companies, significantly improving operational efficiency, reducing energy consumption losses and achieving excellent demonstration effects and market feedback.

The Group continued to invest substantial resources in product research and development, and strive for breakthroughs in the paper-making equipment market in China. For the year ended 30 June 2025, the Group's research and development expenses amounted to approximately RMB23.6 million with 18 new patent applications. As at 30 June 2025, the Group has registered a total of 341 patents (including 121 invention patents, 180 utility model patents and 40 software copyrights).

Building a Supply Chain Alliance to Enhance Core Competitiveness

Drawing on the experience accumulated from over 30 years of involvement in the paper-making industry and the implementation of over 3,000 projects, the Group fully leverages its advantages in "full integration of mechatronics", integrates high-quality resources from its "ecosystem," and achieves mutual benefits through in-depth cooperation with top-tier suppliers both domestically and internationally. We became a platinum system integrator for three internationally renowned brands: Rockwell, Siemens and Innomotics. We established exclusive partnerships with Danfoss and Nidec, as well as deep collaborative relationships with leading suppliers, including Schneider, ABB, SKF, Shandong Ruineng, Zhebao Group, Flender, Rochling, Andritz, Shandong Daxing, Jiangnan Honggang (江南烘缸), Zibo Taiding (淄博泰鼎), Kadant Johnson, Kaijiete, Youpatent, Hua-Alu Machinery, Xinxing (新興), Shengxing (盛興) and Liaoji (遼機).

Looking back at the year, the Group was consecutively awarded the "LVM Certified Platinum System Integrator" by Innomotics, a global leader in motors and large-scale transmission systems, and honored with the "2024 Best Partner Award" by Siemens. This not only recognizes the Group's technical capabilities and service quality but also marks a new milestone in the collaboration between the two parties.

Renewable Resources Related Business

The Group has been committed to the development of green business, in particular, to set up waste recycling treatment plants outside of China since 2019 to capture the opportunities of expanding global waste recycling treatment. During the period under review, the Group is still looking for suitable opportunities overseas and negotiating with overseas governments and business partners to secure the best investment terms. 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 its 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.

FINANCIAL REVIEW

Revenue and gross profit margin

Revenue decreased by approximately 4.0% from approximately RMB448.0 million for the year ended 30 June 2024 to approximately RMB430.0 million for the year ended 30 June 2025, the gross profit margin decreased slightly from approximately 17.8% for the year ended 30 June 2024 to approximately 17.2% for the year ended 30 June 2025, primarily attributing to the keen competition under the current economic environments.

(i) Industrial products

Revenue from sales of industrial products remained fairly stable and decreased by approximately 5.4% from approximately RMB288.3 million for the year ended 30 June 2024 to approximately RMB272.6 million for the year ended 30 June 2025. The gross profit margin of industrial products decreased from approximately 17.5% for the year ended 30 June 2024 to approximately 15.8% for the year ended 30 June 2025.

(ii) Project contracting services

Revenue from project contracting services decreased by approximately 6.4% from approximately RMB102.6 million for the year ended 30 June 2024 to approximately RMB96.0 million for the year ended 30 June 2025. The gross profit margins of project contracting services increased from approximately 15.0% for the year ended 30 June 2024 to approximately 24.0% for the year ended 30 June 2025. Such increase was primarily due to the Group strengthened its cost control in provision for the project contracting service during the year ended 30 June 2025.

(iii) Environmental products

Revenue from sales of environmental products increased by approximately 70.2% from approximately RMB5.6 million for the year ended 30 June 2024 to approximately RMB9.6 million for the year ended 30 June 2025. Such increase was primarily due to an increase in demand in sludge treatment products and wastewater treatment business from our customers. The gross profit margin of environmental products decreased from approximately 54.6% for the year ended 30 June 2024 to approximately 40.5% for the year ended 30 June 2025.

(iv) Supporting services

Revenue from the provision of supporting services remained stable at approximately RMB45.2 million and RMB46.0 million for the years ended 30 June 2024 and 2025 respectively. The gross profit margin for the provision of supporting services decreased from approximately 27.8% for the year ended 30 June 2024 to approximately 17.9% for the year ended 30 June 2025.

(v) Property investment

Revenue from the rental income from investment properties decreased by approximately 8.2% from approximately RMB6.3 million for the year ended 30 June 2024 to approximately RMB5.8 million for the year ended 30 June 2025. Loss from property investment was RMB5.4 million for the year ended 30 June 2025 as compared with RMB2.5 million for the year ended 30 June 2024.

Selling and distribution expenses

The selling and distribution expenses increased by approximately 19.1% from approximately RMB9.7 million for the year ended 30 June 2024 to approximately RMB11.6 million for the year ended 30 June 2025, accounting for approximately 2.2% and approximately 2.7% of the Group's revenue for the years ended 30 June 2024 and 2025 respectively. The increase in percentage was mainly as a result of the increase of travelling cost for marketing activities for the year ended 30 June 2025.

Administrative expenses

The administrative expenses decreased by approximately 20.3% from approximately RMB76.0 million for the year ended 30 June 2024 to approximately RMB60.5 million for the year ended 30 June 2025, accounting for approximately 17.0% and approximately 14.1% of the Group's revenue for the years ended 30 June 2024 and 2025 respectively. Decrease in administrative expenses was mainly attributable to a decrease in staff costs due to a decrease in number of staff.

Research and development expenses

The research and development expenses decreased by approximately 7.9% from approximately RMB25.7 million for the year ended 30 June 2024 to approximately RMB23.6 million for the year ended 30 June 2025, accounting for approximately 5.7% and approximately 5.5% of the Group's revenue for the years ended 30 June 2024 and 2025 respectively. Decrease in research and development expenses was mainly attributable to a decrease in material used in research and development activities. The Group aimed to improve and enhance the technology and quality of the paper equipment to international standards.

Impairment loss on property, plant and equipment and prepaid land lease payments

For the year ended 30 June 2025, the Group recorded an impairment loss on property, plant and equipment in respect of buildings and prepaid land lease payments of approximately RMB0.5 million and approximately RMB2.7 million respectively, based on the valuation prepared by an independent professional valuer using the market approach. The related leasehold land and building was transferred to investment properties as at 30 June 2025. For the year ended 30 June 2024, no such impairment loss was recorded.

Net impairment losses on financial and contract assets

Net impairment losses on financial and contract assets decreased by approximately 84.7% from approximately RMB8.1 million for the year ended 30 June 2024 to approximately RMB1.2 million for the year ended 30 June 2025. The Group engaged an independent professional valuer to evaluate the expected credit loss of the financial and contract assets. Based on current economic conditions, historical collection experience and outlook, the Group was required to make a further impairment loss on the trade receivables of RMB4.8 million and contract assets of RMB1.6 million and a reversal of impairment on other receivables of RMB5.2 million. The Group has strengthened its collection policies and holds on-going discussion with the customers with regard to collection and billings, and will even take legal action if necessary.

Other income and gains and losses, net

Other income and gains and losses, net decreased by 9.4% from approximately RMB21.6 million for the year ended 30 June 2024 to approximately RMB19.5 million for the year ended 30 June 2025, primarily attributing to a decrease in over provision for claims of approximately RMB12.1 million for the year ended 30 June 2025, partially offset by a gain on disposal and written off of property, plant and equipment of approximately RMB3.6 million and a write back of trade and other payable of approximately RMB1.7 million recognised for the year.

Finance costs, net

Finance costs, net of the Group increased from approximately RMB1.1 million for the year ended 30 June 2024 to approximately RMB1.3 million for the year ended 30 June 2025, primarily attributing to a decrease in interest income and an increase in interest on lease liabilities for the year ended 30 June 2025 as compared with the corresponding period in 2024.

Income tax (expense)/credit

For the year ended 30 June 2025, the Group incurred an income tax expense of approximately RMB3.5 million. The Group recorded an income tax credit of approximately RMB0.7 million for the year ended 30 June 2024 mainly due to a deferred income tax of approximately RMB1.6 million.

Loss for the year and net loss margin

As a result of the foregoing, loss for the year decreased by approximately 38.5% from approximately RMB18.6 million for the year ended 30 June 2024 to approximately RMB11.4 million for the year ended 30 June 2025. The net loss margin decreased from approximately 4.2% for the year ended 30 June 2024 to approximately 2.7% for the year ended 30 June 2025.

Loss for the year attributable to the shareholder of the Company

The loss for the year attributable to the shareholders of the Company decreased from approximately RMB18.7 million for the year ended 30 June 2024 to approximately RMB11.5 million for the year ended 30 June 2025.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquidity position during the year under review. The Group was principally financed by internal resources, loans from banks and equity financing. As at 30 June 2025, the Group had cash and cash equivalent balance amounting to approximately RMB120.6 million (30 June 2024: approximately RMB96.5 million) and interest-bearing loans amounting to approximately RMB98.1 million (30 June 2024: approximately RMB73.4 million).

BORROWINGS AND CHARGES OF ASSETS

As at 30 June 2025, the Group's borrowings were approximately RMB98.1 million (30 June 2024: RMB73.4 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 2024: all denominated in RMB, and bore an average interest rate of 3.82% per annum).

As at 30 June 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 RMB13.8 million, RMB157.5 million and RMB2.6 million respectively (30 June 2024: approximately RMB20.9 million, RMB78.1 million and RMB70.3 million respectively).

GEARING RATIO

The gearing ratios as at 30 June 2025 and 2024 were approximately 19.1% and 14.7%, respectively. Based on the gearing ratio as at 30 June 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 year divided by total interest-bearing loans plus total equity at the end of the respective 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 year ended 30 June 2025; and (ii) did not hold any significant investment as at 30 June 2025.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in note 16 to this announcement, the Group did not have future plans for material investments and capital assets during the year ended 30 June 2025 and up to the date of this announcement.

CAPITAL EXPENDITURE

For the year ended 30 June 2025, the Group's capital expenditure amounted to approximately RMB5.0 million (2024: RMB0.9 million).

CAPITAL COMMITMENTS

As at 30 June 2025, the Group had no material capital commitments (30 June 2024: Nil).

CONTINGENT LIABILITIES

Save as disclosed elsewhere in this announcement, the Group had no material contingent liabilities as at 30 June 2025 (30 June 2024: 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 year ended 30 June 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, 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.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2025, the Group had 207 employees (30 June 2024: 228 employees), including the Directors. Total staff costs (including Directors' emoluments) for the year ended 30 June 2025 were approximately RMB55.7 million, as comparable to approximately RMB62.5 million for the year ended 30 June 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 year, the Group continued its commitment to employees' training and development programme.

FUTURE PROSPECTS

Looking ahead, the paper industry faces both opportunities and challenges. The macroeconomy is expected to maintain stable growth, and the trend of consumption upgrading will continue to support demand for high-end paper products. However, issues such as fluctuations in raw material prices and rising environmental protection costs will continue to constrain the industry's profit margins. Digital transformation and green manufacturing will become key areas of competition for enterprises. The paper-making machinery industry is expected to maintain stable growth driven by the dual engines of import substitution and technology export.

In response to the paper-making industry's development trends toward greening, intelligence, and efficiency, the Group has set its future goals on achieving high-quality development centered on "customer-centricity, company efficiency improvement and individual income growth". It will take technological innovation as the core driving force, focus on three strategic directions of localization of key equipment, energy conservation and carbon reduction, and digital upgrading, continuously breaking through industry technical bottlenecks and consolidating its leading market position.

The Group's independently developed permanent magnet synchronous direct drive transmission system has been successfully commercialized, with its high efficiency, energy savings and low maintenance costs validated by the market. In the future, we will continue to optimize system performance, improve operational efficiency and stability, and expand its application scenarios in high-speed, wide-width paper machines, further enhancing the influence of the Huazhang brand in the high-end transmission field and helping customers achieve a low-carbon and intelligent production transformation.

Currently, the paper-making industry is facing rising energy costs, and energy conservation and emission reduction have become core priorities for enterprises. The Group has successfully developed energy-saving and energy storage products and has entered the critical market promotion phase. We will thoroughly explore customer needs, optimize product portfolios for different production scenarios, precisely address industry pain points, strive to achieve breakthrough market share in niche segments, and create new growth drivers for performance.

In addition, we will further increase R&D investment, focusing on cutting-edge technology areas such as intelligent manufacturing, green and low-carbon, as well as digital control. We will accelerate the iteration and innovation of core technologies through industry-academia-research collaboration, the recruitment of high-end talent and international technology benchmarking. By continuously enhancing our independent innovation capabilities, we will ensure our leading technological position in the paper-making machinery sector and provide strong momentum for high-quality development.

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 of Hong Kong Limited (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 30 June 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.

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.

The table below sets out the proposed application and the status of utilisation of the net proceeds from the Open Offer as at 30 June 2025:

	Planned *HK$'000*	**Net proceeds utilised as at 30 June 2025** *HK$'000*	**Net proceeds unutilised as at 30 June 2025** *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 30 June 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.

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.

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 30 June 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 30 June 2025 *RMB'000*	Unused Net Proceeds as at 30 June 2025 *RMB'000*	Expected date of full utilisation of unused Net Proceeds
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	1,797	1,203	On or before 31 December 2025
— 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	46,880	1,203	

Note: The expected date of full utilisation of the unused Net Proceeds was based on the best estimation of the future market conditions made by the Group. It would be subject to change based on the current and future development of market conditions.

The unused Net Proceeds have been placed as interest bearing deposits with licensed banks in Hong Kong and the PRC.

The Directors will constantly evaluate the business targets of the Group and adjust their plans according to the ever-changing market conditions, so as to ensure the growth of Group's business.

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") 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 can be offered or granted under the 2013 Share Option Scheme since 10 February 2022.

During the year ended 30 June 2025, no share options were granted and exercised under the Share Option Scheme.

As at the date of this announcement, no share option is exercised or granted under the Share Option Scheme. Further details of the options will be disclosed in the annual report.

LEGAL PROCEEDINGS

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 year ended 30 June 2025 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. The above legal proceedings had no material adverse impact on the business operation and financials of the Group.

COMPETING INTERESTS

For the year ended 30 June 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.

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 of the Listing Rules for the year ended 30 June 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 has been 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.

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 year ended 30 June 2025 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 note 16 to this announcement, the Group had no material events after the reporting period.

AUDIT COMMITTEE

The audit committee (the "Audit Committee") of the Company 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. 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 discussed with the management 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 2025.

SCOPE OF WORK OF KTC PARTNERS CPA LIMITED

The financial figures in respect of the Group's results for the year ended 30 June 2025 as set out in this announcement have been agreed by the Company's auditor, KTC Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 June 2025. The work performed by KTC Partners CPA Limited in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KTC Partners CPA Limited on this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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 2025.

The Company did not have any treasury shares (as defined under the Listing Rules) as at 30 June 2025 and as at the date of this announcement.

ANNUAL GENERAL MEETING

The 2025 annual general meeting ("AGM") will be held on Friday, 28 November 2025. Shareholders should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto which will be published in due course as required under the Listing Rules.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 June 2025 (2024: nil).

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.hzeg.com. The 2025 annual report containing all the information required by Appendix D2 to the Listing Rules will be published on the abovementioned websites in due course and despatched to the shareholders of the Company, upon request.

On behalf of the Board
Huazhang Technology Holding Limited
Fang Hui
Chairman

Hong Kong, 26 September 2025

As at the date of this announcement, the executive Directors are Mr. Fang Hui (Chairman), Mr. Chen Hongwei and Mr. Cai Haifeng and the independent non-executive Directors are Mr. Heng, Keith Kai Neng, Mr. Yao Yang Yang and Ms. Zhang Dong Fang.

* *For the purpose of identification only*