华章科技
HUAZHANG TECHNOLOGY

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
ANNUAL REPORT

Contents

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

AUTHORISED REPRESENTATIVES

Mr Zhu Gen Rong
Mr Chan So Kuen

LEGAL ADVISER

As to Hong Kong Law

Stevenson, Wong & Co.

Corporate Information

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

AUDITOR

PricewaterhouseCoopers

INVESTOR AND MEDIA RELATIONS CONSULTANT

Stimulus Investor Relations Limited

REGISTERED ADDRESS

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

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Tongxiang, Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kowloon
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

COMPANY'S WEBSITE

www.hzeg.com

STOCK CODE

1673

Financial Summary

Year ended 30 June	2015 HK$	2014 HK$	2013 HK$	2012 HK$	2011 HK$
Major Items of Consolidated Statements of Comprehensive Income					
Revenue	**381,355,419**	308,905,915	251,362,209	229,520,229	99,115,212
Gross profit	**94,273,990**	86,230,820	71,672,996	64,348,803	28,760,539
Gross profit margin	**24.7%**	27.9%	28.5%	28.0%	29.0%
Profit attributable to the owners of the Company	**34,454,137**	28,495,589	17,682,187	19,083,369	545,350
Net profit margin	**9.0%**	9.2%	7.0%	8.3%	0.6%
Major Items of Consolidated Balance Sheets					
Non-current assets	**89,469,627**	62,630,598	49,671,908	50,513,239	40,131,361
Current assets	**249,077,724**	317,783,433	244,241,640	199,612,318	181,194,694
Non-current liabilities	**389,594**	1,360,000	807,350	—	—
Current liabilities	**126,261,997**	182,513,113	116,898,276	171,789,787	185,900,173
Capital and reserves attributable to the owners of the Company	**211,895,760**	196,540,918	176,207,922	78,335,770	35,425,882
Gearing ratio (Note 2)	**9.4%**	10.1%	0.0%	23.9%	33.7%

Notes

(1) The results and summary of assets and liabilities for the year ended 30 June 2011 and 2012 which were extracted from the prospectus dated 9 May 2013 have been prepared on a combined basis to indicate the results of the Group as if the Group structure, at time when the Company's shares were listed on the GEM of the Stock Exchange, had been in existence through those years.

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

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of the Huazhang Technology Holding Limited (the "Huazhang Technology" or "Company"), I am pleased to report the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 30 June 2015.

In the past years, while the global economy remained sluggish, the growth rate of the gross domestic product of the PRC has slowed down to approximately 7.0% for the second quarter of 2015, which was the worst performance over the last 5 years. The overall economic environment of the PRC has not yet improved, and the paper industry in the PRC is facing numerous challenges including overcapacity and new environmental requirements. Nonetheless, the profit of the major customers of the Group still recorded a considerable growth. Moreover, with respect to the market segments such as packaging paper and household paper, the demand for the production equipment for these types of paper was strong, due to the improving national living standard and the shift of market consumption and logistic pattern driven by online shopping. The Group's revenue for the year ended 30 June 2015, achieved four consecutive financial year growth, compared with the previous year, an increase of approximately 23.5%, reaching approximately HK$381,355,000. The profit attributable to equity holders of the Company was approximately to HK$34,454,000, as compared with the previous year, an increase of approximately 20.9%.

With regard to the capital market, an application was made by the Group to the Stock Exchange on 30 October 2014 for the transfer of listing of its shares from GEM to the Main Board. Dealings in the shares on the Main Board (new stock code: 1673) successfully commenced on 5 January 2015. On 16 July 2015, though the capital market was volatile, the Group successfully placed 33,000,000 shares with net proceeds of approximately HK$116,400,000. Every milestone represents the recognition and trust from the public and the market on the Group. The Group will continue its efforts on its performance to maximise their returns. Owing to the recently stagnant stock market, the share price of the Company dropped from the highest of HK$5.40 in the previous year to HK$3.23 as at the date of this report, which was even lower than the placing price of the Company. The management believes that the current share price does not indicate the actual value of the Company. The Group and I will take actions as and when appropriate to restore the market's confidence on the Company, so as to safeguard the long-term interests of the shareholders of the Company.

The economy in the PRC has shifted its focus from a high-speed growth rate model to a sustainable development model with high quality. Meanwhile, on 2 April 2015, the State Council of the PRC approved a more stringent policy on water pollution prevention and control, namely "Ten Rules for Water Pollution Control and Management" (水十條), which put forward more demanding requirements for environmental protection to enterprises. In response to the "New Normal" of the PRC economy and "Ten Rules for Water Pollution Control and Management" policy, the Group believes that the paper industry has to leverage on intelligence, automation, human resources and technological innovation to speed up the reform of the enterprises for long-term development. This will bring numerous opportunities to the Group. The management team of the Group was well prepared and has conducted a comprehensive analysis on the future development of the paper market. Based on the industry needs and development, the Group will enhance its efforts on industrial environmental protection, "Made in China 2025" and overseas sales development strategies. Thanks to the sound and excellent management by the management team as well as the resulting brilliant performance in the past, the Group believes that the Group is able to well utilise the proceeds from placing and the internal resources of the Group in the market with infinite opportunities in the future so as to move towards the goal.

Chairman's Statement

Lastly, I would like to express my sincere gratitude to the Board, management and our staff for their contributions to the development of the Group in the past year. It made Huazhang technology toward a continued success road. I would also like to extend my heartfelt thanks to all the business partners, customers and shareholders which have been supporting the Group. Through efforts and contributions from the mentioned parties, the Group will go ahead to deliver sustainable business growth and to create higher values for all parties.

Yours sincerely,

Zhu Gen Rong
Chairman

Hong Kong
17 September 2015

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr ZHU Gen Rong (朱根榮), aged 52, is the chairman of our board and an executive Director. He is also a member of the Nomination Committee and one of our Controlling Shareholders. Mr Zhu oversees the overall operation and is responsible for the overall strategic planning, development, and management of our Group. Mr Zhu has approximately 23 years of experience in the mechanical and engineering industry. Prior to founding our Group, Mr Zhu worked at Hangzhou Project and Research Institute of Electro-mechanic in Light Industry (輕工業杭州機電設計研究院) from 1984 to 1993, a state-owned entity principally engaged in the business of, among others, researches in the technology for pulp, paper-making and the automation of electric instruments and he took up several positions including the deputy head of the product development department. He then worked as general manager at Hangzhou Microelectronics Company Limited (杭州華章微電子公司) from 1993 to 1996, a company principally engaged in the business of manufacturing of mixed integrated circuit and electrical ballast, projects of industrial automation system, and the purchasing of materials and equipment for industrial automation systems. He also founded Hangzhou Yiyi Consultation (then known a Hangzhou Huazhang Electric Engineering Company Limited) in December 1996, Hangzhou Rongtai Electric in December 1998 and Shanghai Yunjie Consultation (then known as Shanghai Huazhang Electric Control Engineering Company Limited) in May 1999, of which the businesses of all three companies were then transferred to Huazhang Automation (Zhejiang) in November 2006. Hangzhou Rongtai Electric has been deregistered. Mr Zhu founded Zhejiang Huazhang Technology Limited (浙江華章科技有限公司), the PRC operating subsidiary of our Company, in July 2001. Mr Zhu obtained a diploma in industrial electrical automation (工業電氣自動化) from Nanjing Electrical School (南京機電學校) in July 1984. He has been the vice president of the China Association of the Federation of Industry and Commerce (中華全國工商業聯合會紙業商會) since October 2009.

Mr. Wang Ai Yan (王愛燕), aged 48, was appointed and became an executive Director on 1 October 2014. Mr. Wang has also been the chief executive officer of the Group since 1 October 2014, who is responsible to oversee the Group's daily operation and accounting and financial matters with the assistance of the chief financial officer of the Group. Mr. Wang obtained a bachelor's degree in Electrical automation and an EMBA degree from Zhejiang University (浙江大學) in 1992 and 2014, respectively. Mr. Wang has over 20 years of experience in the mechanical and engineering industry. He worked as an assistant engineer at the Hangzhou Project and Research Institute of Electro-mechanic in Light Industry (輕工業部杭州機電設計研究所) from 1987 to 1993. From 1993 to 1996, Mr. Wang worked as the vice general manager at Hangzhou Huazhang Microelectronics Company Limited (杭州華章微電子公司). He worked as the vice general manager at Hangzhou Yiyi Corporate Management Consultation Limited (杭州意義諮詢有限公司) (then known as Hangzhou Huazhang Electric Engineering Company Limited (杭州華章電氣工程有限公司) from December 1996 to August 2006. Mr. Wang worked as a director and general manager at Zhejiang Huazhang Automation Equipment Company Limited from September 2006 to September 2014.

Mr ZHONG Xin Gang (鍾新鋼), aged 46, is an executive Director. Mr Zhong oversees and is responsible for the strategic planning, execution and day-to-day management and administration of our Group's sludge treatment products department. Mr Zhong has approximately 24 years of experience in the filter and engineering industry. Mr Zhong joined our Group in July 2011 and is currently the general manager of environmental protection department at Huazhang Technology. Prior to joining our Group, Mr Zhong worked at Hangzhou Better Filter Press Company Limited (杭州貝特過濾機有限公司) which is principally engaged in the manufacture and sale of filter presses, in 2003 and held the position of director. He previously worked at Hangzhou Xingyuan Filter Technology Company Limited (杭州興源過濾科技有限公司) which is principally engaged in the manufacture and sale of filter presses, from August 1991 to April 2003 and was the chief of the technical department. Mr Zhong studied in Zhejiang University (浙江大學) specialized in chemical mechanic in July 1991. Mr Zhong has been a member of the executive council and the experts committee of the forth (from 2003 to 2006), fifth (from 2007 to 2011) and sixth (from

2012 to 2015) of China General Machinery Industry Association-Separation Machinery Sub-Association (the "Sub-Association") (中國通用機械工業協會分離機械分會); and committee member of the forth (from 2003 to 2006), fifth (2007 to 2011) and sixth (2012 to 2015) of Separation Machinery Standard Committee of the Sub-Association.

Mr JIN Hao (金皓), aged 44, is an executive Director. Mr Jin oversees and is responsible for the strategic planning, execution and day-to-day management and administration of our Group's industrial automation system department. Mr Jin has approximately 22 years of experience in the electric and engineering industry. Mr Jin joined our Group in 2001. Mr Jin worked at Hangzhou Huazhang Microelectronics Company Limited (杭州華章微電子公司) from July 1993 to December 1995 as project person in charge. Mr Jin joined Hangzhou Yiyi Consultation (formerly known as Hangzhou Huazhang Electric Engineering Company Limited) in 1996 and worked as the general manager in the engineering department until 2001. He served as the engineering general manager at Huazhang Technology from 2001 to 2009 and served as the general manager of the industrial automation department of Huazhang Technology since 2009. Mr Jin obtained a bachelor's degree in electrical engineering from Zhejiang University (浙江大學) in June 1993.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr DAI Tian Zhu (戴天柱), aged 61, is an independent non-executive Director and the chairman of the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee respectively. Mr Dai was appointed as an independent non-executive Director on 6 May 2013. Mr Dai obtained a graduate certificate in pulp of Paper Manufacturing Technology from the Zhejiang University of Technology (浙江工業大學) (formerly known as Zhejiang Institute of Technology (浙江工業學院)) in January 1982. He then obtained a master degree in economy planning and management from the Chinese Academy of Social Sciences Graduate School (中國社會科學院研究生院) in January 1989. Mr Dai obtained a doctorate degree in economics from the Chinese Academy of Social Sciences Graduate School (中國社會科學院研究生院) in July 1997. He was a member of the Eight Chinese People's Political Consultative Conference of Zhejiang Province (中國人民政治協商會議浙江省第八屆委員會), and a member of the Economic Commission of Zhejiang Province (浙江省第八屆省政協經濟委員會委員) in 1998. Mr Dai was the deputy director of Centre of Scientific Research of Zhejiang University of Finance and Economics (浙江財經學學院科研所) in 1998 , a professor of the department of finance and a member of the academic committee of the Shanghai University of International Business and Economics (previously known as Shanghai Institute of Foreign Trade (上海對外貿易學院)) from March 2006. Mr Dai served as an independent director in Tian He Securities Company Limited (天和證券經紀有限公司) from December 2003 to December 2006. He was the main editor of teaching material "Theory and practice of investment banking operations" (投資銀行運作理論與實務) for high school students.

Ms CHEN Jin Mei (陳錦梅), aged 63, is an independent non-executive Director, and is the chairman of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee respectively. Ms Chen was appointed as an independent non-executive Director on 6 May 2013. Ms Chen began to work in November 1969, and joined the Hangzhou Municipal Finance Bureau (杭州市財政局) in July 1980. Ms Chen was the deputy director general of Hangzhou Municipal Finance Bureau from July 1997 to June 2002 and the director general of Hong Zhou Municipal Finance Bureau and the director general of Hangzhou Local Tax Bureau from June 2002 to April 2011. She then retired from her duties at the Hangzhou Municipal Finance Bureauin in August 2012. Ms Chen obtained a bachelor's degree in accounting from the Hangzhou Institute of Electronic Engineering (杭州電子工程學院) in July 1997. She (i) completed all the courses for a post graduate degree in management engineering from Zhejiang University (浙江大學) in June 1998; (ii) graduated with a post graduate degree in political economics from Zhejiang Provincial Party School (中共浙江省委黨校) in July 2000 and (iii) obtained master's degree in business administration from the Macau University of Science and Technology (澳門科技大學) in August 2005. She also obtained the qualification of a professor-level senior accountant (教授級高級會計師) in December 2010. As a the latest Practicable Date, Ms Chen was an independent director of Shenzhen Victor Onward Textile Industrial Co., Ltd, a company listed on Shenzhen Stock Exchange (stock code: 000018).

Mr Roy KONG Chi Mo (江 智 武), aged 39, FCCA, FCIS, FCS(PE) & MHKIoD is an independent non-executive Director. He is the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee respectively. Mr Kong was appointed as an independent non-executive Director on 6 May 2013. He has over 17 years of experience in accounting, corporate governance and capital market. Mr Kong has been the executive director, chief financial officer and company secretary of China Vanadium Titano-Magnetite Mining Company Limited (Stock code: 00893) ("China VTM") from October 2013 to May 2015, form May 2008 to May 2015 and since September 2009, respectively. Also Mr Kong has been appointed as an independent non-executive director of CAA Resources Limited (Stock code: 02112) and Hengshi Mining Investments Limited (Stock code: 01370), all are listed on the Stock Exchange, since 2013. Prior to joining China VTM, Mr Kong joined KPMG in October 1999 and was a senior manager when he left in December 2007. Prior to joining KPMG, Mr Kong worked as a finance trainee in Hutchison Telecommunications (Hong Kong) Limited from June 1997 to March 1998 and as a tax associate in PricewaterhouseCoopers from March 1998 to October 1999. Mr Kong has been a fellow member of the Association of Chartered Certified Accountants since February 2008, a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators since February 2012, and a member of the Hong Kong Institute of Directors ("HKIoD") since May 2010. Mr Kong received silver certificates of merit in continuing professional development both in 2012 and 2013 and gold certificates of merit in continuing professional development both in 2014 respectively from the HKIoD. Mr Kong obtained a bachelor's degree in business administration from The Chinese University of Hong Kong on 11 December 1997.

SENIOR MANAGEMENT

Mr Liu Chuan Jiang (劉川江), aged 52, is the deputy general manager and quality assurance director of Zheijiang Huazhang Technology Limited ("Zheijiang Huazhang"). Mr Liu has approximately 23 years of experience in the mechanical and engineering industry. He joined our Group in 2001 and is currently the deputy general manager and quality assurance director of Zheijiang Huazhang and was also previously the technical director of Zheijiang Huazhang. Mr Liu obtained a bachelor's degree in electrical engineering and computer science from the Southwest Jiaotong University (西南交通大學電氣工程及計算機科學學士) in August 1984 and a master's degree in electrical engineering from Shanghai Railway Institute (上海鐵道學院電氣工程系碩士學位) in October 1989. Mr Liu obtained his professional qualification as an engineer by the Department of Light Industry (中華人民共和國輕工業部) of the PRC in July 1991.

Mr Tang Zhi Chao (唐 志 超), aged 56, is the deputy general manager and procurement director of Zheijiang Huazhang. Mr Tang has over 10 years of experience in the mechanical and engineering industry. Mr Tang joined our Group in 2003 and worked as the general manager of the sludge treatment products department of Zheijiang Huazhang. Mr Tang obtained a diploma in pulp and paper technology from Zhejiang Institute of Technology, Hangzhou Campus (浙江工業學院杭州分校) in January 1982.

Mr Chan So Kuen (陳素權), aged 35, is company secretary, chief financial officer and authorized representative of the Company with effect from 28 February 2014. Mr Chan has been appointed as an independent non-executive director of Link Holdings Limited (Stock code: 08237) since 16 October 2014. Mr. Chan has over 13 years of experience in financing, auditing and accounting. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and obtained a bachelor's degree in accountancy from The Hong Kong Polytechnic University in 2001.

Management Discussion and Analysis

SUMMARY

The Group is principally engaged in research and development, manufacture and sale of industrial automation systems and sludge treatment products. Our industrial automation systems and sludge treatment products are custom-built in accordance with the specifications and requirements provided by our customers. Moreover, we are also engaged in the provision of after-sales and other services to our existing customers.

The Group's industrial automation systems and related projects (the "Industrial Automation Business") compress the industrial automation systems, which are used in industrial production applications to improve production line efficiency by controlling the production process, and other related services. The Group's industrial automation system consists of the following four products:

- drive control system;
- distributed control system;
- machine control system; and
- motor control centre

The sludge treatment products developed are used for the separation of solid from liquid in the handling of industrial waste in order to reduce sludge disposal costs and to meet the PRC government's requirement for environmental protection. The Group's sludge treatment products comprise two categories, namely, filter press and steel-belt filter press.

In addition, the Group also provides after-sales and other services to the existing customers of Industrial Automation Business and sludge treatment products.

INDUSTRY REVIEW

During the past few years, the PRC paper industry has encountered unprecedented difficulties. The industry had recorded double-digit growth for over 10 consecutive years and ranked the first in the world in terms of output for 6 successive years. A group of large-scale enterprises had achieved rapid growth with the world's top equipment, technology and product quality. However, issues such as relatively scattered enterprises in the industry and irregular market order still existed. Following a "cliff-style" decline with zero growth rate in 2013, both the product prices and efficiencies for the whole industry fell off. Many enterprises could hardly survive due to loss-making operations. Certain small-scale enterprises with obsolete production closed down or ceased production, while medium-scale ones fell in a dilemma. On 2 April 2015, the State Council approved a more stringent "Ten Rules for Water Pollution Control and Management" policy for water pollution prevention, which posed a more demanding requirement for enterprises in terms of environmental protection. Numerous small and medium enterprises with small production scale, outmoded technology and incapability on pollution control were forced to close down. Accordingly, the structure of the PRC paper industry has started to change. In particular, the industrial concentration has been enhanced. The leading role of large enterprises in the industry has been more significant, and the market competition has been progressively standardised. Certain large enterprises have enhanced their internal management, technological innovation and equipment upgrade, including equipment modification or addition of new equipment, thus further cutting down the cost and improving the efficiency.

Management Discussion and Analysis

INDUSTRY REVIEW *(Continued)*

Furthermore, the Internet development and the improved living standards have spurred online shopping and the transformation of logistic pattern, followed by a change and a boost in the demand for packaging paper and household paper. In light of the market demand, paper manufacturers would modify their production equipment or invest in more production equipment to meet the changing mode. For this reason, the demand for machinery and equipment would achieve growth in a certain degree.

In 2015, the "One Belt, One Road" strategy proposed by the PRC Government will bring another opportunity for development of the paper industry. As a country with the largest paper production capacity in the world, the PRC has obtained sufficient paper technology and human resources and exported various types of the paper during the past ten years. In view of overcapacity, keen market competition and soaring environmental protection costs nowadays, the paper manufactures has to "go out" for new business opportunities. Countries under the "One Belt, One Road" strategy are mainly emerging markets lacking in paper manufacturing equipment and technical staff. Based on the nation strategy, paper manufacturers and equipment suppliers in the PRC are formulating proposals to seize new business opportunities abroad.

BUSINESS REVIEW

For the year ended 30 June 2015, the Group has entered into contracts (including industrial automation systems, sludge treatment product and after-sales service) with amount of approximately HK$342,977,000, as compared with last year, an decrease of approximately 14.3%. As at 30 June 2015, the outstanding contracts amount was approximately HK$264,910,000. Most of them was expected to be completed in the financial year ending 30 June 2016. For the year ended 30 June 2015, the Group's turnover was approximately HK$381,355,000, an increase of approximately 23.5% as compared to that of year ended 30 June 2014. With our Group strategic established the project division in 2014, effort to promotion of "design" "production" "service" business model. For the year ended 30 June 2015, "design" "production" "service" business model contribute a revenue was approximately HK$147,412,000 to the Group.

Under the difficult business environment faced by the Chinese paper industry, the Group tried to expand the oversea markets. For the year ended 30 June 2015, the Group entered contracts with overseas customers, through import and export companies, amounting to approximately HK$25,223,000.

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 new plant will increase the production capacities of the industrial automation and sludge treatment products by approximately 100% to 5,000 units and approximately 119.0% to 92 units.

For marketing promotion during the year ended 30 June 2015, the Group participated the 2014 China International Paper Technology Exhibition (「2014中國國際造紙科技展覽會」), which held in Shanghai in September 2014, to promote the products and services of the Group to domestic and overseas customers. In November 2014, the Group was invited as a speaker in the "Star Meeting For Domestic Automation Equipment in Chinese Paper Industry" (「中國造紙自主裝備星光滙」) to promote the products and technologies of the Group to the domestic paper manufacturing companies.

During the year, Huazhang Technology still continues our efforts to invest more resources in the products research and development. Research and development expenses was amounting to approximately HK$16,052,000 for the year ended 30 June 2015. The Group increased 14 new patents and 5 new software copyrights during the year. As at 30 June 2015, the Group has registered 138 patents (including 39 invention patents, 89 utility model patents and 10 software copyrights).

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue and gross profit margin

Revenue increased by approximately 23.5% from approximately HK$308,906,000 for the year ended 30 June 2014 to approximately HK$381,355,000 for the year ended 30 June 2015. Gross profit margin decreased from approximately 27.9% for the year ended 30 June 2014 to approximately 24.7% for the year ended 30 June 2015.

(i) Industrial Automation Business

Revenue from sales of Industrial Automation Business increased by approximately 38.2% from approximately HK$203,949,000 for the year ended 30 June 2014 to approximately HK$281,954,000 for the year ended 30 June 2015. The increase in revenue from sales of Industrial Automation Business 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$147,412,000 for the year ended 30 June 2015. Such services include sales of industrial automation systems and provision for installation and testing services. The gross profit margin of Industrial Automation Business decreased from approximately 26.8% for the year ended 30 June 2014 to approximately 22.6% for the year ended 30 June 2015. Decrease in gross profit margin is attributing to sales of industrial automation systems in a project with a lower gross profits margin, the Group accepted such project for marketing purpose.

(ii) Sludge treatment products

Revenue from sales of sludge treatment products decreased by approximately 2.65% from approximately HK$65,686,000 for the year ended 30 June 2014 to approximately HK$63,948,000 for the year ended 30 June 2015, primarily attributing to decrease in project value and scale. For the year ended 30 June 2015, the Group completed 190 contracts as compared with 127 contracts completed in the last year. The gross profit margin of our sludge treatment products for the years ended 30 June 2014 and 2015 were relatively stable at approximately 28.3% and approximately 27.5%, respectively.

(iii) After-sales and other services

Revenue from provision of after-sales and other services decreased by approximately 9.7% from approximately HK$39,272,000 for the year ended 30 June 2014 to approximately HK$35,453,000 for the year ended 30 June 2015. Such decrease was primarily attributable to the customers reduced to keep the spare parts and components in advances. The gross profit margin for provision of after-sales and other services increased from approximately 33.3% for the year ended 30 June 2014 to approximately 36.2% for the year ended 30 June 2015. Such increase is attributing to improvement of gross profit margin of provision for modification work services.

Other income

For the years ended 30 June 2014 and 2015, other income amounted to approximately HK$3,018,000 and approximately HK$3,907,000, respectively. Other income was increased for the year ended 30 June 2015 as compared with the same period in last year, primarily due to increase in subsidy of approximately HK$302,000 received from Tongxiang municipal government of Zhejiang Province amounting to approximately HK$3,091,000 for the year and sales of scraped materials amounting to approximately HK$358,000.

FINANCIAL REVIEW *(Continued)*

Distribution costs

The distribution costs slightly decreased by approximately HK$222,000 from approximately HK$12,200,000 for the year ended 30 June 2014 to approximately HK$11,978,000 for the year ended 30 June 2015, accounting for approximately 3.1% of the Group's revenue for the year ended 30 June 2015, as compared with approximately 3.9% last year. The decrease in absolute amounts is mainly attributing to decrease in warranty expenses of approximately HK$957,000, which was offset by increase in salaries and employee benefits of approximately HK$748,000.

Administrative expenses

The administrative expenses increased by approximately HK$80,000 from approximately HK$30,713,000 for the year ended 30 June 2014 to approximately HK$30,793,000 for the year ended 30 June 2015, accounting for approximately 8.1% of the Group's revenue for the year ended 30 June 2015, as compared with approximately 9.9% last year. The administrative expenses remained stable for the year ended 30 June 2015 as the Group was strictly cost control.

Research and development expenses

The research and development expenses increased by approximately HK$5,915,000 from approximately HK$10,137,000 for the year ended 30 June 2014 to approximately HK$16,052,000 for the year ended 30 June 2015, accounting for approximately 4.2% of the Group's revenue for the year ended 30 June 2015, as compared with approximately 3.3% last year. The increase in research and development expenses was mainly attributing to the continuous investment in research and development activities and business development, and the increase in the headcount and salaries of research and development experts and engineers. The research and development expenses was mainly used in the research and development of sludge treatment products and the upgrade of existing product.

Finance income – net

The net finance income decreased by approximately HK$413,000 from approximately HK$1,220,000 for the year ended 30 June 2014 to approximately HK$807,000 for the year ended 30 June 2015. Such decrease was mainly attributing to increase in finance costs of approximately HK$715,000. The Company have repaid the independent third party loan in July 2015.

Income tax expense

For the years ended 30 June 2014 and 2015, income tax expense were approximately HK$8,867,000 and approximately HK$4,763,000 respectively. The decrease was mainly attributable to the change in tax rate adopted by an operating subsidiary of the Group. The subsidiary's 2011 tax benefit period ended by 31 December 2013 and the application for the next three years tax benefit period from calendar year 2014 was approved by the PRC tax bureau in May 2015. As such, the EIT of the subsidiary for the calendar year 2014 was provided and paid at 25%. As such, the EIT of the subsidiary for the calendar year 2014 was provided and paid at 25%. The overpaid tax has been returned to the subsidiary before June 2015.

The effective tax rates of the Group for the years ended 30 June 2014 and 2015 were 23.7% and 12.2% respectively. The decrease was mainly attributing to the reason was mentioned as above.

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

Profit attributable to the owners of the Company increased by approximately 20.9% from approximately HK$28,496,000 for the year ended 30 June 2014 to approximately HK$34,454,000 for the year ended 30 June 2015. At the same time, the net profit margin slightly decreased by approximately 0.2% from approximately 9.2% for the year ended 30 June 2014 to approximately 9.0% for the year ended 30 June 2015. Such decrease was primarily attributing to the decrease in overall gross profit margin which was affected by a project with a lower profit margin.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquidity position during the year under review. The Group was principally financed by internal resources and borrowing. As at 30 June 2015, the Group have net cash and cash equivalent balance amounting to approximately HK$24,941,000 (30 June 2014: approximately HK$69,859,000) as the Group had a borrowing amounting to HK$22,000,000 (30 June 2014: HK$22,000,000). Decrease in net cash and cash equivalent balance was primarily attributing to payment for construction of new production plant and dividend payments. The Group has not used any financial instruments for hedging purpose.

As at 30 June 2015, the unused banking facilities of the Group was HK$51,974,000 (30 June 2014: HK$60,513,000).

Borrowing and charges of assets

As at 30 June 2015, the Group's interest-bearing loan was HK$22,000,000 (30 June 2014: HK$22,000,000) which have been repaid in July 2015. Such borrowing is all denominated in HK$, and bear an interest at rate of 3.6% per annum (30 June 2014: 6.0% per annum).

As at 30 June 2015, the banking facilities granted by the bank was secured by land use rights and properties of the Group amounting to approximately HK$2,579,000, and approximately HK$15,975,000 respectively (30 June 2014: approximately HK$2,632,000 and approximately HK$17,155,000 respectively).

Gearing ratio

The gearing ratio as at 30 June 2014 and 2015 were 10.1% and 9.4% respectively. The decrease was mainly attributable to enhancement of the operating results. Based on the gearing ratio as at 30 June 2015, the Group still maintained a good financial position.

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

Available-for-sale financial assets

As at 30 June 2015, the available-for-sale financial assets was approximately HK$10,145,000 (30 June 2014: nil).

On 27 March 2015, the Group acquired 9.0% shares in Shangtong Investment Management and Consulting (Pizhou) Company Limited (尚同投資管理咨询（邳州）有限公司 or "Shangtong Investment"), which was established in China, with a cash consideration of RMB8.0 million (equivalent to HK$10,145,000), which was funded by internal resources of the Group. The principal activities of the Shangtong Investment and its subsidiaries were involved in the manufacture, sale, research and development of power transformers and amorphous alloys.

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

Capital Expenditure

For the year ended 30 June 2015, the Group's capital expenditure amounted to approximately HK$10,302,000 (30 June 2014: approximately HK$14,156,000), which was mainly attributing to construction of new production plant. The new production plant was commenced the production in December 2014.

Commitments

As at 30 June 2015, the Group had no capital commitments (30 June 2014: approximately HK$5,140,000).

Foreign Currency Risk

The Group's principal business is located in the PRC and its major transactions are conducted 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.

Contingent liabilities

As at 30 June 2015, the Group had no material contingent liabilities.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

Saved as disclosed below, the Group had no significant investments held or material acquisitions and disposals during the year ended 30 June 2015.

On 30 December 2014, the Group subscribed for the financial product issued by the Bank of Beijing in the principal amount of RMB50.0 million (equivalent to approximately HK$63.4 million). The financial products have been fully redeemed on 15 January 2015 with a gain of approximately RMB41,000 (equivalent to approximately HK$52,000) which was used as general working capital of the Group.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2015, the Group had 241 employees (30 June 2014: 228 employees), including the Directors. Total staff costs (including Directors' emoluments) for the year ended 30 June 2015 were approximately HK$42,025,000, as comparable to approximately HK$40,132,000 for the year ended 30 June 2014.

The remuneration of employees is determined based on job nature and market conditions, combined with increment on performance appraisal and year-end bonus which are designed to stimulate and award employee's individual performance. During the period, the Group continued its commitment to employees' training and development programme.

FUTURE PROSPECTS

For the PRC, the year 2015 is a year of reform. The PRC Government has reformulated its development strategies for the future, such as the "New Normal" for the PRC economy, "Made in China 2025", "One Belt, One Road" and "Ten Rules for Water Pollution Control and Management". For the paper industry, these policies indicate a faster elimination of obsolete capacity in the industry. Meanwhile, the existing production equipment and sewage treatment equipment require upgrades and modifications to meet the demand of the future development and the requirements of the policies. With the experience of over 10 years in equipment and service provision in the paper industry, the Group believed the experience in industrial automation systems as well as sludge treatment product design and actual operation can enable the Group's existing and potential customers to fulfill the demand of the future development.

USE OF PROCEEDS FROM THE LISTING BY WAY OF PLACING

From the listing date to 30 June 2015, the proceeds from the listing by way of placing were used as follows:

	Use of proceeds in the same manner and proportion as shown in the prospectus from the listing date to 30 June 2015	**Actual use of the proceeds from the listing date to 30 June 2015**	**Unused proceeds**
	HK$000	HK$000	HK$000
Increase production capacity	27,100	21,084	6,016
Cost saving construction	18,100	–	18,100
Continuous product development and innovation	6,000	6,000	–
Increase market awareness and image of the Group	3,900	898	3,002
Improve the current information management system	300	87	213
	55,400	28,069	27,331

The unused net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong and the PRC.

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

Environmental, Social and Governance Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES

The Board and management of the company are committed to establishing a good standards in environmental, social and corporate governance practices. In the past, the Group is in the pursuit of corporate profits, it also took the sustainable development of the environment, the society and corporate governance into consideration in all aspect of the business operation of the Group, so that those standards could be sustained. The Group believed that those standards were beneficial to improve the Group's corporate governance to a higher level, to make a commitment to the employees, the society and the environment, and enhance the reputation of the Group.

Currently, Environmental, Social and Governance ("ESG") Committee is chaired by the Board, the Board will continue to formulate guidelines and spearhead initiatives that can be implemented in the whole group.

This is the first environmental, social and governance report released by the Company pursuant to the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") provided in Appendix 27 to the Listing Rules on the Stock Exchange, which sets out the Company's policies and practices in three aspects namely environmental protection, working environment, and community involvement for the year ended 30 June 2015. This report is designed to allow shareholders, investors (including potential investors) and the public to have a more comprehensive and profound understanding of the Company's corporate governance and culture. The Company is aware of the importance of having a reciprocal relationship with society. Utilising its influence on society, so that Huazhang Technology has become a social responsibilities enterprise.

ENVIRONMENTAL PROTECTION

Environmental Policy

The Company pledges to uphold quality management and implement policies for conserving resources and managing waste. The Company has established the following policies in compliance with environmental regulations:

1. The Company obtained the ISO14001 Environmental Management System certifications – implemented internal procedures to prevent and manage pollution.

2. The Company commits to fulfill and comply with national and regional environmental protection regulations and establishes self-regulating frameworks and standards accordingly.

The Group conduct regular testing in relation to air, noise and waste water emitted or produced to ensure that our pollution levels are within the allowed levels as stipulated in the relevant PRC laws and regulations.

Environmental, Social and Governance Report

WORKING ENVIRONMENT

The Group is committed to providing a safe and non-hazardous working environment for all staff. The Group are subject to the relevant PRC laws and regulations regarding production safely, including the principle law governing the administration of production safety in the PRC, namely the PRC Production Safety Law (中華人民共和國安全生產法) which took effect on 1 November 2002. In order to ensure occupational safety and health of our employees in the process of production, we have adopted various measures such as the provision of periodic training courses on self-rescue and escape to employees, installation of first-aid cases at production sites, use of labour protective equipment. We have also undertaken accidental insurance policies for our employees. Our Group has obtained certifications for the following management systems, namely: (i) ISO 14001:2004 Environment Management System; and (ii) OHSAS 18001:2007 Occupational Health and Safely Management System, for our Group business operations.

As part of our internal control measures, our Group has set up a Work Injury and Accident Administration System for the management, report, investigation and settlement of work injury and accidents, and which prescribes in derail the procedure for handling an accident at different stages so that all the employees involved in an accident will have a clear guidance should an accident occur.

EMPLOYEES PRACTICES

Almost 99% of employees hired by the Group have been located in the PRC. The Company strictly complies with the requirements of the Labour Law of the PRC without violating the relevant rules and regulations:

1. Workers' wages, overtime payments and related benefits are made in accordance with the local minimum wage (or above);

2. Holidays and statutory paid leaves are compliant with the requirements of the PRC;

3. The Company treats all the employees equally, and their employment, remuneration and promotion will not be affected by their social identities such as ethnicity, race, nationality, gender, religion, age, sexual orientation, political faction and marital status;

EMPLOYEE TRAINING AND DEVELOPMENT

The Company has established a comprehensive training system and mechanism to provide on-job teaching and training for its employees, in order to enhance their knowledge and skills. The trainings mainly consist of orientation training, on-job training and external training.

Environmental, Social and Governance Report

INTELLECTUAL PROPERTIES

Since the intellectual property rights authorized for our use are material and consist mainly of trade secrets, to guard our interests, we require all of our employees, including management personnel, research and development personnel, technical personnel, sales personnel and production workers to execute a confidentiality agreement which covers a wide range of confidential information including technical plans and reports, project design, circuit design, manufacturing methods, commercial secrets, industrial processes, technical standards, measurement software, database, product designs, and records of research design and development.

ANTI-CORRUPTION

The Group has established anti-corruption polices, and stringent policies for anti-corruption and anti-fraud, and is committed to prevent and monitor any malpractice or unethical practice.

COMMUNITY INVOLVEMENT

The Company strives to improve the society through community involvement. Apart from making cash donations to charitable organizations, both management and employees of the Company have been eager to take their own initiatives in helping and supporting the local communities and neighbors. For the year ended 30 June 2015, the Group made a donation over HK$1.0 million to contribute to the society.

Directors' Report

The Directors hereby presents the annual report together with the audited consolidated financial statements of the Group for the year ended 30 June 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are, set out in note 30 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by segments is set out in note 5 to the consolidated financial statements.

RESULTS

The Group's profit for the year ended 30 June 2015 and the state of the Company's and of the Group's as affair at that date are set out in the consolidated financial statements on pages 46 to 49.

FINAL DIVIDEND

An interim dividend of 2.5 HK cents per share (2014: Nil) was paid on 6 March 2015. The board of directors now recommend to pay the final dividend for 2015 at 2.3 HK cents per share (2014: 5.0 HK cents per share) payable to shareholders of the Company whose names are on the register of members on 18 November 2015. It is expected that the final dividend will be paid on 24 November 2015. The proposed distribution of final dividends is subject to the approval of the Annual General Meeting ("AGM").

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(i) from 6 November 2015 (Friday) to 10 November 2015 (Tuesday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 5 November 2015 (Thursday); and

(ii) from 16 November 2015 (Monday) to 18 November 2015 (Wednesday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to the final dividend. In order to establish entitlements to the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 13 November 2015 (Friday).

During the periods mentioned in sub-paragraphs (i) and (ii) above, no transfers of shares will be registered.

Directors' Report

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 8 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 14 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 year ended 30 June 2015.

PLACING OF SHARES IN JULY 2015

On 16 July 2015, Florescent Holdings Limited ("Florescent"), the controlling shareholder of the Company, entered into a placing and subscription agreement with a placing agent and the Company, pursuant to which (i) placing a maximum of 33,000,000 ordinary shares (the "Placing Shares") of the Company at a placing price of HK$3.60 per share; and (ii) Florescent agree to subscribe a maximum of 33,000,000 new ordinary shares at HK$3.60 per share.

On 21 July 2015, 33,000,000 ordinary shares (with an aggregate nominal value of HK$330,000) of the Company were placed by Florescent to certain independent third parties at a subscription price of HK$3.60 per share. On the same date, the Company issued 33,000,000 new ordinary shares (with an aggregate nominal value of HK$330,000) to Florescent at an issue price of HK$3.60 per share. The Company raised approximately HK$118,800,000 (net of directly attributable expenses would be approximately HK$116,412,000), which will be used to fund the Group's business expansion in wastewater treatment business, repayment of third party loan and general working capital.

The placing and subscription price of HK$3.60 per share represents:

(i) a discount of approximately 18.00% to the closing price of HK$4.39 per share as quoted on the Stock Exchange on 16 July 2015, being the date of the placing and subscription Agreement; and

(ii) a discount of approximately 15.41% to the average closing price of approximately HK$4.26 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 15 July 2015, being the date prior to the date of the placing and subscription Agreement.

PLACING OF SHARES IN JULY 2015 *(Continued)*

The subscription price of HK$3.60 per share is the same as the placing price.

Taking into account the Company's estimated expenses for the placing and the subscription, the net subscription price is approximately HK$3.53 per subscription share.

The placing and the subscription would achieve the following benefits for the Company:

(i) it would increase the amount of shares held by public investors which may in turn enhance the trading liquidity of the shares;

(ii) it would introduce new investors to the Company and hence further optimise and diversify the shareholder base of the Company;

(iii) it would capture the current share price to raise new proceeds for the Group's business expansion in the wastewater treatment business and general working capital purposes; and

(iv) it is expected that the Company's gearing level would be lowered as a result of the placing and the subscription and thereby preserving the healthiness of the financial status of the Company.

The placing shares have been placed to not less than six placees, being institutional, professional and/or individual investors who and whose ultimate beneficial owners are independent third parties. None of the placees and their respective associates become a substantial shareholder as a result of the placing.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in notes 14, 15 and 16 to the consolidated financial statements.

As at 30 June 2015, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amount to HK$57,213,000. The amount of HK$57,213,000 represents the Company's share premium, retained earnings of accumulated losses, which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

BORROWINGS

Particulars of borrowings of the Group as at 30 June 2015 are set out in note 18 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of revenue from the Group's largest and five largest customers for the year ended 30 June 2015 represented approximately 17.2% (30 June 2014: approximately 6.4%) and approximately 48.1% (30 June 2014: approximately 25.5%), respectively, of the Group's total revenue from sales operations.

MAJOR CUSTOMERS AND SUPPLIERS *(Continued)*

The aggregate amount of purchases from the Group's largest and five largest suppliers for the year ended 30 June 2015 represented approximately 17.7% (30 June 2014: approximately 26.1%) and approximately 53% (30 June 2014: approximately 42.2%), respectively, of the Group's total purchases.

To the best of the Directors' knowledge, except for Mr. Zhu Gen Rong, Mr. Wang Ai Yan, Mr. Liu Chuan Jiang and Ms. Zhu Ling Yun, who are the Company's controlling shareholders, none of the Directors or their respective associates, and none of the existing shareholders who owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers and suppliers.

DIRECTORS

The Directors during the year and up to the date of this report were as follows:

Executive Directors

Mr. Zhu Gen Rong *(Chairman)*
Mr. Wang Ai Yan *(Chief Executive Officer)* (Appointed on 1 October 2014)
Mr. Zhong Xin Gang
Mr. Jin Hao

Independent Non-Executive Directors

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

The biographical details of the Directors are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 7 to 9 in this annual report.

In accordance with the articles of association of the Company (the "Articles"), Mr. Wang Ai Yan, Mr. Zhong Xin Gang and Ms. Chen Jin Mei will retire at the 2015 AGM and, being eligible, will offer themselves for re-election at the 2015 AGM.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") from each of the independent non-executive Directors and the Company considers such Directors to be independent for the year ended 30 June 2015.

DIRECTORS' SERVICE CONTRACTS

Each of executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 16 May 2013 and will continue thereafter until terminated in accordance with the terms of the agreement, except that Mr. Wang Ai Yan has entered into a service contract with the Company for an initial term of three years commencing from 1 October 2014 and will continue thereafter until terminated in accordance with the terms of the contract.

DIRECTORS' SERVICE CONTRACTS *(Continued)*

Independent non-executive Directors are appointed for a term up to 30 June 2015 and will continue thereafter unless terminated by either party giving at least one month's notice in writing.

Other than as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Croup's business to which the Company, any of its subsidiaries, or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

TRANSACTIONS WITH CONNECTED PERSON

On 6 May 2013, the Company entered into (i) a master supply agreement in relation to the provision of industrial automation system by the Group from time to time (the "Master Supply Agreement"); and (ii) a master purchase agreement in relation to the purchase of branded industrial automation products as well as other hardware and components by the Group from time to time with Zhejiang Huazhang Automation Equipment Company Limited (浙江華章自動化設備有限公司) ("Huazhang Automation (Zhejiang)") for a term of approximately 36 months, expiring on 30 June 2015. Huazhang Automation (Zhejiang) is indirectly owned as to 30% by Huazhang Overseas Holding, Inc.("Huazhang Overseas"), which is in turn owned as to approximately 77.9% in aggregate by our Controlling Shareholders, and therefore Huazhang Automation (Zhejiang) is a connected person to the Company under the GEM Listing Rules and the Listing Rules. In July 2014, Huazhang Overseas disposed 30% interests in Huazhang Electric Automation Holding Company Limited ("Huazhang Automation (Hong Kong)"), which holds 100% shares of Huazhang Automation (Zhejiang), to a french business partners. After such transaction, the Group ceased the connected relationship with the Huazhang Automation (Zhejiang).

CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in Note 33 to the consolidated financial statements also constituted continuing connected transactions under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. During the year, the Group entered into certain transactions with Huazhang Automation (Zhejiang), as follows:

Nature of transactions	Amount
Sales of industrial automation system	1,187,634
Purchases of branded industrial automation products, hardware and components	231,709

Save as disclosed therein, there were no transactions required to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

The continuing connected transactions have been subject to annual review by the Independent Non-executive Directors of the Company pursuant to Rule 14A.55 of the Listing Rules and confirmation of the auditor of the Company pursuant to Rule 14A.56 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

In respect of the financial year ended 30 June 2015, the Independent Non-executive Directors of the Company have concluded that the continuing connected transaction has been entered into:

- in the ordinary and usual course of business of the Company;
- either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and
- in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board has engaged the auditor of the Company to perform certain agreed-upon procedures on the aforesaid continuing connected transactions. Based on the work performed, the auditor has issued a confirmation letter to the Board in accordance with Rule 14A.56 of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

REMUNERATION OF THE DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors of the Company and five highest paid individuals are set out in note 25 to the consolidated financial statements in this annual report.

Except for Ms. Chen Jin Mei, no Director has waived or has agreed to waive any emoluments during the year ended 30 June 2015.

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

The Company has adopted a share option scheme as incentive to Directors and eligible employees, details of which are set out in the paragraph headed "Share Option Scheme" below.

Details of the retirement benefit schemes of the Group are set out in note 2.19 to the consolidated financial statements.

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 (the "Controlling Shareholders") of the Company, has given a non-competition undertaking ("Old Deed") in favour of the Company, pursuant to which each of them undertakes and covenants with the Company that, for as long as it/he and/or its/his associates, directly or indirectly, whether individually or taken together, remain to be the controlling shareholders, it/he will not and will procure its/his associates not to directly or indirectly carry on, participate, engage or otherwise be interested in any business which is or may be in competition with the business of any members of the Group (the "Restricted Business") from time to time.

A new deed of non-competition undertaking (the "New Deed") was executed by the Controlling Shareholders on 19 December 2014. Terms of the New Deed succeed those set out in the Old Deed and make references to Main Board Listing Rules after the transfer of listing of the shares of the Company from GEM to the Main Board in January 2015.

Each of the Controlling Shareholders has also covenanted to notify the Company shall he/she/it or his/her/its associates be offered or become aware of any business opportunity regarding the Restricted Business and shall provide the Company all necessary information. An independent board committee (the "Independent Board Committee") of the Company comprising all independent non-executive directors shall decide whether to accept such opportunity by simple majority, taking into account the Company's prevailing business, the financial resources required for the relevant opportunity and the commercial viability of such opportunity. The New Deed has taken effect from 5 January 2015.

In this regard, each of the Controlling Shareholders has provided to the Company a written confirmation in respect of his/its compliance with the New Deed for the year ended 30 June 2015. The independent non-executive directors of the Company who forms the Independent Board Committee have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings in the New Deed and have confirmed that, as far as they can ascertain, there is no breach of any of the undertakings in the New Deed given by the Controlling Shareholders.

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

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

COMPLIANCE OF NON-COMPETITION UNDERTAKINGS *(Continued)*

To further delineate the respective business of Huazhang Automation (Zhejiang) and the Group and to protect the Group from any potential competition from Huazhang Automation (Zhejiang), Huazhang Automation (Hong Kong) and Huazhang Automation (Zhejiang) have entered into a deed of non-competition in favour of the Company on 6 May 2013, pursuant to which, they will not, and any company directly or indirectly controlled by any of them (excluding any member of the Group) will not, either on its own or in conjunction with any body, corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistant to any person, firm or company (except members of the Group) to conduct any business which, directly or indirectly, competes or may compete with the business of supply and sale of industrial automation systems and sludge treatment products in the PRC (including Hong Kong) from time to time after listing of the Company. The Group ceased the connected relationship with Huazhang Automation (Zhejing) in July 2014.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as the information set out in the section headed "Compliance of Non-competition Undertakings", during the year ended 30 June 2015 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.

SHARE OPTION SCHEME

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

1. Purpose

The purpose of the Share Option Scheme is to enable the Company to grant options to eligible persons as incentives or rewards for their contributions to the Group.

2. Participants

The Board may, at its discretion, invite any full-time or part-time employees including any executive, non-executive Directors, advisors, consultants of the Group to take up options.

3. Total number of shares available for issue under the Share option Scheme

The maximum number of shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme must not, in aggregate, exceed 10% of the issued share capital of the Company as at the Listing Date (i.e. a total of 27,200,000 shares). 27,200,000 shares representing approximately 8.92% of the issued shares of the Company as at the date of this annual report.

4. Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of options granted to a participant under the Share Option Scheme (including both exercise and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time.

SHARE OPTION SCHEME *(Continued)*

5. Period within which the shares must be taken up under an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Board to each participant provided that the period within which the option must be exercised shall not be more than 10 years from the date of the grant of option subject to the achievement of performance target and/ or any other conditions to be notified by the Board to each participant, which the board may in its absolute discretion determine.

6. Time of acceptance and the amount payable on acceptance of the option

The option will be offered for acceptance for a period of 28 days from the date on which the option is granted. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

7. Basis of determining the subscription price

The subscription price for the shares subject to options will be a price determined by the Board and notified to each participant and shall be the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a day on which trading of the Company's shares takes place on the Stock Exchange (the "Trading Date"); (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the options; and (iii) the nominal value of a share.

8. Life of the Share option Scheme

The Share Option Scheme became valid and effective for a period of ten years commencing on the Listing Date (i.e. 16 May 2013) subject to the early termination by passing an ordinary resolution in general meeting. After such period no further options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

As at 30 June 2015, no option under the Share Option Scheme has been granted by the Company.

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 June 2015, 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 the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") required to be notified to the Company and the Stock Exchange, are as follows:

Long positions in the shares

Name of director	Company/name of associated company	Natural 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	779.0 shares of US$1.00 each (Note 2)	77.90%
	Lian Shun Limited	Beneficial interest	5,005,500 shares of US$0.001 each (Note 3)	53.79%
Mr Wang Ai Yan (Note 4)	The Company	Interest of a controlled corporation	204,000,000 shares (Note 4)	75.00%
	Florescent Holdings Limited	Interest of a controlled corporation	779.0 shares of US$1.00 each (Note 2)	77.90%
	Lian Shun Limited	Beneficial interest	1,930,000 shares of US$0.001 each (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 Qunyu 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.

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

Long positions in the shares *(Continued)*

Notes: *(Continued)*

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.

Save as disclosed above, as at 30 June 2015, none of the Directors of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

As at 30 June 2015, so far as the Directors are aware, the interests and short positions owned by the following persons or institutions (other than the Directors and chief executive of the Company) in the shares and underlying shares 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/Natural of interest	Number of shares directly or indirectly held	Approximate percentage of shareholding
Florescent Holdings Limited	Beneficial owners	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%

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

Long positions in the shares *(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 Gen Rong 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 Gen Rong 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 Gen Rong 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 June 2015, 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.

INTERESTS OF THE COMPLIANCE ADVISER

As at 30 June 2015, 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.

Directors' Report

AUDIT COMMITTEE

The audit committee was established on 6 May 2013. The primary duties of the audit committee are mainly to review the financial systems of the Group; to review the accounting policy, financial position and financial reporting procedures of the Group; to communicate with external auditor; 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 auditor about the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including a review of the Group's audited consolidated financial statements for the year ended 30 June 2015.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the Listing Rules.

AUDITOR

PricewaterhouseCoopers was appointed by the Directors as the auditor of the Company. PricewaterhouseCoopers will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. The consolidated financial statements for the year ended 30 June 2015 have been audited by PricewaterhouseCoopers.

On behalf of the Board
Zhu Gen Rong
Chairman

Hong Kong, 17 September 2015

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

The Board has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules before 5 January 2015. From 5 January 2015, the Board has adopted the CG Code as set out in Appendix 14 to the Listing Rules. Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices. To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also the intent of the regulations to enhance corporate performance and accountability.

The Board is pleased to report compliance with the code provisions of the CG Code for the year ended 30 June 2015, except the deviation under the Code Provision A.2.1 before 1 October 2014 stated in the interim report for the period ended 31 December 2014 and in the section headed "Chairman and Chief Executive Officer" in this annual report for the year ended 30 June 2015.

MODEL CODE FOR 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 before 5 January 2015.

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules since 5 January 2015. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the period from 5 January 2015 to 30 June 2015 and they all confirmed that they have fully complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company. Board should ensure that changes to its composition can be managed without undue disruption. Board should include a balanced composition of Executive Directors and Independent Non-Executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment. As of the date of this annual report, the composition of the Board is as follows:

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

BOARD OF DIRECTORS *(Continued)*

Independent Non-executive Directors:	Mr. Dai Tian Zhu Ms. Chen Jin Mei Mr. Kong Chi Mo

An updated list of directors and their role and functions is maintained at the websites of the Company and the Stock Exchange and the independent non-executive Directors are identified by name in all corporate communications.

Each independent non-executive Director has given an annual confirmation of his/her independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

RESPONSIBILITIES OF THE BOARD

All the directors (including the independent non-executive Directors) have acquired a proper understanding of the Company's operation and business and are fully aware of his/her functions and responsibilities under statute and common law, the Listing Rules and other applicable legal and regulatory requirements. Every director has given the Company the details on the number and nature of offices held in other companies and significant commitments at the time of his/her appointment.

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorizing the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. Though the Board delegates the day-to-day management, administration and operation of the Group to management, all the directors continue to give sufficient time and attention to the Company's affairs. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

Apart from the Audit Committee, Remuneration Committee and Nomination Committee (as defined below), the Company did not set up any other board committees for dealing with any matters during the year.

The Company has in force appropriate insurance coverage on Director's and Officer's liabilities arising from the Group's business. The Company reviews the extent of insurance coverage on an annual basis.

THE ATTENDANCE OF MEETINGS OF THE BOARD

During the year, the Company held four regular Board meetings for the reviewing and approving the financial and operating performance of the Group. At least 14 days notice of regular Board meetings would be given to all directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers would be sent to all directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents. The Chairman would also ensure that all directors are properly briefed on matters arising at board meetings.

THE ATTENDANCE OF MEETINGS OF THE BOARD *(Continued)*

Minutes of every Board meeting are circulated to all directors for their perusal and comments prior to confirmation of the minutes. The duly signed minutes are open for inspection by any director. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed. The Board members are enabled to seek independent professional advice in appropriate circumstances, at the Company's expense, to assist them to discharge their duties. They are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

Details of the Director's attendance record in full meetings of the Board are as follows:

Name of Director	Meeting of the Board of Directors No. of Attendance by Directors/No. of Meetings	General meeting No. of Attendance by Directors/No. of Meetings
Mr. Zhu Gen Rong *(Chairman)*	4/4	1/1
Mr. Wang Ai Yan *(Chief Executive Officer)*	4/4	1/1
Mr. Jin Hao	4/4	1/1
Mr. Zhong Xin Gang	4/4	1/1
Mr. Dai Tian Zhu	3/4	1/1
Ms. Chen Jin Mei	4/4	1/1
Mr. Kong Chi Mo	4/4	1/1

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc. This corporate governance report has been reviewed by the Board in discharge of its corporate governance functions in compliance with the Code Provision D.3 of the Corporate Governance Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Zhu Gen Rong is the Chairman of the Board of the Company and is responsible for the overall strategy planning and policy making of the Group.

The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the directors to make active contribution in Board's affairs and promoting a culture of openness and debate.

The Company has no such position as the chief executive on or before 30 September 2014 and therefore 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 before 30 September 2014, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation 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.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Articles provide that at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every 3 years.

Independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his/her independence and must provide an annual confirmation of his/her independency to the Company. Up to the date of this report, no independent non-executive director has served the Company more than 9 years.

PROFESSIONAL DEVELOPMENT

To assist directors' continuing professional development, the Company recommends directors to attend relevant seminars to develop and refresh their knowledge and skills. Directors also participate in continuous professional development programmes such as external seminars organized by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. Records of the training received by the respective directors are kept and updated by the company secretary of the Company.

PROFESSIONAL DEVELOPMENT *(Continued)*

The individual training record of each director received for the year ended 30 June 2015 is summarized below:

Name of director	Attending seminar(s)/ programme(s)/ conference(s) relevant to the business or directors' duties
Mr. Zhu Gen Rong	√
Mr. Wang Ai Yan	√
Mr. Zhong Xin Gang	√
Mr. Jin Hao	√
Mr. Dai Tian Zhu	√
Ms. Chen Jin Mei	√
Mr. Kong Chi Mo	√

All directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 6 May 2013 comprising 3 independent non-executive Directors namely, Mr. Kong Chi Mo, Ms. Chen Jin Mei and Mr. Dai Tian Zhu. Mr. Kong Chi Mo is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are available at the Company's website and on the website of the Stock Exchange.

The major roles and functions of the Audit Committee are to review and supervise the financial reporting process, financial controls, internal control and risk management system of the Company and to provide recommendations and advices to the Board on the appointment, re-appointment and removal of the external auditor as well as their terms of appointment.

In performing its duties in accordance with its terms of reference, the work to be performed by the Audit Committee includes:

(a) review and supervise the financial reporting process and internal control system of the Company and its subsidiaries;

(b) recommendation to the Board, for the approval by shareholders, of the re-appointment of external Auditor and approval of their remuneration;

(c) determination of the nature and scope of the audit; and

(d) review the financial statements for the relevant financial period and discuss corporate governance practice.

AUDIT COMMITTEE *(Continued)*

Draft and final versions of the minutes of the Audit Committee meetings will be sent to all committee members for their comment and records within a reasonable time after the meetings and the full minutes will be kept by the company secretary who is also the secretary of the Audit Committee.

The Audit Committee is provided with sufficient resources to perform its duties and is enabled to seek independent professional advice in appropriate circumstances, at the Company's expense, to discharge its responsibilities.

During the year, the Audit Committee reviewed the final, interim and quarterly results of the Group as well as discussed with the management and/or the external auditors of the Group. In addition, the Audit Committee has reviewed external auditor's remuneration, internal control system and non-exempt connected transactions recorded for the year ended 30 June 2015 at the relevant meeting and recorded unanimous decisions.

The attendance of each Director at Audit Committee meetings as follows:

Name of Director	Audit Committee meeting No. of Attendance/ No. of Meetings
Mr. Kong Chi Mo *(Chairman)*	4/4
Ms. Chen Jin Mei	4/4
Mr. Dai Tian Zhu	3/4

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established on 6 May 2013 comprising the 3 independent non-executive Directors. Ms. Chen Jin Mei is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of the Stock Exchange.

The roles and functions of the Remuneration Committee include consulting the Chairman of the Board about their remuneration proposals for other executive directors, having the delegated responsibility to determine the specific remuneration packages of all executive directors of the Group and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of the non-executive Directors.

REMUNERATION COMMITTEE *(Continued)*

The Remuneration Committee is provided with sufficient resources to perform its duties and is enabled to seek independent professional advice in appropriate circumstances, at the Company's expense, to discharge its responsibilities.

During the year, the Remuneration Committee held one meeting. The Remuneration committee has reviewed and approved the remuneration package of the Executive Directors. Details of the directors' emolument are set out in note 25 to the financial statements.

The attendance of each Director at Remuneration Committee meetings as follows:

Name of Director	Remuneration Committee meeting No. of Attendance/ No. of Meetings
Ms. Chen Jin Mei *(Chairman)*	1/1
Mr. Kong Chi Mo	1/1
Mr. Dai Tian Zhu	1/1

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 6 May 2013 comprising the 3 independent non-executive directors and Mr. Zhu Gen Rong. Mr. Dai Tian Zhu is currently the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of the Stock Exchange.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the independent non- executive directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman. In considering the nomination of new directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in industrial automation systems and sludge treatment products and/or other professional areas.

The Nomination Committee is provided with sufficient resources to perform its duties and is enabled to seek independent professional advice in appropriate circumstances, at the Company's expense, to discharge its responsibilities.

NOMINATION COMMITTEE *(Continued)*

One meeting was held during the year ended 30 June 2015. No change has been proposed to the structure, size and composition of the Board during the meeting and the committee had also confirmed the diversity of the Board. In addition, the committee has recommended Mr. Wang Ai Yan to be Directors to the Board.

The attendance of each Director at Nomination Committee meetings as follows:

Name of Director	**Remuneration Committee meeting No. of Attendance/ No. of Meetings**
Mr. Dai Tian Zhu *(Chairman)*	1/1
Mr. Zhu Gen Rong	1/1
Ms. Chen Jin Mei	1/1
Mr. Kong Chi Mo	1/1

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives as stated in the above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises 7 directors. One of them is woman. Three of the directors are independent non-executive directors and independent of management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, professional background and skills.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

ACCOUNTABILITY AND AUDIT *(Continued)*

Internal Control and Risk Management

The Board is responsible for the Company's internal control system and risk management procedures and for reviewing the effectiveness of the Company's internal control. The Board has conducted a review of, and is satisfied with the effectiveness of the system of internal controls of the Group as well as the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Group is committed to the identification, monitoring and management of risks associated with its business activities. The Group's internal control system is designed to provide reasonable assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of business objective. The system includes a defined management structure with segregation of duties and a cash management system such as monthly reconciliation of bank accounts.

The Board reviews the effectiveness of the Group's material internal controls. Based on information furnished to it and on its own observations, the Board is satisfied with present internal controls of the Group.

AUDITOR'S REMUNERATION

During the financial year ended 30 June 2015, the fees paid/payable to the Company's auditor are set out as follows:

Services rendered	**Fees paid/ payable** (HK$'000)
Annual audit services	1,100
Interim review services	250
	1,350

COMPANY SECRETARY

Mr. Chan So Kuen was appointed as the Company Secretary on 28 February 2014. According to Rule 3.29 of the Listing Rules, an issuer's company secretary must take no less than 15 hours of relevant professional training in each financial year while Mr. Chan has taken no less than 15 hours of relevant professional training in 2015.

The biographical details of Mr. Chan are set out under the section headed "Biographical Details of Directors and Senior Management".

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

Right to convene extraordinary general meeting

Any one or more members holding at the date of the deposit of the requisition not less than one- tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business at Unit No. 5A, 8th Floor, Tower 1, South Seas Centre, 75 Mody Road, Kowloon, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists.

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request which has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty-one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

(a) At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company;

(b) At least 21 clear days' notice in writing (and not less than 20 business days) if calling for an annual general meeting or the proposal constitutes a special resolution of the Company in EGM.

SHAREHOLDERS' RIGHTS *(Continued)*

Right to put enquiries to the board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by phone at (852) 3153-4985.

Right to put forward proposals at general meetings

There are no provisions allowing shareholders to purpose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Company's Articles for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 85 of the Articles, no person other than a director retiring at the meeting shall, unless recommended by the directors for election, be eligible for election as a director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual, interim reports, notices, announcements and circulars and the Company's website at www.hzeg.com.

During the year ended 30 June 2015, there had been no significant change in the Company's constitutional documents.

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF HUAZHANG TECHNOLOGY HOLDING LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Huazhang Technology Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 46 to 116, which comprise the consolidated and company balance sheets as at 30 June 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the predecessor Hong Kong Companies Ordinance , and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2015, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the predecessor Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 September 2015

Consolidated Balance Sheet

As at 30 June 2015

	Note	As at 30 June 2015 HK$	2014 HK$
ASSETS			
Non-current assets			
Land use rights	6	**4,519,007**	8,819,541
Property, plant and equipment	8	**50,599,851**	48,962,955
Investment properties	7	**8,777,607**	–
Deferred income tax assets	19	**3,737,117**	3,086,886
Available-for-sale financial assets	9	**10,144,560**	–
Trade and other receivables	10	**11,255,611**	1,251,763
Prepayments	11	**435,874**	509,453
		89,469,627	62,630,598
Current assets			
Inventories	12	**70,968,562**	108,652,096
Trade and other receivables	10	**116,075,455**	101,368,450
Prepayments	11	**13,525,805**	14,946,416
Restricted cash	13	**1,567,382**	957,225
Cash and cash equivalents	13	**46,940,520**	91,859,246
		249,077,724	317,783,433
Total assets		**338,547,351**	380,414,031
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	14	**2,720,000**	2,720,000
Share premium	14	**41,534,254**	61,934,254
Other reserves	16	**70,589,582**	64,604,279
Retained earnings	15	**97,051,924**	67,282,385
Total equity		**211,895,760**	196,540,918

Consolidated Balance Sheet

As at 30 June 2015

	Note	As at 30 June 2015 HK$	2014 HK$
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	19	**389,594**	1,360,000
Current liabilities			
Trade and other payables	17	**101,864,038**	155,912,619
Current income tax liabilities		**2,397,959**	4,600,494
Borrowings	18	**22,000,000**	22,000,000
		126,261,997	182,513,113
Total liabilities		**126,651,591**	183,873,113
Total equity and liabilities		**338,547,351**	380,414,031
Net current assets		**122,815,727**	135,270,320
Total assets less current liabilities		**212,285,354**	197,900,918

The notes on pages 52 to 116 are an integral part of these consolidated financial statements.

The financial statements on pages 46 to 116 were approved by the Board of Directors on 17 September 2015 and were signed on its behalf.

Zhu Gen Rong	**Wang Ai Yan**
Director	*Director*

Balance Sheet Of The Company

As at 30 June 2015

	Note	As at 30 June 2015 HK$	2014 HK$
ASSETS			
Non-current assets			
Investments in subsidiaries	30	**66,697,008**	66,697,008
Current assets			
Trade and other receivables	10	**601,000**	2,020
Prepayments	11	**76,666**	50,000
Cash and cash equivalents		**507,247**	1,647,791
		1,184,913	1,699,811
Total assets		**67,881,921**	68,396,819
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	14	**2,720,000**	2,720,000
Share premium	14	**41,534,254**	61,934,254
Retained earnings/(Accumulated losses)		**15,678,725**	(2,721,543)
Total equity		**59,932,979**	61,932,711
LIABILITIES			
Current liabilities			
Other payables	17	**7,948,942**	6,464,108
Total equity and liabilities		**67,881,921**	68,396,819
Net current liabilities		**(6,764,029)**	(4,764,297)
Total assets less current liabilities		**59,932,979**	61,932,711

The notes on pages 52 to 116 are an integral part of these consolidated financial statements.

The financial statements on pages 46 to 116 were approved by the Board of Directors on 17 September 2015 and were signed on its behalf.

Zhu Gen Rong
Director

Wang Ai Yan
Director

Consolidated Statement Of Comprehensive Income

For the year ended 30 June 2015

	Note	Year ended 30 June 2015 HK$	2014 HK$
Revenue	20	**381,355,419**	308,905,915
Cost of sales	22	**(287,081,429)**	(222,675,095)
Gross profit		**94,273,990**	86,230,820
Distribution costs	22	**(11,977,729)**	(12,200,366)
Administrative expenses	22	**(30,793,452)**	(30,712,604)
Research and development expenses	22	**(16,052,036)**	(10,137,341)
Other income	21	**3,907,416**	3,018,267
Other losses-net	23	**(947,989)**	(56,259)
Operating profit		**38,410,200**	36,142,517
Finance income	26	**1,682,320**	1,380,747
Finance costs	26	**(875,640)**	(160,428)
Finance income – net	26	**806,680**	1,220,319
Profit before income tax		**39,216,880**	37,362,836
Income tax expense	27	**(4,762,743)**	(8,867,247)
Profit for the year, all attributable to the owners of the Company		**34,454,137**	28,495,589
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Currency translation differences		**1,300,705**	813,407
Other comprehensive income for the year, net of tax		**1,300,705**	813,407
Total comprehensive income for the year and attributable to equity holders of the Company		**35,754,842**	29,308,996
Earnings per share for profit attributable to the owners of the Company			
- Basic earnings per share	28	**0.13**	0.10
- Diluted earnings per share	28	**0.13**	0.10

The notes on pages 52 to 116 are an integral part of these consolidated financial statements

	Note	Year ended 30 June 2015 HK$	2014 HK$
Dividends	29	**13,815,000**	13,600,000

Consolidated Statement Of Changes In Equity

For the year ended 30 June 2015

	Attributable to the owners of the Company				
	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	HK$	HK$	HK$	HK$	HK$
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 year	–	–	–	34,454,137	34,454,137
Translation differences	–	–	1,300,705	–	1,300,705
Total comprehensive income	–	–	1,300,705	34,454,137	35,754,842
Transactions with owners					
Dividends	–	(20,400,000)	–	–	(20,400,000)
Profit appropriation to statutory reserves (Note 16)	–	–	4,684,598	(4,684,598)	–
Balance at 30 June 2015	2,720,000	41,534,254	70,589,582	97,051,924	211,895,760
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 year	–	–	–	28,495,589	28,495,589
Translation differences	–	–	813,407	–	813,407
Total comprehensive income	–	–	813,407	28,495,589	29,308,996
Transactions with owners					
Dividends	–	(8,976,000)	–	–	(8,976,000)
Profit appropriation to statutory reserves (Note 16)	–	–	3,302,062	(3,302,062)	–
Balance at 30 June 2014	2,720,000	61,934,254	64,604,279	67,282,385	196,540,918

The notes on pages 52 to 116 are an integral part of these consolidated financial statements

Consolidate Cash Flow Statement

For the year ended 30 June 2015

	Note	Year ended 30 June 2015 HK$	2014 HK$
Cash flows from operating activities			
Cash generated from operations	31	**10,806,354**	10,852,423
Income tax refund		**5,207,790**	–
Income tax paid		**(13,777,699)**	(6,384,732)
Net cash inflow/(outflow) from operating activities		**2,236,445**	4,467,691
Cash flows from investing activities			
Purchase of property, plant and equipment		**(18,383,813)**	(7,898,053)
Interest received	26	**1,609,356**	1,380,747
Cash paid for purchase of available-for-sale financial assets	9	**(73,266,243)**	–
Cash received from disposal of available-for-sale financial assets	9, 23	**63,212,565**	–
Net cash outflow from investing activities		**(26,828,135)**	(6,517,306)
Cash flows from financing activities			
Dividends paid to the owners of the company	29	**(20,400,000)**	(8,976,000)
Proceeds from borrowings		**–**	22,000,000
Net cash (outflow)/inflow from financing activities		**(20,400,000)**	13,024,000
Net (decrease)/increase in cash and cash equivalents		**(44,991,690)**	10,974,385
Effect of foreign exchange rate changes		**72,964**	(35,761)
Cash and cash equivalents at beginning of the year		**91,859,246**	80,920,622
Cash and cash equivalents at end of the year	13	**46,940,520**	91,859,246

The notes on pages 52 to 116 are an integral part of these consolidated 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 ultimate controlling parties of the Group are Mr. Zhu Gen Rong ("Mr. Zhu"), Mr. Wang Ai Yan ("Mr. Wang"), Mr. Liu Chuan Jiang ("Mr. Liu"), and Ms. Zhu Ling Yun ("Ms. Zhu").

The Company's ordinary shares were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 May 2013 (the "Listing") by way of placing and the listing of its ordinary shares have been transferred from GEM Board to the Main Board of the Stock Exchange on 5 January 2015.

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors (the "Board") of the Company on 17 September 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Changes in accounting policies and disclosures

(a) *New and amended standards adopted by the Group in the year ended 30 June 2015*

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

- Amendment to HKAS 32 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities is effective for annual periods beginning on or after 1 January 2014. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.

- Amendments to HKFRS 10, 12 and HKAS 27 "Consolidation for investment entities" are effective for annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made HKFRS 12 to introduce disclosures that an investment entity needs to make.

- Amendment to HKAS 36, 'Impairment of assets' on recoverable amount disclosures is effective for annual periods beginning on or after 1 January 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendment to HKAS 39 'Financial Instruments: Recognition and Measurement' – 'Novation of derivatives' is effective for annual periods beginning on or after 1 January 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

- HK(IFRIC) 21 'Levies' is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of HKAS 37, 'Provisions, contingent liabilities and contingent assets'. HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Changes in accounting policies and disclosures *(Continued)*

(a) New and amended standards adopted by the Group in the year ended 30 June 2015 (continued)

- HKFRS8 'Operating segments'. The standard is amended to require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

- HKAS16 'Property, plant and equipment' and HKAS38, 'Intangible assets'. Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

- HKAS 24 'Related Party Disclosures'. The amendment requires reporting entity to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

- HKFRS13 'Fair value measurement'. It clarifies that the portfolio exception in HKFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.

- HKAS40 'Investment property'. Preparers also need to refer to the guidance in HKFRS 3 to determine whether the acquisition of an investment property is a business combination.

- HKFRS3 'Business combinations' and consequential amendments to HKFRS9, 'Financial instruments', HKAS37, 'Provisions, contingent liabilities and contingent assets', and HKAS39, 'Financial instruments – Recognition and measurement'. The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in HKAS 32, 'Financial instruments: Presentation'. All non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

- HKFRS3 'Business combinations'. It clarifies that HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Changes in accounting policies and disclosures *(Continued)*

(a) *New and amended standards adopted by the Group in the year ended 30 June 2015 (continued)*

The adoption of the above new standards and amendment starting from 1 July 2014 did not give rise to any significant impact on the Group's results of operations and financial position for year ended 30 June 2015. There are no other new standards and amendments to standards which are mandatory for the first time for the financial year beginning on 1 July 2014 which had a material impact on the Group's consolidated financial statements.

(b) *New and amended standards which have been issued and are relevant to the Group's operations but are not yet effective for the financial year beginning on 1 July 2014 and have not been early adopted by the Group*

- Amendments to HKAS 16 and HKAS 38 on clarification of acceptable methods of depreciation and amortisation. The amendments clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to HKAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendment to HKAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances: where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. Amendments to HKAS 16 and HKAS 38 are effective for annual periods beginning on or after 1 January 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Changes in accounting policies and disclosures *(Continued)*

(b) New and amended standards which have been issued and are relevant to the Group's operations but are not yet effective for the financial year beginning on 1 July 2014 and have not been early adopted by the Group (continued)

- HKFRS 9 "Financial Instruments". HKFRS 9 (2014), "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

  HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

  HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of HKAS39.

  HKFRS 9 is effective for annual periods beginning on or after 1 January 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Changes in accounting policies and disclosures *(Continued)*

(b) New and amended standards which have been issued and are relevant to the Group's operations but are not yet effective for the financial year beginning on 1 July 2014 and have not been early adopted by the Group(continued)

- HKFRS15 "Revenue from Contracts with Customers". HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an earnings processes to an 'asset-liability' approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. HKFRS 15 replaces the previous revenue standards: HKAS 18 'Revenue' and HKAS 11 'Construction Contracts', and the related Interpretations on revenue recognition: HK(IFRIC) 13 'Customer Loyalty Programmes', HK(IFRIC) 15 'Agreements for the Construction of Real Estate', HK(IFRIC) 18 'Transfers of Assets from Customers' and (HK)SIC-31 'Revenue — Barter Transactions Involving Advertising Services'. Amendment to HKFRS15 is effective for annual periods beginning on or after 1 January 2017.

- Amendment to HKAS 27 on equity method in separate financial statements. The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Amendment to HKAS 27 is effective for annual periods beginning on or after 1 January 2016.

- Amendments to HKFRS 5 on non-current assets held for sale and discontinued operations. The amendment clarifies that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as 'held for sale' or 'held for distribution' simply because the manner of disposal has changed. It also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not classified as 'held for sale'. The amendment to HKFRS 5 is prospectively effective for annual periods beginning on or after 1 January 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Changes in accounting policies and disclosures *(continued)*

(b) *New and amended standards which have been issued and are relevant to the Group's operations but are not yet effective for the financial year beginning on 1 July 2014 and have not been early adopted by the Group (continued)*

- Amendment to HKFRS 7 on 'Financial instruments: Disclosures'. There are two amendments: i) Service contracts: If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, HKFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. It provides guidance about what is meant by continuing involvement. There is a consequential amendment to HKFRS 1 to give the same relief to first time adopters. This amendment to HKFRS 7 shall be applied prospectively with an option to apply retrospectively, for annual periods beginning on or after 1 January 2016. ii) Interim financial statements: It clarifies the additional disclosure required by the amendments to HKFRS 7, 'Disclosure – offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by HKAS 34. This amendment to HKFRS 7 shall be applied retrospectively for annual periods beginning on or after 1 January 2016.

- HKAS 34, 'Interim financial reporting' clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. It also amends HKAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment to HKAS 34 is retrospectively effective for annual periods beginning on or after 1 January 2016.

- HKFRS 14 "Regulatory Deferral Accounts" describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with HKFRS14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services. HKFRS 14 permits eligible first- time adopters of HKFRS to continue their previous GAAP rate-regulated accounting policies, with limited changes. HKFRS 14 requires separate presentation of regulatory deferral account balances in the balance sheet and of movements in those balances in the statement of comprehensive income. Disclosures are required to identify the nature of, and risk associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances. Amendment to HKFRS 14 is effective for annual period beginning on or after 1 January 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Changes in accounting policies and disclosures *(continued)*

(b) New and amended standards which have been issued and are relevant to the Group's operations but are not yet effective for the financial year beginning on 1 July 2014 and have not been early adopted by the Group (continued)

- Amendment to HKFRS 11 on accounting for acquisitions of interests in joint operations. The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business' as defined in HKFRS 3, 'Business combinations'. Specifically, an investor will need to: 1) measure identifiable assets and liabilities at fair value; 2) expense acquisition-related costs; 3) recognise deferred tax; and 4) recognise the residual as goodwill. All other principles of business combination accounting apply unless they conflict with HKFRS 11. The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained. Amendment to HKFRS 11 is effective for annual period beginning on or after 1 January 2016.

- Amendments to HKFRS 10 and HKAS 28 on sale or contribution of assets between an investor and its associate or joint venture. The amendments address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. Amendments to HKFRS 10 and HKAS 28 are effective for annual period beginning on or after 1 January 2016.

- Amendments to HKFRS 10, HKFRS 12 and HKAS 28 on investment entities: applying the consolidation exception'. The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The amendments to HKFRS 10 clarify that the exception from preparing consolidated financial statements is available to intermediate parent entities which are subsidiaries of investment entities. The exception is available when the investment entity parent measures its subsidiaries at fair value.

The intermediate parent would also need to meet the other criteria for exception listed in HKFRS 10.

The amendments also clarify that an investment entity should consolidate a subsidiary which is not an investment entity and which provides services in support of the investment entity's investment activities, such that it acts as an extension of the investment entity. However, the amendments also confirm that if the subsidiary is itself an investment entity, the investment entity parent should measure its investment in the subsidiary at fair value through profit or loss. This approach is required regardless of whether the subsidiary provides investment-related services to the parent or to third parties.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Changes in accounting policies and disclosures *(continued)*

(b) New and amended standards which have been issued and are relevant to the Group's operations but are not yet effective for the financial year beginning on 1 July 2015 and have not been early adopted by the Group (continued)

The amendments to HKAS 28 allow an entity which is not an investment entity, but has an interest in an associate or a joint venture which is an investment entity, a relief to retain the fair value measurement applied by the investment entity associate or joint venture, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture for their subsidiaries when applying the equity method.

Those amendments to HKFRS 10, HKFRS 12, and HKAS 28 are effective for annual periods beginning on or after 1 January 2016.

- Amendments to HKAS 1 for the disclosure initiative. The amendments clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users. The key areas addressed by the changes are as follows: 1) Materiality: an entity should not aggregate or disaggregate information in a manner that obscures useful information. An entity need not provide disclosures if the information is not material; 2) Disaggregation and subtotals: the amendments clarify what additional subtotals are acceptable and how they should be presented; 3) Notes: an entity is not required to present the notes to the financial statements in a particular order, and management should tailor the structure of their notes to their circumstances and the needs of their users; 4) Accounting policies: how to identify a significant accounting policy that should be disclosed; 5) Other comprehensive income from equity accounted investments: other comprehensive income of associates and joint ventures should be separated into the share of items that will subsequently be reclassified to profit or loss and those that will not. Those amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2016.

The Group is yet to assess the full impact of the amendments and standards and intends to adopt the amendments no later than the respective effective dates of the amendments.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(b) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(c) Intra-group transactions and balances

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

(d) The Company's balance sheet

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency and presentation currency is HK$, and the consolidated financial statements are presented in HK$.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statements of comprehensive income within 'finance income or costs'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the Company's presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised as translation differences in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

2.5 Property, plant and equipment

Property, plant and equipment include buildings, machineries and furniture, fittings and equipment. All property, plant and equipment are stated at historical cost less depreciation and impairment (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Construction-in-progress represents properties under construction and is stated at cost less accumulated impairment losses. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for operational use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment *(Continued)*

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

–	Buildings	20 years
–	Machineries and vehicles	10 years
–	Furniture, fittings and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/(losses)' in the consolidated statements of comprehensive income.

2.6 Investment property

Investment property, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at depreciated cost less accumulated impairment.

Depreciation of investment properties is calculated using the straight-line method to allocate cost to their residual value over their estimated useful lives of 15 to 34 years. The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, the transfer does not change the carrying amount of the property transferred, nor does it change the cost of that property for measurement or disclosure purposes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Land use rights

All land in the PRC is state-owned and no individual land ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights, which are amortised over the use terms of between 34 to 50 years using the straight-line method.

2.8 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

(a) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the consolidated balance sheets date which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'restricted cash' and 'cash and cash equivalents' in the consolidated balance sheets (Notes 2.12 and 2.13).

(b) *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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets *(Continued)*

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale assets of the Group include investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost less provision for impairment, if any.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income as 'Other (losses)/gains - net'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

2.9.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statements of comprehensive income. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(b) Assets classified as available-for-sale

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 profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Impairment of financial assets *(Continued)*

(b) Assets classified as available-for-sale *(Continued)*

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 profit or loss.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the specific-unit-cost method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 2.9.2).

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Restricted cash is excluded from cash and cash equivalents.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated balance sheets date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Current and deferred income tax *(Continued)*

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the consolidated balance sheets date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

Pension obligations

The Group entities in the PRC participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in the PRC and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Employee benefits *(Continued)*

Pension obligations *(Continued)*

The Group also participates in a retirement benefit plan under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all eligible employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK$1,500.

The Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions to these plans are recognised as employee benefits expenses when incurred and contributions paid to the defined-contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leave the Group.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Government grants

Government grants are recognised at their fair value, when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs they are intended to compensate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

The Group manufactures and sells a range of industrial automation systems and sludge treatment products. Revenue from the sales of goods is recognised when the risk and reward of the goods has been transferred to the customer, which is usually upon delivery of the products to the customer and completion of the installation and debugging (if required), and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(b) Revenue from after-sales and other service

The Group is engaged in the provision of after-sales and other service to the existing industrial automation systems customers and sludge treatment products customers. Revenue from after-sales and other service is recognised in accounting period in which the services rendered.

(c) Construction contracts

A construction contract is defined by HKAS 11, 'Construction contracts', as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured. recognised only to the extent of contract costs incurred that are likely to be recoverable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Revenue recognition *(Continued)*

(c) Construction contracts *(Continued)*

The Group uses the 'percentage-of-completion' method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within 'trade and other receivables'.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

(d) Operating lease rental income

Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the lease term. When the Group provides incentives to its customers, the cost of incentives are recognised over the lease term, on a straight-line basis, as a reduction of rental income.

(e) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(f) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.23 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

2.24 Dividend distribution

Dividend distribution to the owners of the Company is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow 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.

(a) Market risk

(i) Foreign exchange risk

Functional currency of the Company and most of its subsidiaries, except for Zhejiang Huazhang Technology Limited ("Zhejiang Huazhang") and Huazhang Technology (Hangzhou) Limited ("Huazhang Hangzhou") is HK$, since the companies other than Zhejiang Huazhang and Huazhang Hangzhou are investment holding companies and their operation, financing and dividend income are primarily denominated in HK$. The functional currency of Zhejiang Huazhang and Huazhang Hangzhou are Renminbi ("RMB"), since majority of Zhejiang Huazhang and Huazhang Hangzhou's revenue is derived from operations in Mainland China.

The Group doesn't have sales or purchase transactions (i.e., export or import of products) denominated in foreign currency, and Zhejiang Huazhang's borrowings are dominated in RMB. The exchange rate of HK$ is pegged to USD. Given the general expectations about the strengthening of RMB, the Group has not used any financial instrument to hedge foreign exchange risk.

The results and financial positions of Zhejiang Huazhang and Huazhang Hangzhou are translated from the functional currency of RMB into the presentation currency HK$. All resulting exchange differences are recognised as comprehensive income in equity.

At 30 June 2015 and 2014, if RMB had strengthened/weakened by 5% against HK$ with all other variables held constant, the translation reserve of each year end would have changed as follows:

	Year ended 30 June	
	2015	2014
	HK$	HK$
Owners' equity increase/(decrease)		
– Strengthened 5%	**12,405,715**	10,886,712
– Weakened 5%	**(12,405,715)**	(10,886,712)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets and liabilities other than its bank deposits and borrowings. Bank deposits at variable rates expose the Group to cash flows interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. The Group has not hedged its cash flow and fair value interest rate risk. Details of the Group's bank deposits and borrowings have been disclosed in Notes 13 and 18.

As at 30 June 2015 and 2014, if average interest rates on borrowings which bear fixed rates had been 10% lower/higher with all other variables held constant, the post-tax profit for the year would change as follows:

	Year ended 30 June	
	2015	2014
	HK$	HK$
Post-tax profit increase/(decrease)		
– 10% lower	**87,564**	12,467
– 10% higher	**(87,564)**	(12,467)

(b) Credit risk

Credit risk arises from cash and cash equivalents, restricted cash and trade and other receivables. The carrying amounts or the undiscounted nominal amounts, where applicable, of each class of these financial assets represent the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage the risk with respect to cash and cash equivalents, bank deposits are placed with highly reputable financial institutions.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

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; up to approximately 90% to 95% of the contract sum upon delivery; and the remaining 5% to 10% of the contract value will normally be payable 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 completion of on-site testing whichever is earlier). In this connection, the Group's credit risk in respect of trade and other receivables is limited as we are entitled to receive up to approximately 90% to 95% of the contract sum upon delivery.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by maintaining adequate amount of cash and cash equivalents.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the consolidated balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK$	Between 1 and 2 years HK$	Between 2 and 5 years HK$	Total HK$
As at 30 June 2015				
Trade and other payables	**48,009,318**	**–**	**–**	**48,009,318**
Borrowings*	**22,047,737**	**–**	**–**	**22,047,737**
	70,057,055	**–**	**–**	**70,057,055**
As at 30 June 2014				
Trade and other payables	55,337,867	–	–	55,337,867
Borrowings*	22,212,667	–	–	22,212,667
	77,550,534	–	–	77,550,534

* The borrowings include future interest payment (Note 18).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt refers to total 'borrowings' as shown in the consolidated balance sheets. Total capital is calculated as 'equity' as shown in the consolidated balance sheets plus total debt.

During years ended 30 June 2015 and 2014, the Group's strategy is to maintain the gearing ratio below 50%. The gearing ratio at 30 June 2015 and 2014 were as follows:

	As at 30 June	
	2015	2014
	HK$	HK$
Total debt – total borrowings (Note 18) (a)	**22,000,000**	22,000,000
Total equity	**211,895,760**	196,540,918
Total capital (b)	**233,895,760**	218,540,918
Gearing ratio ((a)/(b))	**9.4%**	10.1%

3.3 Fair value estimation

The carrying amount of the Group's other 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. 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.4 Financial instruments by category

Group

	Loans and receivables HK$	Available-for-sale financial assets HK$	Total HK$
Assets as per consolidated balance sheet			
As at 30 June 2015			
Available-for-sale financial assets (Note 9)	–	10,144,560	10,144,560
Trade and other receivables (Note 10)	127,331,066	–	127,331,066
Restricted bank balances (Note 13)	1,567,382	–	1,567,382
Cash and cash equivalents (Note 13)	46,940,520	–	46,940,520
Total	175,838,968	10,144,560	185,983,528
As at 30 June 2014			
Trade and other receivables (Note 10)	102,620,213	–	102,620,213
Restricted bank balances (Note 13)	957,225	–	957,225
Cash and cash equivalents (Note 13)	91,859,246	–	91,859,246
Total	195,436,684	–	195,436,684

	Financial liabilities measured at amortised cost As at 30 June	
	2015 HK$	2014 HK$
Liabilities as per consolidated balance sheet		
Borrowings (Note 18)	**22,000,000**	22,000,000
Trade and other payables (Note 17)	**48,009,318**	55,337,867
Total	**70,009,318**	77,337,867

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.4 Financial instruments by category *(Continued)*

Company

	Loans and receivables As at 30 June	
	2015	2014
	HK$	HK$
Assets as per balance sheet		
Other receivables (Note 10)	**601,000**	2,020
Cash and cash equivalents	**507,247**	1,647,791
Total	**1,108,247**	1,649,811

	Financial liabilities measured at amortised cost	
	2015	2014
	HK$	HK$
Liabilities as per balance sheet		
Other payables (Note 17)	**7,948,942**	6,464,108

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Carrying value of non-current assets

Non-current assets, including land use rights, investment properties and property, plant and equipment are carried at cost less accumulated amortisation/depreciation. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the noncurrent assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(b) Useful lives of property, plant, equipment and investment properties

The management determine the estimated useful lives and related depreciation charges for its property, plant, equipment and investment properties. This estimate is based on the historical experience of the actual useful lives of property, plant, equipment and investment properties of similar nature and functions. These estimates may change in the future as a result of technical innovations and competitor actions. The management will increase depreciation charges where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Impairment of trade receivables

Over 15% and 25% of the trade receivables were past due over one year but not considered as impaired as at 30 June 2015 and 2014 respectively. The management estimates the provision of impairment of such receivables by assessing their recoverability individually with reference to their past repayment history as well as subsequent settlement status. Provisions are applied to these receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade receivable and impairment charge in the period in which such estimate has been changed.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to industry cycles. Management reassesses the estimates at each balance sheet date.

(e) Current and deferred income taxes

The Group is subject to income taxes in a few jurisdictions. Judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the periods in which such determination are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation in the periods in which such estimate is changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(f) Warranty claims

The Group generally offers one to two years warranties for its products sold. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. Factors that could impact the estimated claim information include the success of the Group's productivity and quality initiatives, as well as parts and labour costs. However, in so far as the factors changes, the estimate of the associated expenses may be subject to revision from time to time.

4.2 Critical judgements in applying the Group's accounting policies

(a) Revenue recognition

The Group manufactures and sells a range of industrial automation systems and sludge treatment products. Cash collection is in accordance with the milestone specified in each sales contract (Note 3.1(b)). Under respective contracts, the Group is obliged to design and manufacture the products, and complete the functional testing after the customer's whole production line including the Group's products has been installed, for which the duration of each contact fluctuated and may last over one year. As such, the revenue to be recognised in future periods maybe related to products delivered in earlier periods.

The Group determines whether a sales contract is sales of goods or qualifies as construction contract. In making its judgement, the Group considers whether the sales contract is specifically negotiated for construction of a product. If the major structural elements of the products are standard products designed by the Group with limited custom-built features based on the customer's requirements, revenue from the sales of goods is recognised when the risk and reward of the goods has been transferred to the customer, which is usually upon delivery of products to the customer and completion of the installation and debugging (if required), and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Otherwise, the sales contract qualifies as construction contract. Judgment is applied in determining whether the customers' specifications are limited and that a sales contract does not qualify as construction contract. The Group considers each sales contract separately in making its judgment.

The Group uses the percentage-of-completion method in the accounting of a construction contract. Use of the percentage-of-completion method requires the Group to estimate the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs to completion for each contract. Where contract costs incurred to total estimated costs to completion differ by 10% from management's estimates, the amount of revenue recognised in the year would be increased or decreased by HK$ 1,727,468 if the proportion performed were increased or decreased.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The Board has determined the operating segments based on these reports.

The Board considers the business from a product perspective. The Board assesses the performance of the operating segments based on a measure of segment profit or loss.

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

Revenues from two customers of the industrial automation systems segment amounted to HK$65,686,976 and HK$47,505,374 each representing over 10% of the Group's total revenue for the year ended 30 June 2015. No revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue for the year ended 30 June 2014.

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 consolidated 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.

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, restricted cash, the cash and cash equivalents, investment properties and available-for-sale financial assets.

Segment liabilities comprise operating liabilities which exclude borrowings and tax liabilities.

5 SEGMENT INFORMATION *(Continued)*

The segment results for the year ended 30 June 2015:

	Industrial automation systems and related projects HK$	Sludge treatment products HK$	After-sales and other services HK$	Total HK$
Segment revenue from external customers	281,954,394	63,947,627	35,453,398	381,355,419
Segment cost of sales	(218,113,246)	(46,358,309)	(22,609,874)	(287,081,429)
Segment gross profit	63,841,148	17,589,318	12,843,524	94,273,990
Segment results	41,818,505	11,021,761	12,395,861	65,236,127
Common administrative expenses				(29,785,354)
Other losses – net				(947,989)
Other income				3,907,416
Finance income – net				806,680
Profit before income tax				39,216,880
Income tax expense				(4,762,743)
Profit for the year				34,454,137

5 SEGMENT INFORMATION *(Continued)*

Other segment items included in the consolidated statement of comprehensive income:

	Industrial automation systems and related projects HK$	Sludge treatment products HK$	After-sales and other services HK$	Unallocated HK$	Total HK$
Capital expenditure	8,204,862	1,554,967	–	542,546	10,302,375
Depreciation of property, plant and equipment	1,825,517	739,250	–	1,682,350	4,247,117
Amortization of land use rights	135,350	58,216	–	52,500	246,066
Depreciation of investment properties	–	–	–	98,133	98,133

The segment assets and liabilities as at 30 June 2015 are as follows:

	Industrial automation systems and related projects HK$	Sludge treatment products HK$	After-sales and other services HK$	Unallocated HK$	Total HK$
Segment assets	179,845,344	58,667,294	6,673,377	93,361,336	338,547,351
Segment liabilities	(67,077,865)	(23,572,185)	(4,094,333)	(31,907,208)	(126,651,591)

5 SEGMENT INFORMATION *(Continued)*

The segment results for the year ended 30 June 2014:

	Industrial automation systems and related projects HK$	Sludge treatment products HK$	After-sales and other services HK$	Total HK$
Segment revenue from external customers	203,948,533	65,685,847	39,271,535	308,905,915
Segment cost of sales	(149,363,059)	(47,116,238)	(26,195,798)	(222,675,095)
Segment gross profit	54,585,474	18,569,609	13,075,737	86,230,820
Segment results	31,158,805	9,069,057	12,410,175	52,638,037
Common administrative expenses				(19,457,528)
Other losses – net				(56,259)
Other income				3,018,267
Finance costs – net				1,220,319
Profit before income tax				37,362,836
Income tax expense				(8,867,247)
Profit for the year				28,495,589

5 SEGMENT INFORMATION *(Continued)*

Other segment items included in the consolidated statement of comprehensive income:

	Industrial automation systems and related projects HK$	Sludge treatment products HK$	After-sales and other services HK$	Unallocated HK$	Total HK$
Capital expenditure	7,487,085	6,669,111	–	–	14,156,196
Depreciation of property, plant and equipment	1,464,846	1,145,340	–	928,356	3,538,542
Amortization of land use rights	71,249	94,532	–	85,248	251,029

The segment assets and liabilities as at 30 June 2014 are as follows:

	Industrial automation systems and related projects HK$	Sludge treatment products HK$	After-sales other services HK$	Unallocated HK$	Total HK$
Segment assets	172,688,868	85,907,446	10,271,630	111,546,087	380,414,031
Segment liabilities	(123,706,219)	(24,251,398)	(2,574,913)	(33,340,583)	(183,873,113)

6 LAND USE RIGHTS

Land use rights represent the net book amount of prepaid operating lease payments. All the land use rights of the Group are located in the PRC and are held on leases with remaining periods of between 29 to 40 years.

Movements in land use rights are as follows:

	Year ended 30 June	
	2015	2014
	HK$	HK$
At beginning of year		
Cost	**10,430,889**	10,394,878
Accumulated amortisation	**(1,611,348)**	(1,355,189)
Net book amount	**8,819,541**	9,039,689
Opening net book amount	**8,819,541**	9,039,689
Amortisation for the year (Note 22)	**(246,066)**	(251,029)
Transferred to investment properties (Note 7)	**(4,095,922)**	–
Foreign exchange difference	**41,454**	30,881
Closing net book amount	**4,519,007**	8,819,541
At end of year		
Cost	**5,692,575**	10,430,889
Accumulated amortisation	**(1,173,568)**	(1,611,348)
Net book amount	**4,519,007**	8,819,541

Amortisation expense has been charged to 'administrative expenses' in the consolidated statements of comprehensive income.

As at 30 June 2015, land use rights with an aggregate carrying amount of HK$2,579,084 were pledged as collateral for the Group's banking facilities (Note 18) (2014: HK$2,631,577).

7 INVESTMENT PROPERTIES

The investment properties are located in the PRC and their net book values are analysed as follows:

	Year ended 30 June	
	2015	2014
	HK$	HK$
At beginning of year		
Cost	**–**	–
Accumulated depreciation	**–**	–
Net book amount	**–**	–
Opening net book amount	**–**	–
Transfer from property, plant and equipment (Note 8)	**4,746,185**	–
Transfer from land use rights (Note 6)	**4,095,922**	–
Depreciation (Note 22)	**(98,133)**	–
Foreign exchange difference	**33,633**	–
Closing net book amount	**8,777,607**	–
At end of year		
Cost	**10,739,347**	–
Accumulated depreciation	**(1,961,740)**	–
Net book amount	**8,777,607**	–

As at 30 June 2015, the fair values of the investment properties were approximately HK$14.27 million (2014: nil). These estimates are made by the directors with reference to market transacted prices for similar properties in the vicinity of the relevant properties. In case where market transacted prices were not available, fair values were estimated using discounted cash flow projections based on reliable estimates of future rental income or market rents for similar properties in the same location and condition, where appropriate. The fair value of investment properties was measured on Level 3 fair value measurement.

Amounts recognised in profit and loss for investment properties included:

	Year ended 30 June	
	2015	2014
	HK$	HK$
Rental income	**151,707**	–
Depreciation of investment properties charged to the consolidated statements of comprehensive income (Note 22)	**(98,133)**	–
	53,574	–

As at 30 June 2015, the Group had no significant contractual obligations for future repairs and maintenance of the investment properties (2014: nil).

8 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$	Machineries and vehicles HK$	Furniture, fittings and equipment HK$	Construction in progress HK$	Total HK$
At 1 July 2014					
Cost	34,372,402	9,798,861	7,264,743	12,189,489	63,625,495
Accumulated depreciation	(8,480,531)	(2,600,318)	(3,581,691)	–	(14,662,540)
Net book amount	25,891,871	7,198,543	3,683,052	12,189,489	48,962,955
Year ended 30 June 2015					
Opening net book amount	25,891,871	7,198,543	3,683,052	12,189,489	48,962,955
Additions	69,843	1,649,438	1,391,847	7,191,247	10,302,375
Transfers	19,414,098	–	–	(19,414,098)	–
Transfer to investment properties (Note 7)	(4,746,185)	–	–	–	(4,746,185)
Depreciation (Note 22)	(1,860,048)	(946,240)	(1,440,829)	–	(4,247,117)
Foreign exchange difference	220,263	50,173	24,025	33,362	327,823
Closing net book amount	38,989,842	7,951,914	3,658,095	–	50,599,851
At 30 June 2015					
Cost	54,157,938	11,519,257	8,698,825	–	74,376,020
Accumulated depreciation	(15,168,096)	(3,567,343)	(5,040,730)	–	(23,776,169)
Net book amount	38,989,842	7,951,914	3,658,095	–	50,599,851
At 1 July 2013					
Cost	34,178,410	8,143,563	6,955,349	–	49,277,322
Accumulated depreciation	(6,953,337)	(1,793,054)	(2,336,277)	–	(11,082,668)
Net book amount	27,225,073	6,350,509	4,619,072	–	38,194,654
Year ended 30 June 2014					
Opening net book amount	27,225,073	6,350,509	4,619,072	–	38,194,654
Additions	75,455	1,624,273	288,057	12,168,411	14,156,196
Depreciation (Note 22)	(1,500,505)	(799,666)	(1,238,371)	–	(3,538,542)
Foreign exchange difference	91,848	23,427	14,294	21,078	150,647
Closing net book amount	25,891,871	7,198,543	3,683,052	12,189,489	48,962,955
At 30 June 2014					
Cost	34,372,402	9,798,861	7,264,743	12,189,489	63,625,495
Accumulated depreciation	(8,480,531)	(2,600,318)	(3,581,691)	–	(14,662,540)
Net book amount	25,891,871	7,198,543	3,683,052	12,189,489	48,962,955

8 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expense have been charged to the consolidated statements of comprehensive income as follows:

	Year ended 30 June	
	2015	2014
	HK$	HK$
Cost of sales	**2,307,008**	1,547,318
Administrative expenses	**1,725,584**	1,680,712
Research and development expenses	**214,525**	310,512
	4,247,117	3,538,542

As at 30 June 2015, buildings with an aggregate carrying amount of HK$15,974,584 were pledged as collateral for the Group's banking facilities (Note 18) (2014: HK$17,155,450).

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June	
	2015	2014
	HK$	HK$
As at 30 June	**–**	
Additions	**73,266,243**	–
Disposals	**(63,160,554)**	–
Foreign exchange difference	**38,871**	–
End of the year	**10,144,560**	–

Available-for-sale financial assets include the following:

	As at 30 June	
	2015	2014
	HK$	HK$
Unlisted equity interests	**10,144,560**	–

The Group's unlisted equity interests represents an investment in 9% of equity interest in a management consulting company operating in the PRC.

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

As the above investment does not have any quoted market price in an active market, the range of reasonable fair value estimate is so significant and the probabilities of the various estimates cannot be reasonably assessed, the Directors are of the opinion that their fair values cannot be reliably measured. Therefore, these investments are stated at cost less impairment, if any.

10 TRADE AND OTHER RECEIVABLES

(a) Group

	As at 30 June 2015 HK$	As at 30 June 2014 HK$
Warranty receivables (i)	**23,433,385**	24,319,196
Amounts due from customers for contract work (ii)	**8,405,791**	–
Other trade receivables	**62,642,301**	37,291,531
	94,481,477	61,610,727
Less: provision for impairment of trade receivables	**(6,464,571)**	(6,722,075)
Trade receivables – net	**88,016,906**	54,888,652
Bills receivable	**2,993,275**	44,019,889
Trade and bills receivables	**91,010,181**	98,908,541
Other receivables due from related parties (Note 33(c))	**63,403**	142,777
Other receivables - performance guarantee	**26,472,451**	–
Others	**9,785,031**	3,568,895
	36,320,885	3,711,672
Total trade and other receivables	**127,331,066**	102,620,213
Less: trade and other receivables- non-current portion (i)	**(11,255,611)**	(1,251,763)
	116,075,455	101,368,450

10 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Group *(Continued)*

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

As at 30 June 2015 and 2014, the ageing analysis of the warranty receivables (including non-current portion) is as follows:

	As at 30 June	
	2015	2014
	HK$	HK$
Warranty receivables		
Up to 3 months	**3,780,256**	3,478,647
3 months to 6 months	**1,425,813**	1,536,694
6 months to 1 year	**4,475,914**	6,114,641
1 year to 2 years	**7,189,013**	9,085,052
Over 2 years	**6,562,389**	4,104,162
	23,433,385	24,319,196

(ii) Amounts due from customers for contract work at the date of statement of financial position are as follows:

	2015	2014
	HK$	HK$
Cost incurred	**12,991,022**	–
Recognised profits	**1,445,974**	–
	14,436,996	–
Less: progress billings	**(6,086,736)**	–
Foreign exchange difference	**55,531**	–
	8,405,791	–
Represented by:		
Amounts due from customers	**8,405,791**	–

10 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Group *(Continued)*

(iii) All non-current receivables are due within two years from the end of the year.

As at 30 June 2015 and 2014, the ageing analysis of other trade receivables (including non-current portion) is as follows:

	As at 30 June 2015 HK$	2014 HK$
Other trade receivables		
Up to 3 months	**19,278,531**	11,071,235
3 months to 6 months	**26,959,292**	8,462,070
6 months to 1 year	**8,318,339**	7,892,886
1 year to 2 years	**5,915,126**	8,037,689
Over 2 years	**2,171,013**	1,827,651
	62,642,301	37,291,531

As at 30 June 2015 and 2014, trade receivables of HK$78,334,923 and HK$43,758,670 respectively, were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 30 June 2015 HK$	2014 HK$
Past due within 3 months	**27,684,322**	11,071,235
Past due in 3 months to 6 months	**26,959,292**	8,462,070
Past due in 6 months to 1 year	**8,318,339**	7,892,886
1 year to 2 years	**10,351,887**	14,006,956
Over 2 years	**5,021,083**	2,325,523
	78,334,923	43,758,670

10 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Group *(Continued)*

As at 30 June 2015, trade receivables of HK$6,464,571 (2014: HK$6,722,075) were impaired and fully provided for. The individually impaired receivables mainly relate to customers those are in unexpectedly difficult economic situations. The ageing of these trade receivables is as follows:

	As at 30 June	
	2015	2014
	HK$	HK$
1 year to 2 years	**2,752,252**	3,115,785
Over 2 years	**3,712,319**	3,606,290
	6,464,571	6,722,075

Movements on the Group's provision for impairment of trade receivables are as follows:

	Year ended 30 June	
	2015	2014
	HK$	HK$
At 1 July	**6,722,075**	3,617,438
Provision for impairment of receivables (Note 22)	**1,873,258**	3,086,758
Receivables written off during the year as uncollectible	**(2,173,930)**	–
Foreign exchange difference	**43,168**	17,879
At 30 June	**6,464,571**	6,722,075

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the consolidated statement of comprehensive income.

Trade and other receivables are unsecured and interest free. The carrying amounts of trade and other receivables approximate their fair values.

The carrying amounts of the Group's trade and other receivables are denominated in RMB.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

10 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Company

	Year ended 30 June	
	2015	2014
	HK$	HK$
Other receivables due from third parties	**1,000**	2,020
Other receivables due from subsidiaries	**600,000**	–
	601,000	2,020

11 PREPAYMENTS

(a) Group

	As at 30 June	
	2015	2014
	HK$	HK$
Non-current		
Prepayments for operating lease payment – non-current portion	**435,874**	509,453
Current		
Prepayments for raw materials purchases	**13,449,138**	14,627,384
Prepayments for expenses	**76,667**	319,032
	13,525,805	14,946,416
	13,961,679	15,455,869

(b) Company

	As at 30 June	
	2015	2014
	HK$	HK$
Prepayments for expenses	**76,666**	50,000

12 INVENTORIES

	As at 30 June	
	2015	2014
	HK$	HK$
Raw materials	**20,123,658**	34,669,664
Work in progress	**36,487,473**	25,267,062
Finished goods	**14,357,431**	48,715,370
	70,968,562	108,652,096

The cost of inventories recognised as expense and included in 'cost of sales' amounted to HK$284,652,304 and HK$220,867,820, which included provision for write-down of inventories of HK$2,194,597 and HK$1,320,061 for the years ended 30 June 2015 and 2014 respectively (Note 22).

Movements on the Group's provision for write-down of inventories are as follows:

	Year ended 30 June	
	2015	2014
	HK$	HK$
At 1 July	**4,059,704**	2,727,905
Provision for write-down of inventories (Note 22)	**2,194,597**	1,320,061
Foreign exchange difference	**35,211**	11,738
At 30 June	**6,289,512**	4,059,704

As at 30 June 2015, raw materials with cost of HK$12,420,463 were considered as obsolete (2014: HK$6,963,529) and a provision of HK$6,289,512 (2014: HK$4,059,704) to written down to their net realisable value was made against these raw materials as at 30 June 2015. The Group made an additional provision for inventory write-down of HK$2,194,597 (2014: HK$1,320,061) for the year ended 30 June 2015. The amount charged has been included in 'cost of sales' in the consolidated statement of comprehensive income.

13 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 30 June	
	2015	2014
	HK$	HK$
Cash at bank and on hand	**48,507,902**	78,959,076
Debenture securities with maturities of three months or less (a)	**–**	13,857,395
	48,507,902	92,816,471
Less: Restricted cash (b)	**(1,567,382)**	(957,225)
Cash and cash equivalents (c)	**46,940,520**	91,859,246

(a) The weighted average effective interest rate on debenture securities with maturities of three months or less was 3.3% per annum (2014: 3.2%).

(b) Restricted cash represents cash set aside as deposits for issuance of trade facilities such as bills payable and letter of credit. All restricted cash is denominated in RMB.

(c) Cash and cash equivalents are denominated in the following currencies:

	As at 30 June	
	2015	2014
	HK$	HK$
RMB	**44,716,024**	83,530,779
HK$	**1,587,854**	4,994,101
USD	**636,642**	3,334,366
	46,940,520	91,859,246

14 SHARE CAPITAL AND PREMIUM – GROUP AND COMPANY

(a) Authorized shares

	Number of authorized shares (thousands)
From 1 July 2013 to 30 June 2015	8,000,000

(b) Issued shares

	Number of issued shares	Ordinary shares HK$	Share premium HK$	Total HK$
At 1 July 2014	272,000,000	2,720,000	61,934,254	64,654,254
Dividends (i)	–	–	(20,400,000)	(20,400,000)
At 30 June 2015	272,000,000	2,720,000	41,534,254	44,254,254
Representing:				
Proposed dividends (i)			7,015,000	
Others			34,519,254	
At 30 June 2015			41,534,254	
At 1 July 2013	272,000,000	2,720,000	70,910,254	73,630,254
Dividends				
At 30 June 2014	–	–	(8,976,000)	(8,976,000)
At 30 June 2014	272,000,000	2,720,000	61,934,254	64,654,254
Representing:				
Proposed dividends (i)			13,600,000	
Others			48,334,254	
At 30 June 2014			61,934,254	

14 SHARE CAPITAL AND PREMIUM – GROUP AND COMPANY *(Continued)*

(b) Issued shares *(Continued)*

(i) 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. Details of the proposed dividends are set out in Note 29.

15 RETAINED EARNINGS

	Year ended 30 June	
	2015	2014
	HK$	HK$
At 1 July	**67,282,385**	42,088,858
Profit for the year	**34,454,137**	28,495,589
Appropriation to statutory reserves (Note 16)	**(4,684,598)**	(3,302,062)
At 30 June	**97,051,924**	67,282,385

16 OTHER RESERVES

	Reorganisation reserve	Merger reserve	Statutory reserves (i)	Translation differences	Total
	HK$	HK$	HK$	HK$	HK$
At 1 July 2014	3,000,000	40,424,773	8,575,001	12,604,505	64,604,279
Translation differences	–	–	–	1,300,705	1,300,705
Appropriation to statutory reserves (Note 15)	–	–	4,684,598	–	4,684,598
At 30 June 2015	3,000,000	40,424,773	13,259,599	13,905,210	70,589,582
At 1 July 2013	3,000,000	40,424,773	5,272,939	11,791,098	60,488,810
Translation differences	–	–	–	813,407	813,407
Appropriation to statutory reserves (Note 15)	–	–	3,302,062	–	3,302,062
At 30 June 2014	3,000,000	40,424,773	8,575,001	12,604,505	64,604,279

16 OTHER RESERVES *(Continued)*

(i) Statutory reserves

Pursuant to the Company Law of the PRC and the Articles of Association of the subsidiary of the Company in the PRC, it is required to appropriate 10% of each year's net profit according to the PRC accounting standard and regulations (after offsetting previous years' losses) to statutory surplus reserve until such reserve reached 50% of its registered capital; after the appropriation to statutory surplus reserve, the subsidiary in the PRC can appropriate profit, subject to respective owners' approval, to discretionary surplus reserve.

The appropriation to statutory and discretionary surplus reserves must be made before distribution of dividends to owners. These reserves shall only be used to make up for previous years' losses, to expand production operations, or to increase the capital of the PRC subsidiary. The statutory surplus reserve can be transferred to paid-in capital, provided that the balance of the statutory surplus reserve after such transfer is not less than 25% of its registered capital.

17 TRADE AND OTHER PAYABLES

(a) Group

	As at 30 June	
	2015	2014
	HK$	HK$
Trade payables - due to third parties	**35,556,594**	29,133,087
Construction payables (i)	**3,601,917**	–
Trade payables - due to a related party (Note 33(c))	**–**	13,860,684
Bills payable	**4,230,145**	2,139,058
	43,388,656	45,132,829
Other taxes payable	**1,567,450**	2,475,826
Employee benefit payables	**3,170,175**	2,191,731
Advances from customers (ii)	**47,056,346**	94,341,429
Provision for warranty expenses	**2,060,749**	1,565,766
Payables for property, plant and equipment	**169,658**	8,311,239
Others	**4,451,004**	1,893,799
	58,475,382	110,779,790
	101,864,038	155,912,619

17 TRADE AND OTHER PAYABLES *(Continued)*

(a) Group *(Continued)*

(i) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis is presented.

(ii) Advances from customers represent the down payment from the customers according to the contract payment schedule. 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; up to approximately 90% to 95% of the contract sum upon delivery, but before the completion of the installation and debugging.

At 30 June 2015 and 2014, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) is as follows:

	As at 30 June	
	2015	2014
	HK$	HK$
Up to 3 months	**24,994,445**	41,603,159
3 to 6 months	**1,357,662**	508,821
6 to 1 year	**7,194,635**	308,277
1 to 2 years	**1,539,382**	106,513
Over 2 years	**470,470**	467,001
	35,556,594	42,993,771

(b) Company

	As at 30 June	
	2015	2014
	HK$	HK$
Other payables – due to fellow subsidiaries	**7,850,954**	6,232,108
Others	**97,988**	232,000
	7,948,942	6,464,108

18 BORROWINGS

	As at 30 June 2015 HK$	2014 HK$
Loan from an independent third party (i)	**22,000,000**	22,000,000

(i) As at 30 June 2015, the Group's loan of HK$22,000,000 from an independent third party borne an interest at the rate of 3.6% (2014: 6%) per annum and was repayable in August 2015. The above loan had been repaid in advance of the due date by the Group in July 2015.

The carrying amounts of the Group's borrowings are all denominated in HK$.

The fair value of the borrowings approximates their carrying amount.

As at 30 June 2015, the Group has the following unutilised banking facilities:

	As at 30 June 2015 HK$	2014 HK$
Authorised banking facilities – expiring within one year	**63,403,500**	62,988,158
Less: used banking facilities	**(11,429,622)**	(2,475,309)
	51,973,878	60,512,849

The Group's certain land use right (Note 6) and buildings (Note 8) were pledged as securities for the above banking facilities.

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes related to the same tax authority. As at 30 June 2015 and 2014, the analysis of deferred tax assets and deferred tax liabilities are as follows:

	As at 30 June	
	2015	2014
	HK$	HK$
Deferred tax assets		
– to be recovered after more than 12 months	**2,072,478**	–
– to be recovered within 12 months	**1,664,639**	3,086,886
	3,737,117	3,086,886
Deferred tax liabilities		
– to be recovered after more than 12 months	**–**	–
– to be recovered within 12 months	**389,594**	1,360,000
	389,594	1,360,000

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES *(Continued)*

The gross movement on the deferred income tax account is as follows:

	Deferred income tax assets					Deferred income tax liabilities
	Provision for warranty expenses	Provision for impairment	Provision for deductible losses	Provision for accrual expenses	Total	Withholding tax on unremitted earnings of Zhejiang Huazhang
	HK$	HK$	HK$	HK$	HK$	HK$
At 1 July 2014	**391,441**	**2,695,445**	**–**	**–**	**3,086,886**	**(1,360,000)**
Payments	**–**	**–**	**–**	**–**	**–**	**1,212,478**
Credited/(charged) to the consolidated statement of comprehensive income (Note 27)	**(84,585)**	**(797,041)**	**1,350,334**	**158,755**	**627,463**	**(235,310)**
Foreign exchange difference	**2,255**	**14,708**	**5,194**	**611**	**22,768**	**(6,762)**
At 30 June 2015	**309,111**	**1,913,112**	**1,355,528**	**159,366**	**3,737,117**	**(389,594)**
At 1 July 2013	223,490	951,802	–	–	1,175,292	(807,350)
Payments	–	–	–	–	–	453,740
Credited/(charged) to the consolidated statement of comprehensive income (Note 27)	166,888	1,737,336	–	–	1,904,224	(1,015,742)
Foreign exchange difference	1,063	6,307	–	–	7,370	9,352
At 30 June 2014	391,441	2,695,445	–	–	3,086,886	(1,360,000)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 30 June 2015, the Group did not recognise deferred income tax asset of HK$1,135,470 (2014: HK$705,251) in respect of tax losses of HK$6,881,635 (2014: HK$4,274,249) as the management did not expect the tax losses can be realised in the foreseeable future. There is no expiry date for the tax losses.

Deferred income tax liabilities of HK$2,846,104 (2014: HK$3,321,496) have not been recognised for the withholding income tax on the unremitted earnings of certain subsidiaries. Such unremitted earnings are considered permanently reinvested and amounted to HK$56,922,077 at 30 June 2015 (2014: HK$33,214,956).

20 REVENUE

	Year ended 30 June	
	2015	2014
	HK$	HK$
Revenue from sales of industrial automation systems and related projects	**281,954,394**	203,948,533
Revenue from sales of sludge treatment products	**63,947,627**	65,685,847
Revenue from provision of after-sales and other services	**35,453,398**	39,271,535
	381,355,419	308,905,915

21 OTHER INCOME

	Year ended 30 June	
	2015	2014
	HK$	HK$
Government grants	**3,090,951**	2,789,197
Operating lease income	**458,566**	229,070
Sales of scraped materials	**357,899**	–
	3,907,416	3,018,267

The government grants represent subsidies received from local finance bureau.

22 EXPENSES BY NATURE

	Year ended 30 June 2015 HK$	2014 HK$
Raw materials used (Note 12)	**241,424,238**	207,726,159
Employee benefit expenses (Note 24)	**42,025,170**	40,131,548
Change in inventories of finished goods and work in progress (Note 12)	**23,137,528**	(7,909,892)
Travelling expenses	**5,997,983**	5,760,219
Depreciation of property, plant and equipment (Note 8)	**4,247,117**	3,538,542
Warranty expenses	**4,040,790**	3,084,241
Office expenses	**3,608,748**	2,916,797
Transportation expenses	**3,214,112**	4,005,616
Miscellaneous tax charges other than value added tax and income tax	**2,779,944**	2,460,033
Provision for write-down of inventories (Note 12)	**2,194,597**	1,320,061
Professional service fees	**2,110,263**	1,703,887
Auditor's remuneration	**1,885,387**	1,709,629
Provision for impairment of trade receivables (Note 10)	**1,873,258**	3,086,758
Utilities	**1,532,079**	1,065,879
Amortisation of land use rights (Note 6)	**246,066**	251,029
Depreciation of investment properties (Note 7)	**98,133**	–
Other expenses	**5,489,233**	4,874,900
Total cost of sales, distribution costs, administrative expenses and research and development expenses	**345,904,646**	275,725,406

23 OTHER LOSSES – NET

	Year ended 30 June 2015 HK$	2014 HK$
Donation	**(1,000,000)**	(25,152)
Gain on disposal of available-for-sale financial assets	**52,011**	–
Others	**–**	(31,107)
	(947,989)	(56,259)

24 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 30 June 2015 HK$	2014 HK$
Wages and salaries	**26,861,974**	25,181,537
Bonus	**3,479,286**	3,671,896
Social security costs	**7,183,730**	7,008,272
Other benefits	**4,500,180**	4,269,843
	42,025,170	40,131,548

25 DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director of the Company paid/payable by the Group for the year ended 30 June 2015 is set out as follows:

Name	Fees HK$	Salary HK$	Bonus HK$	Other Benefits HK$	Total HK$
Mr. Zhu (Chairman)	–	978,561	12,632	5,754	996,947
Mr. Wang Ai Yan (i)	–	917,927	–	5,754	923,681
Mr. Jin Hao	–	500,232	189,343	13,333	702,908
Mr. Zhong Xin Gang	–	348,646	37,896	12,014	398,556
Mr. Kong Chi Mo	120,000	–	–	–	120,000
Mr. Dai Tian Zhu	120,000	–	–	–	120,000
Ms. Chen Jin Mei	–	–	–	–	–
	240,000	2,745,366	239,871	36,855	3,262,092

The remuneration of each director of the Company paid/payable by the Group for the year ended 30 June 2014 is set out as follows:

Name	Fees HK$	Salary HK$	Bonus HK$	Other Benefits HK$	Total HK$
Mr. Zhu (Chairman)	–	1,056,371	168,759	5,030	1,230,160
Mr. Jin Hao	–	498,004	85,714	30,182	613,900
Mr. Zhong Xin Gang	–	347,093	–	62,879	409,972
Mr. Kong Chi Mo	120,000	–	–	–	120,000
Mr. Dai Tian Zhu	120,000	–	–	–	120,000
Ms. Chen Jin Mei	60,000	–	–	–	60,000
	300,000	1,901,468	254,473	98,091	2,554,032

25 DIRECTORS' EMOLUMENTS *(Continued)*

(i) Mr. Wang Ai Yan was newly appointed as director and chief executive on 1 October 2014.

For the years ended 30 June 2015 and 2014, no directors received emoluments from the Group as inducement to join or upon joining the Group or as compensation for loss of office. For the year ended 30 June 2015, Ms. Chen Jin Mei waived the emolument amounted to HK$120,000 (2014: HK$60,000).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the years ended 30 June 2015 and 2014 include three directors, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals during the years ended 30 June 2015 and 2014 respectively are as follows:

	Year ended 30 June	
	2015	2014
	HK$	HK$
Salary	**1,357,927**	1,193,187
Bonus	**138,425**	188,638
Other benefits	**13,333**	45,182
	1,509,685	1,427,007

The emoluments fell within the following bands:

	Number of individuals Year ended 30 June	
	2015	2014
Emolument bands (in HK$)		
HK$nil – HK$1,000,000	**2**	2

For the years ended 30 June 2015 and 2014, no emoluments were paid by the Group to the five highest individuals as inducement to join or upon joining the Group or as compensation for loss of office.

26 FINANCE INCOME – NET

	Year ended 30 June	
	2015	2014
	HK$	HK$
Finance costs		
– Interest expenses on borrowings	**(875,640)**	(124,667)
– Net foreign exchange loss	**–**	(35,761)
	(875,640)	(160,428)
Finance income		
– Interest income on bank deposits and debenture securities	**1,609,356**	1,380,747
– Net foreign exchange gain	**72,964**	–
	1,682,320	1,380,747
Net finance income	**806,680**	1,220,319

27 INCOME TAX EXPENSE

	Year ended 30 June	
	2015	2014
	HK$	HK$
Current income tax		
– PRC enterprise income tax	**5,154,896**	9,731,976
– Hong Kong profits tax	**–**	23,753
Deferred income tax (Note 19)	**(392,153)**	(888,482)
Income tax expense	**4,762,743**	8,867,247

(i) Cayman Islands profits tax

The Company is not subject to income tax in the Cayman Islands.

(ii) Hong Kong profits tax

No Hong Kong profits tax has been provided for the year ended 30 June 2015, as the Group has no taxable profit earned or derived in Hong Kong for the year. For the year ended 30 June 2014, Hong Kong profits tax has been provided at the rate of 16.5%.

(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 of companies established in the PRC is unified at 25%, effective from 1 January 2008.

27 INCOME TAX EXPENSE *(Continued)*

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

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 has obtained the qualification of High and New Technology Enterprise in the calendar year of 2008, 2011 and 2014, with validation period of three years each. The applicable EIT rate of Zhejiang Huazhang is 15% from 2008 till 2016, hence the applicable income tax rate of Zhejiang Huazhang is 15% for the year ended 30 June 2015 (2014: 15%). Zhejiang Huazhang's 2011 tax benefit period ended by 31 December 2013 and the application for the next three years tax benefit period from calendar year 2014 was approved by the PRC tax bureau in May 2015. As such, the EIT of Zhejiang Huazhang for the calendar year 2014 was provided and paid at 25%. The overpaid tax has been refunded to Zhejiang Huazhang before June 2015. The EIT and deferred income tax have been re-measured accordingly.

(iv) PRC withholding income tax

According to the new EIT Law, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding company established out of the PRC when their PRC subsidiary declares dividends out of their profits earned after 1 January 2008. A lower withholding 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. The deferred tax liabilities in respect of the withholding tax on the unremitted earnings of the PRC subsidiaries are disclosed in Note 19.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 30 June	
	2015	2014
	HK$	HK$
Profit before income tax	**39,216,880**	37,362,836
Tax calculated at tax rates applicable to profits in the respective jurisdiction	**10,195,825**	9,642,219
Tax effects of:		
Effect of preferential tax rate	**(7,798,866)**	(1,563,382)
Expenses not deductible for tax purposes	**132,166**	242,374
Tax losses for which no deferred income tax asset was recognised	**760,174**	585,284
Re-measurement of deferred income tax (Note 27(iii))	**1,238,134**	(1,054,990)
Effect of withholding tax on the expected distributable profits of the subsidiary in mainland China (Note 19)	**235,310**	1,015,742
Tax charges	**4,762,743**	8,867,247

28 EARNINGS PER SHARE

Basic earnings per share for the years ended 30 June 2015 and 2014 is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue.

	Year ended 30 June	
	2015	2014
	HK$	HK$
Profit attributable to the owners of the Company	**34,454,137**	28,495,589
Weighted average number of ordinary shares in issue	**272,000,000**	272,000,000
Basic earnings per share	**0.13**	0.10

As there were no dilutive options and other dilutive potential shares in issue during the years ended 30 June 2015 and 2014, diluted earnings per share is the same as basic earnings per share.

29 DIVIDENDS

(i) Dividends attributable to the year:

	Year ended 30 June	
	2015	2014
	HK$	HK$
Interim dividend paid of HK2.5 cents (2014: HK$nil) per ordinary share	**6,800,000**	–
Proposed final dividend of HK2.3 cents (2014: HK5.0 cents) per ordinary share	**7,015,000**	13,600,000
Total	**13,815,000**	13,600,000

(ii) Dividends attributable to the previous financial year, approve and paid during the year:

	Year ended 30 June	
	2015	2014
	HK$	HK$
Final dividend in respect of the previous financial years, approved and paid during the year, of HK 5.0 cents (2014: HK 3.3 cents) per share	**13,600,000**	8,976,000

A dividend in respect of the year ended 30 June 2015 of HK 2.3 cents per share, amounting to a total dividend of HK$7,015,000 based on the number of issued shares outstanding at relevant time, is to be proposed at the Board meeting on 17 September 2015. These financial statements do not reflect this dividend payable.

The aggregate amounts of the dividends paid and proposed during the years ended 30 June 2015 and 2014 have been disclosed in the consolidated statement of comprehensive income in accordance with the Hong Kong Companies Ordinance.

30 INVESTMENTS IN SUBSIDIARIES – COMPANY

	As at 30 June 2015 HK$	2014 HK$
Due from a subsidiary (i)	**66,697,000**	66,697,000
Unlisted equity investments, at cost	**8**	8
	66,697,008	66,697,008

(i) These amounts due from a subsidiary represent equity funding by the Company to the subsidiary and are measured in accordance with the Company's accounting policy for investments in subsidiaries. They are unsecured and non-interest bearing.

The Company's direct and indirect interests in its subsidiaries as at 30 June 2015 and 2014 are set out as follows:

Company name	Place and date of incorporation	Legal status	Registered or authorised capital	Issued and fully paid share capital	Effective interest held * As at 30 June 2015	2014	Principal activities
Zhejiang Huazhang	PRC, 19 July 2001	Foreign investment enterprise	USD16,300,000	USD13,578,280	**100%**	100%	Research and development, supply and sale of industrial automation systems and sludge treatment products, and the provision of after-sales and other service
Huazhang Electric	Hong Kong, 25 March 1993	Investment enterprise	HK$5,000,000	HK$3,000,002	**100%**	100%	Investment holding and trade of electronic parts
Likwin*	BVI, 8 June 2012	Investment enterprise	USD50,000	USD1	**100%**	100%	Investment holding
Huazhang hangzhou	PRC, 7 August 2014	Limited liability company	RMB30,000,000	RMB11,000,000	**100%**	–	Research and development, supply and sale of industrial automation systems and sludge treatment products, and the provision of after-sales and other service

* As at 30 June 2015 and 2014, Likwin is directly held by the Company, all other subsidiaries of the Group are indirectly held by the Company.

31 CASH GENERATED FROM OPERATIONS

Reconciliation of Profit before income tax to net cash generated from operations

	Year ended 30 June 2015 HK$	2014 HK$
Profit before income tax	**39,216,880**	37,362,836
Adjustments for:		
– Depreciation of property, plant and equipment (Notes 8)	**4,247,117**	3,538,542
– Depreciation of Investment properties (Notes 7)	**98,133**	–
– Amortisation of land use rights (Notes 6)	**246,066**	251,029
– Provision for impairment of receivables (Note 10)	**1,873,258**	3,086,758
– Provision for write-down of inventories (Note 12)	**2,194,597**	1,320,061
– Finance income (Note 26)	**(1,682,320)**	(1,380,747)
– Finance costs (Note 26)	**875,640**	160,428
– Gain on disposal of available-for-sale financial assets (Note 23)	**(52,011)**	–
Changes in working capital:		
– Restricted cash	**(610,157)**	4,068,122
– Inventories	**35,453,726**	(14,951,121)
– Trade and other receivables and prepayments	**(24,271,935)**	(56,010,775)
– Trade and other payables	**(46,782,640)**	33,407,290
Cash generated from operations	**10,806,354**	10,852,423

32 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	Year ended 30 June 2015 HK$	2014 HK$
Property, plant and equipment	**–**	5,139,834

32 COMMITMENTS *(Continued)*

(b) Operating lease commitments– group company as lessee

The Group leases a warehouse, an office and motor vehicles under non-cancellable operating lease agreements. The lease terms are within 3 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The minimum lease payments under operating lease as at the years ended 30 June 2015 and 2014 are summarized as follows:

	Year ended 30 June	
	2015	2014
	HK$	HK$
Not later than 1 year	**1,539,637**	791,234
Later than 1 year and no later than 5 years	**2,776,674**	458,551
	4,316,311	1,249,785

(c) Operating leases rental receivables – group company as lessor

The future minimum lease receivables under non-cancellable operating leases as at the years ended 30 June 2015 and 2014 are summarized as follows:

	Year ended 30 June	
	2015	2014
	HK$	HK$
No later than 1 year	**411,979**	–
Later than 1 year and no later than 5 years	**865,155**	–
	1,277,134	–

33 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 years ended 30 June 2015 and 2014, and balances arising from related party transactions as at 30 June 2015 and 2014.

(a) Name and relationship with related parties

Company name	Relationships
Mr. Zhu Gen Rong ("Mr. Zhu") (i)	One of the Controlling Shareholders, chairman of the Company
Mr. Wang Ai Yan ("Mr. Wang") (i)	One of the Controlling Shareholders
Mr. Liu Chuan Jiang ("Mr. Liu") (i)	One of the Controlling Shareholders
Ms. Zhu Ling Yun ("Ms. Zhu") (i)	One of the Controlling Shareholders
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 was held by Huazhang Overseas

(i) Mr. Zhu, Mr. Wang, Mr. Liu and Ms. Zhu are bound to act in concert by contracts and collectively are regarded as the 'Controlling Shareholders' of the Group.

(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

The Group's pricing policy on products sell to and purchase from related parties are determined on a case by case and arm's length basis, with reference to prevailing market price of similar or comparable products and mutually agreed by both parties.

	Year ended 30 June	
	2015	2014
	HK$	HK$
Huazhang Automation (Zhejiang)		
– Sales of goods and services	**1,187,634**	5,904,167
– Purchases of goods and services	**231,709**	58,767,237
– Rental income	**6,427**	164,095
Key management compensation		
– Salaries	**4,330,670**	3,671,020
– Bonus	**386,191**	443,111
– Other benefits	**62,202**	184,956
	4,779,063	4,299,087

33 RELATED-PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

(i) Due from related parties (Note 10):

	As at 30 June	
	2015	2014
	HK$	HK$
Mr. Zhu Genyi		
– Included in other receivables	**63,403**	142,777

The receivables from related parties as at 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 17):

	As at 30 June	
	2015	2014
	HK$	HK$
Huazhang Automation (Zhejiang)		
– Included in trade payables	**–**	13,860,684

The payables to related parties as at 30 June 2014 arise mainly from ordinary course of businesses.

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

34 EVENTS AFTER THE BALANCE SHEET DATE

Issuance of ordinary shares

On 16 July 2015, Florescent Holdings Limited ("Florescent"), the controlling shareholder of the Company, entered into a placing and subscription agreement with a placing agent and the Company, pursuant to which (i) placing a maximum of 33,000,000 ordinary shares (the "Placing Shares") of the Company at a placing price of HK$3.60 per share; and (ii) Florescent agree to subscribe a maximum of 33,000,000 new ordinary shares at HK$3.60 per share.

On 21 July 2015, 33,000,000 ordinary shares of the Company were placed by Florescent to certain independent third parties at a subscription price of HK$3.60 per share. On the same date, the Company issued 33,000,000 new ordinary shares to Florescent at an issue price of HK$3.60 per share. The Company raised approximately HK$118.8 million (net of directly attributable expenses would be approximately HK$116.4 million), which will be used to fund the Group's business expansion in wastewater treatment business, repayment of third party loan and general working capital.