



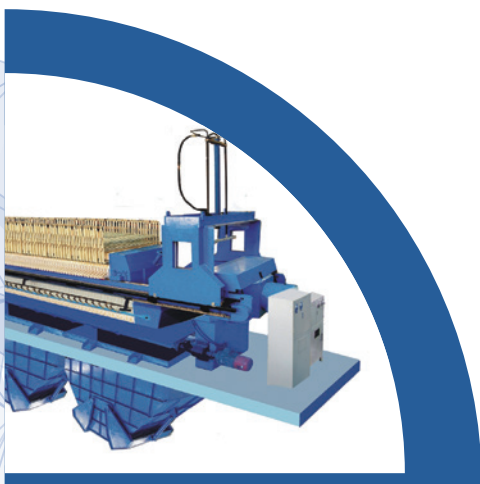
® 华章科技  
HUAZHANG TECHNOLOGY

Huazhang Technology Holding Limited

華章科技控股有限公司

(Incorporated in Cayman Islands with limited liability)

Stock code : 8276



2015

FIRST QUARTERLY REPORT

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM**


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This report, for which the directors (the “Directors”) of Huazhang Technology Holding Limited (the “Company”) collectively and individually accept full responsibility, include particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

This report will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its publication and the Company’s website at [www.hzeg.com](http://www.hzeg.com).



## FINANCIAL HIGHLIGHTS

- Turnover of the Group for the three months ended 30 September 2014 was approximately HK\$83,143,000, representing an increase of approximately 34.3% as compared with that of the corresponding period in 2013.
  - Net profit attributable to owners of the Company for the three months ended 30 September 2014 was approximately HK\$7,160,000, representing an increase of approximately 48.3%, as compared with that of the corresponding period in 2013.
  - The Board does not recommend the payment of first quarterly dividend for the three months ended 30 September 2014.
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## MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (together, the “Group”) for the three months ended 30 September 2014, together with the unaudited comparative figures for the corresponding period in 2013.

### BUSINESS REVIEW AND OUTLOOK

During the third quarter of 2014, the economy in China kept slowing down. The gross domestic product decreased from 7.5% in the second quarter to 7.2% in the third quarter. However, the fixed asset investment recorded a growth of 16.1% from the first nine months of 2014. In such a complicated economic environment, the Chinese government introduced more measures to stimulate the economy including the softening policy on the purchase of property and the increase in loan and financing.

Although the paper industry was still facing competition, the paper companies were still investing in the fixed asset, especially for investments in production facilities in relation to household papers and packaging papers. Such investments satisfied the demands on packaging papers generated from online shopping and demands on the household papers.

For the three months ended 30 September 2014, the Group has entered into contracts (including industrial automation systems, sludge treatment product and after-sales service) with amount of HK\$111,500,000, as compared with last year, an increase of 109.6%. Turnover of the Group for the three months ended 30 September 2014 was approximately HK\$83,143,000, representing an increase of approximately 34.3% as compared with that of the corresponding period in 2013. With our management team’s efforts and customer recognition of the Group’s products, even the Chinese economy was complicated, the competitive advantage of the Group’s products and services in the industry prompted an increase in the revenue.

In September 2014, construction of the new production plant of the Group has been completed. Currently, the plant was under decoration and installation of the production facilities. The plant was expected to commence production before end of the year.

The Group is optimistic on prospects of the paper industry. Under the new stimulus measures, the industry is expected to recover gradually. In addition, there was the elimination of outdated production capacity taking place in the paper industry and it will bring opportunities to the Group.



## FINANCIAL REVIEW

### Revenue and gross profit margin

Revenue of the Group increased by approximately 34.3% from approximately HK\$61,890,000 for the three months ended 30 September 2013 to approximately HK\$83,143,000 for the three months ended 30 September 2014. Gross profit margin decreased from approximately 28.7% for the three months ended 30 September 2013 to approximately 27.9% for the three months ended 30 September 2014.

#### (i) *Industrial automation business*

Revenue from sales of industrial automation business increased by approximately 43.9% from approximately HK\$45,764,000 for the three months ended 30 September 2013 to approximately HK\$65,844,000 for the three months ended 30 September 2014. Such increase was primarily attributable to increase in the number of completed contracts. Contracts amounting to HK\$3,000,000 or above increased from 4 contracts of a total contract value approximately HK\$22,036,000 for the three months ended 30 September 2013 to 10 contracts of a total contract value approximately HK\$34,505,000 for the three months ended 30 September 2014. The gross profit margin of industrial automation business decreased from approximately 28.3% for the three months ended 30 September 2013 to approximately 26.3% for the three months ended 30 September 2014.

#### (ii) *Sludge treatment products*

Revenue from sales of sludge treatment products decreased by approximately 32.7% from approximately HK\$11,376,000 for the three months ended 30 September 2013 to approximately HK\$7,661,000 for the three months ended 30 September 2014. Such decrease was primarily attributable to the decrease in number of contracts completed. The Group completed 15 contracts for the three months ended 30 September 2014 as compared with there were 23 contracts completed for the three months ended 30 September 2013. The gross profit margin for our sludge treatment products increased from approximately 30.3% for the three months ended 30 September 2013 to approximately 31.0% for the three months ended 30 September 2014.

#### (iii) *After-sales and other services*

Revenue from provision of after-sales and other services increased by approximately 102.9% from approximately HK\$4,751,000 for the three months ended 30 September 2013 to approximately HK\$9,639,000 for the three months ended 30 September 2014. Such increase was primarily attributable to the increase in demand on after-sales and other services from our customers, including system improvement projects. The gross profit margin for provision of after-sales and other services increased from approximately 28.6% for the three months ended 30 September 2013 to approximately 36.2% for the three months ended 30 September 2014.

## Distribution costs

The distribution costs slightly increased by approximately HK\$211,000 from approximately HK\$3,005,000 for the three months ended 30 September 2013 to approximately HK\$3,216,000 for the three months ended 30 September 2014, accounting for approximately 3.9% of the Group's revenue for the three months ended 30 September 2014, as compared with approximately 4.9% of the Group's revenue for the corresponding period last year, the decrease in distribution costs as a percentage of the Group's revenue is mainly attributable to the Group's effort in close monitoring the distribution costs.

## Administrative expenses

The administrative expenses decreased by approximately HK\$1,697,000 from approximately HK\$8,060,000 for the three months ended 30 September 2013 to approximately HK\$6,363,000 for the three months ended 30 September 2014, accounting for approximately 7.7% of the Group's revenue for the three months ended 30 September 2014, as compared with approximately 13.0% of the Group's revenue for the corresponding period last year. Decrease in administrative expenses is mainly attributable to decrease in listing related activities and the Group closely monitored the administrative expenses.

## Research and development expenses

The research and development expenses increased by approximately HK\$2,294,000 from approximately HK\$1,318,000 for the three months ended 30 September 2013 to approximately HK\$3,613,000 for the three months ended 30 September 2014, accounting for approximately 4.3% of the Group's revenue for the three months ended 30 September 2014, as compared with approximately 2.1% of the Group's revenue for the corresponding period last year. The increase in research and development expenses was mainly attributable to the continuous investment in research and development activities and business development, and the increase in use of the raw materials.



## Income tax expense

The income tax expense increased by approximately HK\$2,012,000 from approximately HK\$774,000 for the three months ended 30 September 2013 to approximately HK\$2,786,000 for the three months ended 30 September 2014. The increase was mainly attributable to the increase in taxable profit earned by the Company's operating subsidiary for the three months ended 30 September 2014 and a tax rate of 25% adopted by the Company's operating subsidiary for the three months ended 30 September 2014 (2013: 15%). The subsidiary obtained qualification as High and New Technology Enterprise in 2011 for a period of three years effective from 2011. The applicable enterprise income tax rate of the subsidiary was 15% from 2011 till 2013. Since the preferential tax treatment resulting from such a title is expired in December 2013, the subsidiary have applied to the relevant PRC authorities in June 2014 for the classification of the subsidiary as a High and New Technology Enterprise and upon completion of such re-application, the subsidiary will try to register with the tax authorities in-charge for the entitlement to the preferential tax rate of 15% for the period from January 2014 to December 2016.

The effective tax rates of the Group for the three months ended 30 September 2013 and 2014 were 13.8% and 28.0% respectively. The increase was mainly attributing to change in tax rate adopted by the subsidiary.

## Profit attributable to the owners of the Company and net profit margin

Profit attributable to the owners of the Company increased by approximately 48.3% from approximately HK\$4,829,000 for the three months ended 30 September 2013 to approximately HK\$7,160,000 for the three months ended 30 September 2014. The net profit margin increased by approximately 0.8% from approximately 7.8% for the three months ended 30 September 2013 to approximately 8.6% for the three months ended 30 September 2014. Such change is primarily attributable to the Group exercised better control over its distribution costs and administrative expenses. For the three months ended 30 September 2014, the total of these costs and expenses attributable to revenue for the period as compared with the same period in 2013, a decreased by approximately 6.4%.

## DISCLOSURE OF INTERESTS

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

As at 30 September 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 9 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules required to be notified to the Company and the Stock Exchange, are as follows:

#### Long positions in the shares

Name of Director	Company/name of associated company	Nature of interest	Number of securities	Approximate percentage of shareholding
Mr Zhu Gen Rong	The Company	Interest of a controlled corporation	204,000,000 shares (Note 1)	75.00%
	Florescent Holdings Limited	Interest of a controlled corporation	779 shares (Note 2)	77.90%
	Lian Shun Limited	Beneficial interest	5,005,500 shares (Note 3)	53.79%
Mr Wang Ai Yan (Note 5)	The Company	Interest of a controlled corporation	204,000,000 shares (Note 4)	75.00%
	Florescent Holdings Limited	Interest of a controlled corporation	779 shares (Note 2)	77.90%
	Lian Shun Limited	Beneficial interest	5,005,500 shares (Note 3)	20.74%





Notes:

1. The shares are registered in the name of Florescent Holdings Limited, a company owned as to 77.90% by Lian Shun Limited, which in turn is owned as to 53.79% by Mr Zhu Gen Rong. Mr Zhu is deemed to be interested in the Shares held by Florescent Holdings Limited.
2. Florescent Holdings Limited is owned as to 77.90% by Lian Shun Limited and as to 22.10% by Qunyun Limited.
3. Lian Shun Limited is owned as to 53.79% by Mr Zhu Gen Rong, as to 20.74% by Mr Wang Ai Yan, as to 17.95% by Mr Liu Chuan Jiang and as to 7.52% by Ms Zhu Ling Yun.
4. The shares are registered in the name of Florescent Holdings Limited, a company owned as to 77.90% by Lian Shun Limited, which in turn is owned as to 20.74% by Mr Wang Ai Yan. Mr Wang is regarded as one of the parties acting in concert with Mr Zhu under the Takeovers Code and is deemed to be interested in the Shares held by Florescent Holdings Limited
5. Mr Wang Ai Yan has been appointed as executive director and chief executive officer with effect from 1 October 2014.

Save as disclosed above, as at 30 September 2014, none of the Directors of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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


As at 30 September 2014, so far as the Directors are aware, the interests and short positions owned by the following persons (other than the Directors and chief executive of the Company) in the shares, underlying shares and debentures of the Company which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO are as follows:

## Long positions in the shares

Name of Substantial Shareholders	Capacity/Nature of interest	Number of Shares directly or indirectly held	Approximate percentage of shareholding
Florescent Holdings Limited	Beneficial owner	204,000,000	75%
Lian Shun Limited	Interest of a controlled corporation	204,000,000 (Note 1)	75%
Mr Zhu Gen Rong	Interest of a controlled corporation	204,000,000 (Note 2)	75%
Mr Wang Ai Yan	Interest of a controlled corporation	204,000,000 (Note 3)	75%
Mr Liu Chuan Jiang	Interest of a controlled corporation	204,000,000 (Note 4)	75%
Ms Zhu Ling Yun	Interest of a controlled corporation	204,000,000 (Note 5)	75%

### Notes:

1. The shares are registered in the name of Florescent Holdings Limited, a company owned as to 77.90% by Lian Shun Limited. Under the SFO, Lian Shun Limited is deemed to be interested in the Shares held by Florescent Holdings Limited.
2. Florescent Holdings Limited is owned as to 77.90% by Lian Shun Limited, which in turn is owned as to 53.79% by Mr Zhu Gen Rong. Under the SFO, Mr Zhu is deemed to be interested in the Shares held by Florescent Holdings Limited.
3. Florescent Holdings Limited is owned as to 77.90% by Lian Shun Limited, which in turn is owned as to 20.74% by Mr Wang Ai Yan. Mr Wang is regarded as one of the parties acting in concert with Mr Zhu under the Takeovers Code and is therefore deemed to be interested in the Shares held by Florescent Holdings Limited.
4. Florescent Holdings Limited is owned as to 77.90% by Lian Shun Limited, which in turn is owned as to 17.95% by Mr Liu Chuan Jiang. Mr Liu is regarded as one of the parties acting in concert with Mr Zhu under the Takeovers Code and is therefore deemed to be interested in the Shares held by Florescent Holdings Limited.
5. Florescent Holdings Limited is owned as to 77.90% by Lian Shun Limited, which in turn is owned as to 7.52% by Ms Zhu Ling Yun. Ms Zhu is regarded as one of the parties acting in concert with Mr Zhu under the Takeovers Code and is therefore deemed to be interested in the Shares held by Florescent Holdings Limited.



Save as disclosed above, as at 30 September 2014, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the shares or underlying shares of the Company which are required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under Section 336 of the SFO.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES**

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

### **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

Save as the information set out in the section headed "Compliance of Non-competition Undertakings", during the three months ended 30 September 2014 and up to the date of this report, none of the Directors or any of their respective associates, had engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

### **INTERESTS OF THE COMPLIANCE ADVISER**

As at 30 September 2014, as notified by the Company's compliance adviser, Guotai Junan Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 8 May 2013, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

## **OTHER INFORMATION**

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any securities of the Company during the three months ended 30 September 2014.

### **SHARE OPTION SCHEME**

During the period under review, no option has been granted and there has been no movement of any options granted (if any) under the share option scheme adopted by the Company on 6 May 2013.

## COMPLIANCE OF NON-COMPETITION UNDERTAKINGS

In order to protect the Group's interest in its business activities, on 6 May 2013, each of Florescent Holdings Limited, Lian Shun Limited, Mr Zhu Gen Rong, Mr Wang Ai Yan, Mr Liu Chuan Jiang and Ms Zhu Ling Yun, the controlling shareholders of the Company, has given a non-competition undertaking in favour of the Company, pursuant to which each of them undertakes and covenants with the Company that, for as long as it/he and/or its/his associates, directly or indirectly, whether individually or taken together, remain to be the controlling shareholders, it/he will not and will procure its/his associates not to directly or indirectly carry on, participate, engage or otherwise be interested in any business which is or may be in competition with the business of any members of the Group from time to time.

Details of the undertaking have been set out in the section headed "Relationship with Controlling Shareholders" of the prospectus.

## APPOINTMENT OF EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr Wang Ai Yan, aged 48, appointed as executive director and chief executive officer with effective from 1 October 2014. Mr Wang is one of the controlling shareholders of the Group. The biographical details of Mr Wang are set out under the announcement, headed "Appointment of Executive Director and Chief Executive Officer", dated 30 September 2014.

## CORPORATE GOVERNANCE CODE

The Board considers that the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 15 of the GEM Listings Rules during the three months ended 30 September 2014 except the following deviation (Code Provision A.2.1):

Mr Zhu Gen Rong is the Chairman of the Board. The Company has no such title as the chief executive during the three months ended 30 September 2014 and 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 although there is no chief executive during the period, 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 the operations of the Company.

The Company has appointed Mr Wang Ai Yan as chief executive officer with effect from 1 October 2014 and has complied with Code Provision A.2.1 since 1 October 2014.



## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding directors' securities transactions on terms set out in Rules 5.48 to 5.67 of the GEM Listing Rules regarding the directors' securities transactions in securities of the Company. Specific enquiry has been made of all the Directors and the Directors have confirmed that they had complied with such code of conduct for the three months ended 30 September 2014.



## **FIRST QUARTERLY DIVIDEND**

The Board does not recommend the payment of any first quarterly dividend for the three months ended 30 September 2014. (2013: Nil)

## **AUDIT COMMITTEE**

The audit committee was established with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and Paragraph C.3.3 of the Corporate Governance Code 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 internal controls of the Group. The audit committee consists of three independent non-executive Directors namely, Mr Kong Chi Mo, Ms Chen Jin Mei and Mr Dai Tian Zhu. The audit committee is chaired by Mr Kong Chi Mo.

The Audit Committee of the Company has reviewed and discussed the Group's unaudited condensed consolidated results for the three months ended 30 September 2014.

## **PROPOSED TRANSFER OF LISTING**

The Company has submitted a formal application to the Stock Exchange on 30 October 2014 for the proposed transfer of listing of the shares from the GEM to the Main Board of the Stock Exchange pursuant to Chapter 9A of the Listing Rules. For details, please refer to the announcement "Proposed transfer of the listing from the Growth Enterprise Market to the Main Board of The Stock Exchange of Hong Kong Limited" dated 30 October 2014.

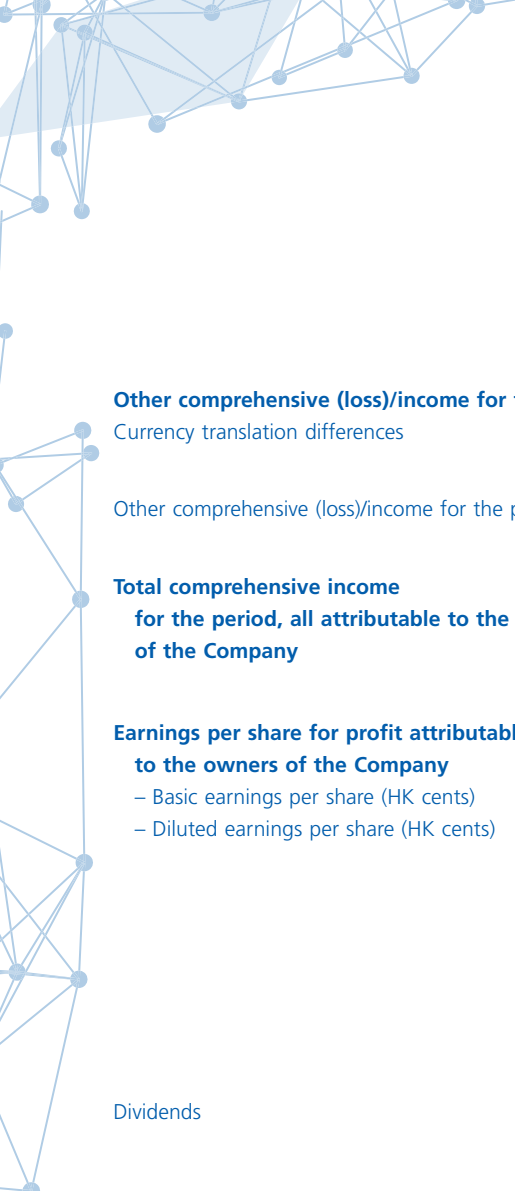
By order of the Board  
**Huazhang Technology Holding Limited**  
**Zhu Gen Rong**  
*Chairman*

Hong Kong, 10 November 2014

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 30 September 2014

		Three months ended 30 September	
		2014 HK\$ (Unaudited)	2013 HK\$ (Unaudited)
	Note		
Revenue	3	83,143,289	61,890,189
Cost of sales		(59,945,776)	(44,126,402)
<b>Gross profit</b>		<b>23,197,513</b>	17,763,787
Distribution costs		(3,216,434)	(3,005,250)
Administrative expenses		(6,362,854)	(8,060,021)
Research and development expenses		(3,612,588)	(1,318,449)
Other income	4	35,732	78,519
<b>Operating profit</b>	5	<b>10,041,369</b>	5,458,586
Finance income		186,733	187,835
Finance costs		(281,742)	(43,978)
Finance (costs)/income – net		(95,009)	143,857
<b>Profit before income tax</b>		<b>9,946,360</b>	5,602,443
Income tax expenses	6	(2,786,186)	(773,793)
<b>Profit for the period, all attributable to the owners of the Company</b>		<b>7,160,174</b>	4,828,650



**Other comprehensive (loss)/income for the period**

Currency translation differences

Other comprehensive (loss)/income for the period

**Total comprehensive income**

**for the period, all attributable to the owners of the Company**

**Earnings per share for profit attributable to the owners of the Company**

- Basic earnings per share (HK cents)
- Diluted earnings per share (HK cents)

Dividends

Note

7

Note

8

**Three months ended  
30 September**

<b>2014 HK\$ (Unaudited)</b>	<b>2013 HK\$ (Unaudited)</b>
<b>(557,649)</b>	1,157,999
<b>(557,649)</b>	1,157,999
<b>6,602,525</b>	5,986,649
<b>2.63</b>	1.78
<b>2.63</b>	1.78

**Three months ended  
30 September**

<b>2014 HK\$ (Unaudited)</b>	<b>2013 HK\$ (Unaudited)</b>
–	–

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 30 September 2014

	Attributable to the owners of the Company				
	Par value of ordinary shares HK\$	Share Premium HK\$	Other Reserves HK\$	Retained earnings HK\$	Total equity HK\$
<b>Unaudited Balance at 1 July 2014</b>	2,720,000	61,934,254	64,604,279	67,282,385	196,540,918
<b>Comprehensive income</b>					
Profit for the period	-	-	-	7,160,174	7,160,174
Translation differences	-	-	(557,649)	-	(557,649)
Total comprehensive income	-	-	(557,649)	7,160,174	6,602,525
<b>Balance at 30 September 2014</b>	<b>2,720,000</b>	<b>61,934,254</b>	<b>64,046,630</b>	<b>74,442,559</b>	<b>203,143,443</b>
<b>Unaudited Balance at 1 July 2013</b>	2,720,000	70,910,254	60,488,810	42,088,858	176,207,922
<b>Comprehensive income</b>					
Profit for the period	-	-	-	4,828,650	4,828,650
Translation differences	-	-	1,157,999	-	1,157,999
Total comprehensive income	-	-	1,157,999	4,828,650	5,986,649
<b>Balance at 30 September 2013</b>	<b>2,720,000</b>	<b>70,910,254</b>	<b>61,646,809</b>	<b>46,917,508</b>	<b>182,194,571</b>



## NOTES TO THE FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the research and development, manufacture and sale of industrial automation systems and sludge treatment products and the provision of after-sales service in the People's Republic of China (the "PRC").

The Company's ordinary shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 May 2013 (the "Listing") by way of placing.

This condensed consolidated results are presented in Hong Kong Dollars ("HK\$"), unless otherwise stated. These condensed consolidated results has been approved for issue by the Board of Directors on 10 November 2014.

These condensed consolidated results have not been audited.

### 2. BASIS OF PREPARATION

These condensed consolidated results for the three months ended 30 September 2014 have been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated results should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 30 June 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA.

### 3. REVENUE

Sales of industrial automation systems  
and related projects  
Sales of sludge treatment products  
Provision of after-sales and other services

Three months ended 30 September	
2014 HK\$ (Unaudited)	2013 HK\$ (Unaudited)
65,843,914	45,763,703
7,660,799	11,375,604
9,638,576	4,750,882
<b>83,143,289</b>	61,890,189

#### 4. OTHER INCOME

	Three months ended 30 September	
	2014 HK\$ (Unaudited)	2013 HK\$ (Unaudited)
Government grants	35,732	78,519
	<b>35,732</b>	<b>78,519</b>

#### 5. OPERATING PROFIT

Operating profit is arrived at after charging:

	Three months ended 30 September	
	2014 HK\$ (Unaudited)	2013 HK\$ (Unaudited)
Amortisation of land use rights	17,325	17,327
Depreciation of property, plant and equipment	838,915	749,807
Provision for impairment of trade receivables	616,234	–
Provision for inventories	702,910	–
Auditors' remuneration	125,818	251,664
Professional service fees	463,338	623,794

#### 6. INCOME TAX EXPENSE

	Three months ended 30 September	
	2014 HK\$ (Unaudited)	2013 HK\$ (Unaudited)
Current income tax		
– PRC enterprise income tax	3,115,972	773,793
Deferred income tax	(329,786)	–
Income tax expense	<b>2,786,186</b>	<b>773,793</b>

(i) Cayman Islands profits tax

The Company is not subject to any taxation in the Cayman Islands.

(ii) Hong Kong profits tax

No Hong Kong profits tax has been provided for the three months ended 30 September 2014 and 2013, as the Group has no taxable profit earned or derived in Hong Kong for the period.

(iii) PRC enterprise income tax ("EIT")

EIT is provided on the assessable income of entity within the Group incorporated in the PRC.

Pursuant to the PRC Enterprise Income Tax Law (the "New EIT Law"), the EIT is unified at 25% for all types of entities, effective from 1 January 2008.

Zhejiang Huazhang is qualified as a foreign investment manufacturing enterprise. Zhejiang Huazhang's applicable EIT rate is 25% according to the New EIT Law. Under the relevant regulations of the new EIT Law, Zhejiang Huazhang obtained qualification as High and New Technology Enterprise in Calendar Year 2011 respectively, with validation period of three years each. The applicable EIT rate of Zhejiang Huazhang will be 15% from 2008 till 2013. ("the tax benefit period"). The tax benefit period expired on 31 December 2013, hence the applicable income tax rate of Zhejiang Huazhang is 25% for the three months period ended 30 September 2014 (2013: 15%).

## 7. EARNINGS PER SHARE

Basic earnings per share for the three months ended 30 September 2014 and 2013 is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue.

	Three months ended 30 September	
	2014 HK\$ (Unaudited)	2013 HK\$ (Unaudited)
Profit attributable to the owners of the Company	7,160,174	4,828,650
Weighted average number of ordinary shares in issue	272,000,000	272,000,000
Basic earnings per share (HK cents)	2.63	1.78

As there were no dilutive options and other dilutive potential shares in issue for the three months ended 30 September 2014 and 2013, diluted earnings per share is the same as basic earnings per share

## 8. DIVIDENDS

The Board does not recommend the payment of any first quarterly dividend for the three months ended 30 September 2014. (2013: HK\$ Nil).

On 5 September 2014, the Board recommended a final dividend of HK5.0 cents per share for the year ended 30 June 2014 (2013: HK3.3 cents), representing HK\$13,600,000 (2013: HK\$8,976,000) using the share premium account.