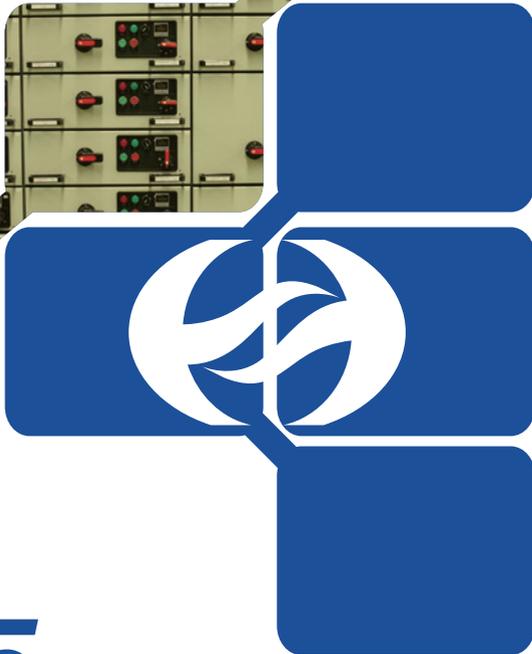
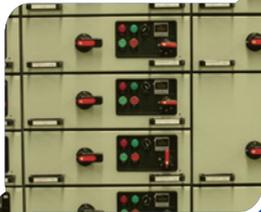




華章科技控股有限公司
Huazhang Technology Holding Limited
(Incorporated in Cayman Islands with limited liability)
Stock code : 1673



2015
INTERIM REPORT



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Zhu Gen Rong (*Chairman*)
Mr. Wang Ai Yan (*Chief Executive Officer*)
Mr. Jin Hao
Mr. Zhong Xin Gang

Independent Non-Executive Directors

Ms. Chen Jin Mei
Mr. Dai Tian Zhu
Mr. Kong Chi Mo

AUDIT COMMITTEE

Mr. Kong Chi Mo (*Chairman*)
Ms. Chen Jin Mei
Mr. Dai Tian Zhu

NOMINATION COMMITTEE

Mr. Dai Tian Zhu (*Chairman*)
Mr. Zhu Gen Rong
Ms. Chen Jin Mei
Mr. Kong Chi Mo

REMUNERATION COMMITTEE

Ms. Chen Jin Mei (*Chairlady*)
Mr. Dai Tian Zhu
Mr. Kong Chi Mo

COMPANY SECRETARY

Mr. Chan So Kuen

COMPLIANCE OFFICER

Mr. Jin Hao



CORPORATE INFORMATION *(Continued)*

AUTHORISED REPRESENTATIVES

Mr. Zhu Gen Rong

Mr. Chan So Kuen

LEGAL ADVISER

As to Hong Kong Law
Stevenson, Wong & Co.

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

AUDITOR

PricewaterhouseCoopers

REGISTERED ADDRESS

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

1360 Zhenhua Road
No. 2 Industrial Area
Tongxiang Economic & Technical Development Zone
Tongxiang, Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 805A, 8/F
Tower 1, South Seas Centre
75 Mody Road, Tsim Sha Tsui
Kowloon
Hong Kong



CORPORATE INFORMATION *(Continued)*

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square Hutchins Drive PO Box 2681
Grand Cayman, KY1-111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY'S WEBSITE

www.hzeg.com

STOCK CODE

1673



FINANCIAL HIGHLIGHTS

- Turnover of the Group for the six months ended 31 December 2014 was approximately HK\$192,673,000, representing an increase of approximately 38.0% as compared with that of the corresponding period in 2013.
- Net profit attributable to owners of the Company for the six months ended 31 December 2014 was approximately HK\$22,202,000, representing an increase of approximately 99.7%, as compared with that of the corresponding period in 2013.
- The Board declared an interim dividend of 2.5 HK cents per share. (Six months ended 31 December 2013: Nil)



MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (together, the “Group”) for the six months ended 31 December 2014, together with the unaudited comparative figures for the corresponding period in 2013.

BUSINESS REVIEW AND OUTLOOK

During the fourth quarter of 2014, the pace of China’s economic growth remained slow. The gross domestic product was stable at 7.2% and 7.3% in the third quarter and in the fourth quarter of 2014, respectively. China’s economy became at a steady growth. China will optimise its the structure of the economy to achieve better quality and performance. The monetary policy will continue to be stable and loose in order to implement the deep structural reforms.

Currently, the paper industry faces over-capacities problem but demand on some types of papers (such as household papers and packaging papers) is still strong and the production capacities is still insufficient. In addition, the environmental standard of the industry have been uplifted which resulted in the establishment or modification of production line to meet the new demands.

For the six months ended 31 December 2014, the Group has entered into contracts (including industrial automation systems, sludge treatment products and after-sale services) in an aggregate amount of approximately HK\$183,099,000, representing an increase of approximately 21.9%, as compared with the recorded during the same period in the last year. Turnover of the Group for the six months ended 31 December 2014 was approximately HK\$192,673,000, representing an increase of approximately 38.0% as compared with that of the corresponding period in 2013. After the establishment of project division, provide one-stop service and became our business engine. As at 31 December 2014, the accumulated contract amounts of the projects entered by the project division was HK\$225,487,000.

In September 2014, construction of the new production plant of the Group was completed, and it commenced the production at the end of December 2014. The Group believes that increase in the production capacity will enhance the economies of scale of the Group and the Group will have enough capacities to explore our products in various industries.

Currently, the paper industry is still in bottle neck but the Group is optimistic on prospects. The Group will continue to implement on our four business strategies during the financial year, (i) effort to expand the market share of the Industrial Automation Systems Segment in non-paper market; (ii) promotion of “design” “production” “service” business model; (iii) cost efficiency result from investments in new capacity; and (iv) use of existing customer resources to explore the after-sales service business.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW

Revenue and gross profit margin

Revenue of the Group increased by approximately 38.0% from approximately HK\$139,655,000 for the six months ended 31 December 2013 to approximately HK\$192,673,000 for the six months ended 31 December 2014. Gross profit margin increased from approximately 27.8% for the six months ended 31 December 2013 to approximately 29.6% for the six months ended 31 December 2014.

(i) *Industrial automation business*

Revenue from sales of industrial automation business increased by approximately 80.2% from approximately HK\$90,853,000 for the six months ended 31 December 2013 to approximately HK\$163,742,000 for the six months ended 31 December 2014. Such increase was primarily attributable to provision of one-stop services in relation to industrial automation systems. In the early of 2014, the Group established project division which have contributed revenue of approximately HK\$99,973,000 for the six months ended 31 December 2014. Such services include sales of industrial automation systems, installation and testing services. The gross profit margin of industrial automation business slightly increased from approximately 27.4% for the six months ended 31 December 2013 to approximately 28.8% for the six months ended 31 December 2014.

(ii) *Sludge treatment products*

Revenue from sales of sludge treatment products decreased by approximately 56.2% from approximately HK\$36,372,000 for the six months ended 31 December 2013 to approximately HK\$15,930,000 for the six months ended 31 December 2014. Such decrease was primarily attributable to face of keen competition in the markets. The gross profit margin for our sludge treatment products increased from approximately 26.3% for the six months ended 31 December 2013 to approximately 30.4% for the six months ended 31 December 2014.

(iii) *After-sale and other services*

Revenue from provision of after-sales and other services increased by approximately 4.6% from approximately HK\$12,430,000 for the six months ended 31 December 2013 to approximately HK\$13,001,000 for the six months ended 31 December 2014. The business is stable. The gross profit margin for provision of after-sales and other services increased from approximately 34.6% for the six months ended 31 December 2013 to approximately 38.2% for the six months ended 31 December 2014.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Distribution costs

The distribution costs slightly decreased by approximately HK\$483,000 from approximately HK\$5,992,000 for the six months ended 31 December 2013 to approximately HK\$5,509,000 for the six months ended 31 December 2014, accounting for approximately 4.3% and approximately 2.9% of the Group's revenue for the six months ended 31 December 2013 and 2014 respectively. 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\$1,983,000 from approximately HK\$15,425,000 for the six months ended 31 December 2013 to approximately HK\$13,442,000 for the six months ended 31 December 2014, accounting for approximately 11.0% and approximately 7.0% of the Group's revenue for the six months ended 31 December 2013 and 2014 respectively. The decrease in administrative expenses is mainly attributable to decrease in provision for impairment of trade receivables amounting to approximately HK\$951,000 and effective control on administrative expenses.

Research and development expenses

The research and development expenses increased by approximately HK\$4,192,000 from approximately HK\$4,855,000 for the six months ended 31 December 2013 to approximately HK\$9,048,000 for the six months ended 31 December 2014, accounting for approximately 4.7% and approximately 3.5% of the Group's revenue for the six months ended 31 December 2013 and 2014 respectively. 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 for that purpose.

Income tax expense

The income tax expense increased by approximately HK\$6,106,000 from approximately HK\$2,299,000 for the six months ended 31 December 2013 to approximately HK\$8,405,000 for the six months ended 31 December 2014. The increase was mainly attributable to the increase in taxable profit earned by the Company's operating subsidiary for the six months ended 31 December 2014 and a tax rate of 25% imposed to the Company's operating subsidiary for the six months ended 31 December 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



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

New Technology Enterprise and upon completion of such re-application, the subsidiary will 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 six months ended 31 December 2013 and 2014 were 17.1% and 27.5% respectively. The increase was mainly attributing to change in tax rate imposed 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 99.7% from approximately HK\$11,118,000 for the six months ended 31 December 2013 to approximately HK\$22,202,000 for the six months ended 31 December 2014. The net profit margin increased by approximately 3.5% from approximately 8.0% for the six months ended 31 December 2013 to approximately 11.5% for the six months ended 31 December 2014. Such change is primarily attributable to the improvement on gross profit margin of the Group and the Group exercised better control over its distribution costs and administrative expenses. For the six months ended 31 December 2014, the total of these costs and expenses as a percentage of revenue, a decreased by approximately 5.5%, which partially offset the increase in effective tax rate at 2.7% as compared with same period in 2013.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquidity position during the period under review. The Group was principally financed by internal resources and net proceeds from the placing. As at 31 December 2014, the Group have net cash and cash equivalent balance amounting to approximately HK\$44,968,000 (30 June 2014: approximately HK\$91,859,000) and borrowing amounting to HK\$22,000,000 (30 June 2014: HK\$22,000,000). Cash and cash equivalents decreased significantly due to the purchased of financial products by the Group amounting to approximately HK\$63,380,000 to increase our return.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments held or material acquisitions and disposals during the six months ended 31 December 2014.

Borrowing and charges of assets

As at 31 December 2014, the Group's interest-bearing loan was HK\$22,000,000 (30 June 2014: HK\$22,000,000) which will be repayable within 1 year. Such borrowing is all denominated in HK\$, and bear an interest at rate of 3.6% per annum (30 June 2014: 6.0% per annum).



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

As at 31 December 2014, the banking facilities granted by the bank was secured by land use rights and properties of the Group amounting to approximately HK\$2,648,000, and HK\$17,261,000 respectively (30 June 2014: HK\$2,632,000 and HK\$17,155,000 respectively).

CONTINGENT LIABILITIES

As at 31 December 2014, the Group had no material contingent liabilities.

FOREIGN CURRENCY RISK

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

The Renminbi is not freely convertible. There is a risk that the Chinese government may take actions affecting exchange rates which may have a material adverse effect on the Group's net assets, earnings and any dividends it declares if such dividend is to be exchanged or converted into foreign exchange. The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rate between HK\$, US\$ and RMB.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2014, the Group had 245 employees (30 June 2014: 228 employees), including the executive Directors. Total staff costs (including Directors' emoluments) for the six months ended 31 December 2014 were approximately HK\$20,269,000, as comparable to approximately HK\$21,180,000 for the six months ended 31 December 2013. The remuneration of employees is determined based on job nature and market conditions, combined with increment on performance appraisal and year-end bonus which are designed to stimulate and award employee's individual performance. During the period, the Group continued its commitment to employees' training and development programme.



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 31 December 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:

- 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.
- Florescent Holdings Limited is owned as to 77.90% by Lian Shun Limited and as to 22.10% by Qunyun Limited.



DISCLOSURE OF INTERESTS *(Continued)*

- 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.
- 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
- 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 31 December 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 31 December 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 <i>(Note 1)</i>	75%
Mr. Zhu Gen Rong	Interest of a controlled corporation	204,000,000 <i>(Note 2)</i>	75%
Mr. Wang Ai Yan	Interest of a controlled corporation	204,000,000 <i>(Note 3)</i>	75%
Mr. Liu Chuan Jiang	Interest of a controlled corporation	204,000,000 <i>(Note 4)</i>	75%
Ms. Zhu Ling Yun	Interest of a controlled corporation	204,000,000 <i>(Note 5)</i>	75%



DISCLOSURE OF INTERESTS *(Continued)*

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 31 December 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.



DISCLOSURE OF INTERESTS *(Continued)*

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the period, none of the Directors or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group.

INTERESTS OF THE COMPLIANCE ADVISER

As at 31 December 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 six months ended 31 December 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.

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 Listing Rules during the six months ended 31 December 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 on or before 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 six months ended 31 December 2014.

TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD

The Company applied for the transfer of listing from GEM to the Main Board on 30 October 2014. The approval-in-principle was granted by the Stock Exchange on 23 December 2014 for the Shares to be listed on the Main Board and de-listed from GEM (stock code: 8276). Dealings in the Shares on the Main Board (stock code: 1673) commenced on 5 January 2015.



OTHER INFORMATION *(Continued)*

INTERIM DIVIDEND

The Board declared an interim dividend of 2.5 HK cents per share for the six months ended 31 December 2014 (2013: Nil), payable on or about 6 March 2015, to the shareholders whose names appear on the register of members of the Company on 2 March 2015 (Monday).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the following period:

- (i) For the purpose of determining shareholders who qualify for the interim dividend, the register of members of the Company will be closed on 26 February 2015 (Thursday) to 2 March 2015 (Monday), both days inclusive. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 25 February 2015 (Wednesday).

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 discussed with the management and external auditors the accounting principles and policies adopted by the Group, and has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 31 December 2014.

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

Hong Kong, 9 February 2015



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

**TO THE BOARD OF DIRECTORS OF
HUAZHANG TECHNOLOGY HOLDING LIMITED**
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 18 to 46, which comprises the interim condensed consolidated balance sheet of Huazhang Technology Holding Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 31 December 2014 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION *(Continued)*



羅兵咸永道

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 9 February 2015

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	Note	31 December 2014 Unaudited HK\$	30 June 2014 Audited HK\$
ASSETS			
Non-current assets			
Land use rights	7	8,735,861	8,819,541
Property, plant and equipment	7	58,108,161	48,962,955
Deferred income tax assets		3,621,346	3,086,886
Trade and other receivables	8	1,960,291	1,251,763
Prepayments – non-current portion	8	879,021	509,453
		73,304,680	62,630,598
Current assets			
Inventories	9	109,037,212	108,652,096
Trade and other receivables	8	76,524,138	101,368,450
Prepayments	8	28,514,238	14,946,416
Available-for-sale financial assets	10	63,379,389	–
Restricted cash	11	8,561,436	957,225
Cash and cash equivalents	11	44,968,247	91,859,246
		330,984,660	317,783,433
Total assets		404,289,340	380,414,031
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	12	2,720,000	2,720,000
Share premium	12	48,334,254	61,934,254
Other reserves	13	70,657,364	64,604,279
Retained earnings		84,824,186	67,282,385
Total equity		206,535,804	196,540,918



CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

As at 31 December 2014

		31 December 2014 Unaudited HK\$	30 June 2014 Audited HK\$
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		474,290	1,360,000
Current liabilities			
Trade and other payables	14	168,957,258	155,912,619
Current income tax liabilities		6,321,988	4,600,494
Borrowings	15	22,000,000	22,000,000
		197,279,246	182,513,113
Total liabilities		197,753,536	183,873,113
Total equity and liabilities		404,289,340	380,414,031
Net current assets		133,705,414	135,270,320
Total assets less current liabilities		207,010,094	197,900,918

The notes on pages 24 to 46 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2014

		Six months ended 31 December	
		2014 Unaudited HK\$	2013 Unaudited HK\$
	Note		
Revenue	6	192,672,954	139,654,722
Cost of sales		(135,683,736)	(100,862,177)
Gross profit		56,989,218	38,792,545
Distribution costs		(5,509,391)	(5,992,103)
Administrative expenses		(13,442,015)	(15,424,688)
Research and development expenses		(9,047,671)	(4,855,499)
Other income	16	856,556	473,282
Other losses – net		–	(31,256)
Operating profit		29,846,697	12,962,281
Finance income		1,178,284	517,845
Finance costs		(417,833)	(62,867)
Finance costs – net		760,451	454,978
Profit before income tax		30,607,148	13,417,259
Income tax expense	18	(8,405,175)	(2,299,310)
Profit for the period, all attributable to the owners of the Company		22,201,973	11,117,949



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the six months ended 31 December 2014

		Six months ended 31 December	
		2014 Unaudited HK\$	2013 Unaudited HK\$
Note			
	Other comprehensive income for the period		
	<i>Items that may be reclassified to profit or loss</i>		
	Currency translation differences	1,392,913	2,315,212
	Other comprehensive income for the period, net of tax	1,392,913	2,315,212
	Total comprehensive income for the period, all attributable to the owners of the Company	23,594,886	13,433,161
	Earnings per share for profit attributable to the owners of the Company		
	– Basic earnings per share	0.08	0.04
	– Diluted earnings per share	0.08	0.04

		Unaudited Six Months ended 31 December	
		2014 HK\$	2013 HK\$
Note			
	Dividends	6,800,000	–

The notes on pages 24 to 46 are an integral part of these condensed consolidated interim financial statements.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 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\$
<i>(Unaudited)</i>					
Balance at 1 July 2014	2,720,000	61,934,254	64,604,279	67,282,385	196,540,918
Comprehensive income					
Profit for the period	-	-	-	22,201,973	22,201,973
Translation differences	-	-	1,392,913	-	1,392,913
Total comprehensive income	-	-	1,392,913	22,201,973	23,594,886
Transactions with owners					
Dividends declared (Note 20)	-	(13,600,000)	-	-	(13,600,000)
Profit appropriation to statutory reserves					
	-	-	4,660,172	(4,660,172)	-
Balance at 31 December 2014	2,720,000	48,334,254	70,657,364	84,824,186	206,535,804
<i>(Unaudited)</i>					
Balance at 1 July 2013	2,720,000	70,910,254	60,488,810	42,088,858	176,207,922
Comprehensive income					
Profit for the period	-	-	-	11,117,949	11,117,949
Translation differences	-	-	2,315,212	-	2,315,212
Total comprehensive income	-	-	2,315,212	11,117,949	13,433,161
Transactions with owners					
Dividends declared (Note 20)	-	(8,976,000)	-	-	(8,976,000)
Profit appropriation to statutory reserves					
	-	-	3,333,855	(3,333,855)	-
Balance at 31 December 2013	2,720,000	61,934,254	66,137,877	49,872,952	180,665,083

The notes on pages 24 to 46 are an integral part of these condensed consolidated interim financial statements.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2014

		Six months ended 31 December	
		2014 Unaudited HK\$	2013 Unaudited HK\$
	Note		
Cash flows from operating activities			
Cash generated from operations		49,598,415	229,409
Income tax paid		(8,084,480)	(4,401,479)
Net cash inflow/(outflow) from operating activities		41,513,935	(4,172,070)
Cash flows from investing activities			
Purchase of property, plant and equipment		(12,673,360)	(3,804,471)
Interest received		1,183,427	517,845
Cash paid for purchase of available-for-sale financial assets		(63,379,389)	—
Net cash outflow from investing activities		(74,869,322)	(3,286,626)
Cash flows from financing activities			
Dividends paid to the owners of the Company	20	(13,600,000)	(8,976,000)
Net cash outflow from financing activities		(13,600,000)	(8,976,000)
Net decrease in cash and cash equivalents		(46,955,387)	(16,434,696)
Effect of foreign exchange rate changes		64,388	(62,867)
Cash and cash equivalents at beginning of the period		91,859,246	80,920,622
Cash and cash equivalents at end of the period	11	44,968,247	64,423,059

The notes on pages 24 to 46 are an integral part of these condensed consolidated interim financial statements.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 GENERAL 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 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 (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “SEHK”) on 16 May 2013 (the “Listing”) by way of placing and the Listing of its ordinary shares have been transferred from GEM to the Main Board of the SEHK on 5 January 2015.

This condensed consolidated interim financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated. These condensed consolidated interim financial statements were approved and authorised for issue by the Company’s Board of Directors (the “Board”) on 9 February 2015.

These condensed consolidated interim financial statements have not been audited.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 31 December 2014 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.



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

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2014, as described in those annual financial statements.

The following amendments to standards are mandatory for the first time for the financial year beginning on 1 July 2014 and are relevant to the Group:

HKAS 32 (Amendment)	Financial instruments: Presentation - Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27(revise 2011)	Consolidation for investment entities
Amendments to HKAS 36	Impairment of assets on recoverable amount disclosures
HK (IFRIC) Interpretation 21	Levies
Amendments to HKFRS 8	Operating segments

The adoption of these standards and amendments to existing standards does not have significant impact on the Group's interim financial information. There are no other amended standards or interpretations effective for the first time for this interim period that could be expected to have a material impact on the Group.

The following accounting policy was newly adopted by the Group during the six months ended 31 December 2014.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available-for-sale financial assets are subsequently carried at fair value.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement. For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.



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

3 ACCOUNTING POLICIES

New standards and amendments to standards have been issued and are relevant to the Group's operation but are not yet effective for the financial year beginning 1 July 2014 and have not been early adopted by the Group are as below:

		Effective for accounting period beginning on or after
Amendments to HKAS 16 and HKAS 38	Depreciation and amortisation	1 January 2016
HKFRS 15	Revenue from Contracts and Customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Amendment to HKFRS 5	Non-current assets held for sale and discontinued operation	1 January 2016
Amendment to HKFRS 7	Financial instruments: Disclosures	1 January 2016
Amendment to HKAS 19	Employee benefit	1 January 2016
Amendment to HKAS 34	Interim financial reporting	1 January 2016

Management is in the process of making an assessment of the impact of above new standards and amendments to standards on the financial statements of the Group in the initial application. The adoption of above is not expected to have a material effect on the Group's operating results or financial position.

4 ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 30 June 2014.



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

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2014.

There have been no changes in the risk management department since year end or in any risk management policies.

5.2 Fair value estimation

The carrying amount of the Group's financial assets (including trade and other receivables, available-for-sale financial assets cash and cash equivalents and restricted cash) and short term liabilities (including trade and other payables and short term borrowings) are assumed to approximate their fair values due to their short-term maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

6 SEGMENT INFORMATION

The reportable operating segments derive their revenue primarily from the research and development, supply and sale of (i) industrial automation systems, (ii) sludge treatment products, and (iii) provision of after-sale and other services.

Revenues from two customers of the industrial automation systems and related projects and after-sales and other service segments represents HK\$73,345,002 of the Group's total revenue for the six months ended 31 December 2014. Revenue from one customer of the sludge treatment products segment represents HK\$15,206,394 of the Group's total revenue for the six months ended December 2013.

No geographical segment information is presented as all the sales and operating profits of the Group are derived within the PRC and all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

The Board assesses the performance of the operating segments based on a measure of adjusted operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the condensed consolidated interim financial statements. The common administrative expenses, other losses, other income, financing (including finance costs and interest income) and income taxes are managed on a group basis and are not allocated to operating segments.



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

6 SEGMENT INFORMATION *(continued)*

Segment assets consist primarily of land use rights, property, plant and equipment, inventories, trade and other receivables and prepayment. They exclude deferred income tax assets and prepaid tax, available-for-sale financial assets, restricted cash and the cash and cash equivalents. Segment liabilities comprise operating liabilities which exclude borrowing and tax liabilities.

Revenue

Turnover of the Group consists of the following revenues for the six months ended 31 December 2014 and 2013.

	Six months ended 31 December	
	2014 Unaudited HK\$	2013 Unaudited HK\$
Revenue from Sales of industrial automation systems and related projects	163,741,676	90,853,359
Revenue from Sales of sludge treatment products	15,929,907	36,371,748
Revenue from Provision of after-sale and other services	13,001,371	12,429,615
	192,672,954	139,654,722



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

6 SEGMENT INFORMATION *(continued)*

The segment results for the six months ended 31 December 2014:

	Unaudited			
	Industrial automation systems and related projects HK\$	Sludge treatment products HK\$	After-sale and other services HK\$	Total HK\$
Segment revenue from external customers	163,741,676	15,929,907	13,001,371	192,672,954
Segment cost of sales	(116,554,833)	(11,093,707)	(8,035,196)	(135,683,736)
Segment gross profit	47,186,843	4,836,200	4,966,175	56,989,218
Segment results	33,515,462	902,447	4,792,658	39,210,567
Common administrative expenses				(10,220,426)
Other income				856,556
Finance costs - net				760,451
Profit before income tax				30,607,148
Income tax expense				(8,405,175)
Profit for the period				22,201,973

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

6 SEGMENT INFORMATION *(continued)*

Other segment items included in the condensed consolidated interim statement of comprehensive income for the six months ended 31 December 2014:

	Unaudited				
	Industrial automation systems and related projects HK\$	Sludge treatment products HK\$	After-sale and other services HK\$	Unallocated HK\$	Total HK\$
Capital expenditure	10,126,431	110,198	–	454,922	10,691,551
Depreciation of property, plant and equipment	222,919	295,766	–	1,322,759	1,841,444
Amortization of land use rights	29,248	38,806	–	34,996	103,050

The segment assets and liabilities as at 31 December 2014 are as follows:

	Unaudited				
	Industrial automation systems and related projects HK\$	Sludge treatment products HK\$	After-sale and other services HK\$	Unallocated HK\$	Total HK\$
Segment assets	163,029,656	92,144,874	9,916,566	139,198,244	404,289,340
Segment liabilities	(119,596,303)	(33,514,050)	(1,049,242)	(43,593,941)	(197,753,536)



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

6 SEGMENT INFORMATION (continued)

The segment results for the six months ended 31 December 2013:

	Unaudited			
	Industrial automation systems and related projects HK\$	Sludge treatment products HK\$	After-sale and other services HK\$	Total HK\$
Segment revenue from external customers	90,853,359	36,371,748	12,429,615	139,654,722
Segment cost of sales	(65,945,582)	(26,791,442)	(8,125,153)	(100,862,177)
Segment gross profit	24,907,777	9,580,306	4,304,462	38,792,545
Segment results	15,168,100	5,259,962	4,068,567	24,496,629
Common administrative expenses				(11,976,374)
Other income				473,282
Other losses - net				(31,256)
Finance costs - net				454,978
Profit before income tax				13,417,259
Income tax expense				(2,299,310)
Profit for the period				11,117,949

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

6 SEGMENT INFORMATION *(continued)*

Other segment items included in the condensed consolidated interim statement of comprehensive income for the six months ended 31 December 2013:

	Unaudited				
	Industrial automation systems and related projects HK\$	Sludge treatment products HK\$	After-sale and other services HK\$	Unallocated HK\$	Total HK\$
Capital expenditure	1,040,613	716,034	–	201,080	1,957,727
Depreciation of property, plant and equipment	665,605	544,832	–	528,655	1,739,092
Amortization of land use rights	35,795	47,492	–	42,829	126,116

The segment assets and liabilities as at 31 December 2013 are as follows:

	Unaudited				
	Industrial automation systems and related projects HK\$	Sludge treatment products HK\$	After-sale and other services HK\$	Unallocated HK\$	Total HK\$
Segment assets	149,575,987	88,651,931	14,135,113	97,401,210	349,764,241
Segment liabilities	(125,076,458)	(38,153,314)	–	(5,869,386)	(169,099,158)



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

7 LAND USE RIGHTS AND PROPERTY, PLANT AND EQUIPMENT

	Land use rights HK\$	Property, plant and equipment HK\$
Six months ended 31 December 2014 (unaudited)		
Net book amount as at 1 July 2014	8,819,541	48,962,955
Additions	–	10,691,551
Foreign exchange difference	19,370	295,099
Depreciation and amortisation <i>(Note 17)</i>	(103,050)	(1,841,444)
Net book amount as at 31 December 2014	8,735,861	58,108,161
Six months ended 31 December 2013 (unaudited)		
Net book amount as at 1 July 2013	9,039,689	38,194,654
Additions	–	1,957,727
Foreign exchange difference	117,826	502,516
Depreciation and amortisation <i>(Note 17)</i>	(126,116)	(1,739,092)
Net book amount as at 31 December 2013	9,031,399	38,915,805

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

8 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

(i) Trade and other receivables

	As at 31 December 2014 Unaudited HK\$	As at 30 June 2014 Audited HK\$
Warranty receivables	25,796,539	24,319,196
Other trade receivables	42,457,012	37,291,531
	68,253,551	61,610,727
Less: provision for impairment of trade receivables	(6,763,827)	(6,722,075)
Trade receivables – net	61,489,724	54,888,652
Bills receivable	12,973,552	44,019,889
Trade and bills receivables	74,463,276	98,908,541
Other receivables due from a related party (Note 22)	89,697	142,777
Others	3,931,456	3,568,895
	4,021,153	3,711,672
Total trade and other receivables	78,484,429	102,620,213
Less: trade receivables - non-current portion	(1,960,291)	(1,251,763)
	76,524,138	101,368,450

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



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

8 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

(i) Trade and other receivables *(continued)*

The ageing analysis of the warranty receivables (including non-current portion) is as follows:

	As at 31 December 2014 Unaudited HK\$	As at 30 June 2014 Audited HK\$
Warranty receivables		
Up to 3 months	3,102,962	3,478,647
3 months to 6 months	2,654,049	1,536,694
6 months to 1 year	4,957,459	6,114,641
1 year to 2 years	9,227,315	9,085,052
Over 2 years	5,854,754	4,104,162
	25,796,539	24,319,196

The ageing analysis of the other trade receivables (including non-current portion) is as follows:

	As at 31 December 2014 Unaudited HK\$	As at 30 June 2014 Audited HK\$
Other trade receivables		
Up to 3 months	16,153,587	11,071,235
3 months to 6 months	3,919,202	8,462,070
6 months to 1 year	10,871,627	7,892,886
1 year to 2 years	6,338,858	8,037,689
Over 2 years	5,173,738	1,827,651
	42,457,012	37,291,531

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

8 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

(ii) Prepayments

	As at 31 December 2014 Unaudited HK\$	As at 30 June 2014 Audited HK\$
Prepayments for raw materials	28,948,979	14,627,384
Others	444,280	828,485
	29,393,259	15,455,869
Total prepayments	29,393,259	15,455,869
Less: prepayments - non-current portion	(879,021)	(509,453)
	28,514,238	14,946,416

9 INVENTORIES

	As at 31 December 2014 Unaudited HK\$	As at 30 June 2014 Audited HK\$
Raw materials	26,897,572	34,669,664
Work in progress	25,378,781	25,267,062
Finished goods	56,760,859	48,715,370
	109,037,212	108,652,096



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

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December 2014 Unaudited HK\$	As at 30 June 2014 Audited HK\$
Available-for-sale financial assets, at fair value	63,379,389	–
	63,379,389	–

On 30 December 2014, Zhejiang Huazhang Technology Limited (“Zhejiang Huazhang”) purchased a RMB financial product amounted to RMB50,000,000 (equivalent to approximately HK\$63,379,389). The return on the financial product was not fixed but subject to the return of the underlying investments as appropriate and there was no guarantee on full return of principal. On 15 January 2015, Zhejiang Huazhang redeemed the financial product and recognised a gain of RMB 41,096 (equivalent to approximately HK\$52,074) as ‘Other gains – net’.

11 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December 2014 Unaudited HK\$	As at 30 June 2014 Audited HK\$
Cash at bank and on hand	53,529,683	78,959,076
Debenture securities with maturities of three months or less	–	13,857,395
	53,529,683	92,816,471
Less: Restricted cash	(8,561,436)	(957,225)
Cash and cash equivalents	44,968,247	91,859,246

The restricted cash represents cash set aside as deposits for issuance of trade facilities such as bills payable and letter of credit.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

12 SHARE CAPITAL AND PREMIUM

	Number of issued shares	Ordinary shares HK\$	Share premium HK\$	Total HK\$
At 30 June 2014	272,000,000	2,720,000	61,934,254	64,654,254
Dividends	–	–	(13,600,000)	(13,600,000)
At 31 December 2014	272,000,000	2,720,000	48,334,254	51,054,254
At 30 June 2013	272,000,000	2,720,000	70,910,254	73,630,254
Dividends	–	–	(8,976,000)	(8,976,000)
At 31 December 2013	272,000,000	2,720,000	61,934,254	64,654,254

Pursuant to Section 34 of the Cayman Companies Law (2003 Revision) and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency test on the Company and the provision of the Articles of Association of the Company. The dividend for the six months ended 31 December 2014 and 2013 were declared out of share premium account.

13 OTHER RESERVES

	Reorganisation reserve HK\$	Merger reserve HK\$	Statutory reserves HK\$	Translation differences HK\$	Total HK\$
At 1 July 2014	3,000,000	40,424,773	8,575,001	12,604,505	64,604,279
Translation differences	–	–	–	1,392,913	1,392,913
Appropriation to statutory reserves	–	–	4,660,172	–	4,660,172
At 31 December 2014	3,000,000	40,424,773	13,235,173	13,997,418	70,657,364
At 1 July 2013	3,000,000	40,424,773	5,272,939	11,791,098	60,488,810
Translation differences	–	–	–	2,315,212	2,315,212
Appropriation to statutory reserves	–	–	3,333,855	–	3,333,855
At 31 December 2013	3,000,000	40,424,773	8,606,794	14,106,310	66,137,877



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

14 TRADE AND OTHER PAYABLES

	As at 31 December 2014 Unaudited HK\$	As at 30 June 2014 Audited HK\$
Trade payables - due to third parties	34,871,540	29,133,087
Trade payables - due to a related party (Note 22)	–	13,860,684
Bills payable	27,704,955	2,139,058
	62,576,495	45,132,829
Other taxes payable	4,669,012	2,475,826
Employee benefit payables	3,676,005	2,191,731
Advances from customers	87,696,002	94,341,429
Provision for warranty expenses	1,159,172	1,565,766
Payables for property, plant and equipment	6,704,111	8,311,239
Others	2,476,461	1,893,799
	106,380,763	110,779,790
	168,957,258	155,912,619

The advances from customers represent the down payments from the customers according to the payment schedules in contracts. The Group usually requires a down payment of approximately 10 % to 30% of the total contract value to be paid upon signing of the relevant contract or within 30 days from the date of the contract, and up to approximately 90% to 95% of the contract sum upon delivery, but before the completion of the installation and debugging.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

14 TRADE AND OTHER PAYABLES (continued)

The ageing analysis of the trade payables (including amounts due to related parties of trading in nature) is as follows:

	As at 31 December 2014 Unaudited HK\$	As at 30 June 2014 Audited HK\$
Up to 3 months	30,012,710	41,603,159
3 months to 6 months	2,987,288	508,821
6 months to 1 year	1,438,716	308,277
1 year to 2 years	355,274	106,513
Over 2 years	77,552	467,001
	34,871,540	42,993,771

15 BORROWINGS

	As at 31 December 2014 Unaudited HK\$	As at 30 June 2014 Audited HK\$
Loan from an independent third party	22,000,000	22,000,000

As at 31 December 2014, the Group's loan of HK\$22,000,000 from an independent third party borne an interest at the rate of 3.6% per annum and was repayable in August 2015.

Interest expense on borrowings for the six months ended 31 December 2014 is HK\$484,000 (31 December 2013: Nil).



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

15 BORROWINGS *(continued)*

As at 31 December 2014, the Group has the following unutilised banking facilities:

	As at 31 December 2014 Unaudited HK\$	As at 30 June 2014 Audited HK\$
Authorised banking facilities – expiring within one year	63,379,389	62,988,158
Less: used banking facilities	(22,183,800)	(2,475,309)
	41,195,589	60,512,849

The Group's certain land use right and buildings (Note 7) was pledged as securities for above banking facilities.

16 OTHER INCOME

	Six months ended 31 December	
	2014 Unaudited HK\$	2013 Unaudited HK\$
Government grants	595,913	243,117
Operating lease income	260,643	230,165
	856,556	473,282

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

17 EXPENSES BY NATURE

	Six months ended 31 December	
	2014	2013
	Unaudited	Unaudited
	HK\$	HK\$
Amortisation of land use rights <i>(Note 7)</i>	103,050	126,116
Depreciation of property, plant and equipment <i>(Note 7)</i>	1,841,444	1,739,092
Provision for impairment of trade receivables	–	951,012
Provision for write-down of inventories	695,639	2,125,166
Auditors' remuneration	331,856	769,887
Professional service fees	2,701,833	1,025,649

18 INCOME TAX EXPENSE

	Six months ended 31 December	
	2014	2013
	Unaudited	Unaudited
	HK\$	HK\$
Current income tax		
– Hong Kong profits tax	–	23,753
– PRC enterprise income tax	8,950,353	2,736,430
Deferred income tax	(545,178)	(460,873)
Income tax expense	8,405,175	2,299,310



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

18 INCOME TAX EXPENSE *(continued)*

(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 six months ended 31 December 2014, as the Group has no taxable profit earned or derived in Hong Kong for the period. For the six months ended 31 December 2013, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit 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 EIT is unified at 25% for all types of entities, effective from 1 January 2008.

Zhejiang Huazhang, the subsidiary established in the PRC is qualified as a foreign investment manufacturing enterprise and the applicable EIT rate is 25%. Under the relevant regulations of the PRC tax Law, Zhejiang Huazhang obtained qualification as High and New Technology enterprise in 2011 for a period of three years effective from 2011. The applicable EIT rate was 15% from 2011 till 2013 ("the tax benefit period"). The tax benefit period ended on 31 December 2013, hence for the six months ended 31 December 2014 and 2013, the applicable income tax rate of Zhejiang Huazhang was 25% and 15%, respectively.

(iv) PRC withholding income tax

According to the PRC tax Law, starting from 1 January 2008, a 10% withholding income tax will be levied on the immediate holding company established out of the PRC when their PRC subsidiary declares dividends out of its profits earned after 1 January 2008. A lower withholding income tax rate of 5% may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding company.

Deferred income tax liabilities have been provided for the relevant retained earnings of the PRC subsidiary according to the Group's dividend policy.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

19 EARNINGS PER SHARE

Basic earnings per share for the six months ended 31 December 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.

	Six months ended 31 December	
	2014 Unaudited HK\$	2013 Unaudited HK\$
Profit attributable to the owners of the Company	22,201,973	11,117,949
Weighted average number of ordinary shares in issue	272,000,000	272,000,000
Basic earnings per share	0.08	0.04

As there were no dilutive options and other dilutive potential shares in issue for the six months ended 31 December 2014 and 2013, diluted earnings per share is the same as basic earnings per share.

20 DIVIDENDS

The dividends of HK\$13,600,000 declared in the six months ended 31 December 2014 represents the final dividend for the year ended 30 June 2014 which was approved and paid during the six months ended 31 December 2014 (Year ended 30 June 2013: HK\$8,976,000).

On 9 February 2015, the Board proposed an interim dividend of HK2.5 cents (2013: HK\$ Nil) per share, representing HK\$6,800,000, for the six months ended 31 December 2014, from the share premium account. This interim dividend was not recognised as dividend payable in the unaudited condensed consolidated financial information for the six months ended 31 December 2014.

21 CONTINGENCIES

The Group did not have any contingent liabilities as at 31 December 2014 or 30 June 2014.



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

22 RELATED-PARTY TRANSACTIONS

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 31 December 2014 and 2013, balances arising from related party transactions as at 31 December 2014 and 30 June 2014.

(a) Name and relationship with related parties

Name of related parties	Relationships
Mr. Zhu Gen Rong (“Mr. Zhu”) (i)	Person Acting in Concert chairman of the Company
Mr. Wang Ai Yan (“Mr. Wang”) (i)	Person Acting in Concert
Mr. Liu Chuan Jiang (“Mr. Liu”) (i)	Person Acting in Concert
Ms. Zhu Ling Yun (“Ms. Zhu”) (i)	Person Acting in Concert
Mr. Zhu Genyi	Brother of Mr. Zhu
Huazhang Overseas Holding, Inc. (“Huazhang Overseas”)	The former parent company, controlled by the Controlling Shareholders
Zhejiang Huazhang Automation Equipment Company Limited (“Huazhang Automation (Zhejiang)”) (ii)	30% of its indirect interests held by Huazhang Overseas

- (i) Mr. Zhu, Mr. Wang, Mr. Liu and Ms. Zhu form the “Persons Acting in Concert”, or the “Controlling Shareholders”.
- (ii) On 10 July 2014, Huazhang Overseas transferred all of its equity interests in Huazhang Automation (Zhejiang) to a third party. As a result, Huazhang Automation (Zhejiang) was no longer the related party of the Group since then.

(b) Transactions with related parties

	Six months ended 31 December	
	2014 Unaudited HK\$	2013 Unaudited HK\$
Huazhang Automation (Zhejiang)		
– Rental income	6,427	164,879
– Sales of goods and services	–	3,377,630
– Purchases of goods and services	–	32,943,790
Key management compensation		
– Salaries	1,991,602	1,795,085
– Bonus	95,871	609,055
– Other benefits	154,348	209,265
	2,241,821	2,613,405

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

22 RELATED-PARTY TRANSACTIONS *(continued)*

(c) Balances with related parties

- (i) Due from related parties (Note 8):

	As at 31 December 2014 Unaudited HK\$	As at 30 June 2014 Audited HK\$
Mr. Zhu Genyi – Included in other receivables	89,697	142,777

The receivables from related party as at 31 December 2014 and 30 June 2014 arise mainly from ordinary course of businesses.

The receivables are unsecured, bear no interest and are repayable on demand. There are no provisions made against receivables from related parties.

- (ii) Due to related parties (Note 14):

	As at 31 December 2014 Unaudited HK\$	As at 30 June 2014 Audited HK\$
Huazhang Automation (Zhejiang) – Included in trade payables	–	13,860,684

The payables to related party as at 31 December 2014 and 30 June 2014 arise mainly from ordinary course of businesses.

The payables are unsecured, bear no interest and are repayable on demand.