华章科技
HUAZHANG TECHNOLOGY

2014 ANNUAL REPORT

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

(Incorporated in Cayman Islands with limited liability)
Stock code: 8276

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

This report will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company's website at www.hzeg.com.

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Corporate Information

DIRECTORS

Executive Directors

Mr Zhu Gen Rong *(Chairman)*
Mr Zhong Xin Gang
Mr Jin Hao

Independent Non-Executive Directors

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

REMUNERATION COMMITTEE

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

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.

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

Corporate Information

AUDITOR

PricewaterhouseCoopers

REGISTERED ADDRESS

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY'S WEBSITE

www.hzeg.com

STOCK CODE

8276

Financial Summary

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

Notes

(1) The results and summary of assets and liabilities for the year ended 30 June 2012 and 2013 which were extracted from the Prospectus 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 of (the " Board") 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 2014.

In the past year, while the pace of global economic recovery was still low, the Chinese economy faced great downside pressure. The Group's revenue for the year achieved a continuous growth, reaching approximately HK$308,906,000, compared with the previous year, an increase of approximately 22.9%. The profit attributable to equity holders of the Company was approximately to HK$28,496,000, as compared with the previous year, an increase of approximately 61.2%.

Throughout all these years, Huazhang Technology have been working in research and development activities to improve technologies of the existing product. During the year, the Group had 25 new patents and two new software copyrights. To date, the Group has registered 117 patents (including 37 invention patents, 75 utility model patents and five software copyrights). On 31 December 2013, the enforced belt filter press manufactured by the Group, in the 2013 fourth revision of the industry standard prepared by the General Office of Ministry of Industry and Information Technology of the People's Republic of China, was recognized as an industry standard. The continuous research and development results of the Group will enhance the economic efficiencies.

Under the support of the Chinese micro-stimulus policy, macro-economic had an obvious stabilization signs in the first half of 2014. The Chinese economy in the second quarter of 2014 remained in a growth of 7.5%. Facing a complicated domestic economic situation, the paper industry has faced various difficulties and challenges, including overcapacity, tightening environmental regulations and the elimination of outdated production capacity. However, upon the efforts of the Group's management team and customer recognition of the Group's products, these difficulties and challenges will bring many opportunities to the Group.

In order to obtain these opportunities, the Group commenced to construct the 4th phase of the production plant in December 2013, which is located in our production base in Tongxiang. The construction of new plant was expected to be completed in September 2014 and will commence the production thereafter. The Group expects the new plant will increase the production capacities of the Group by approximately 1 times. In addition, the Group will invest in improving the production process and by purchasing laboratory facilities and equipment. At the same time, the Group will increase investments in research and development, and continuously develop new products and enhance the existing products.

Furthermore, in order to explore the large markets, the Group has increased cooperation with industry giants and provided a more comprehensive service to customers. In November 2013, the Group signed a co-operation agreement with the Siemens (China) Co., Ltd.. Huazhang Technology became the first and the only one of Siemens Industrial Solutions Partner in the China region. At the same time, the Group worked with the finance leasing companies for customers to obtain project financing. Through working with Siemens and finance leasing companies, the Group was able to provide customers with more complicated technical solutions and high quality products in industrial control as well as customers can upgrade themselves by using finance lease. The Group will keep efforts to provide more comprehensive "design" "production" "Service" solutions to customers, by working with various enterprises to increase the Group's competitiveness, and at the same time, to explore customers in non-paper industries.

Chairman's Statement

As a listed company, the Group will care of the quality of the working environment, environmental protection and community participation, so the Group will increase resources in these areas in the coming year. Huazhang Technology undertake the staff and society responsibility as a corporate to pursue economic efficiency as well as to pursue the society benefits.

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
5 September 2014

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 22 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 wood 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, accepting tenders for 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所) since October 2009.

Mr ZHONG Xin Gang (鍾新鋼), aged 45, 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 23 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 43, 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 21 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.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr DAI Tian Zhu (戴天柱), aged 60, 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 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 62, 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 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 and chief financial officer of China Vanadium Titano-Magnetite Mining Company Limited (Stock code: 00893) ("China VTM") since October 2013 and May 2008, 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 bronze certificates of merit in continuing professional development both in 2010 and 2011 and silver certificates of merit in continuing professional development both in 2012 and 2013 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.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr Liu Chuan Jiang (劉川江), aged 51, is the deputy general manager and quality assurance director of Zheijiang Huazhang Technology Limited ("Zheijiang Huazhang"). Mr Liu has approximately 22 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 55, 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 34, is company secretary, chief financial officer and authorized representative of the Company with effect from 28 February 2014. Mr. Chan has over 12 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.

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

INDUSTRY REVIEW

In the previous year, Chinese economic situation is complicated. Although the Chinese government announced that Chinese economic growth is maintained at 7.5% in the second quarter of 2014, in terms of the Chinese economic transformation, all industries were in difficult challenges. The paper industry in the previous year has been facing the problem of overcapacities. In 2013, the Ministry of Industry announced the elimination of outdated production capacities, which could not meet the environmental requirements, in the paper industry. It led to some uncertain factors in development of the industry. Although the paper industry was in the trough, many paper companies were still willing to increase capital expenditure, including the construction of a new production line or project for renovation of the plant, in order to meet future demands on its developments.

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 30 June 2014, the Group has entered into contracts (including industrial automation systems, sludge treatment product and after-sales service) with amount of HK$400,061,000, as compared with last year, an increase of 69.1%. As at 30 June 2014, the outstanding contracts amount was HK$297,436,000. Most of them was expected to be completed in the financial year ending 30 June 2015. For the year ended 30 June 2014, the Group's turnover was HK$308,906,000, an increase of 22.9% as compared to that of year ended 30 June 2013. With our management team's efforts and customer recognition of the Group's products, even the Chinese economic was complicated, the competitive advantage of the Group's products and services in the industry prompted an increase in the revenue.

Under the difficult business environment faced by the Chinese paper industry, the Group is actively expanding the market share in the non-paper industries. For the year ended 30 June 2014, revenue from the non-paper industry was accounted for approximately 27.5% of the Group's revenue, as compared with last year, an increase of 8.3%.

FINANCIAL REVIEW

Revenue and gross profit margin

Revenue increased by approximately 22.9% from approximately HK$251,362,000 for the year ended 30 June 2013 to approximately HK$308,906,000 for the year ended 30 June 2014. Gross profit margin decreased from approximately 28.5% for the year ended 30 June 2013 to approximately 27.9% for the year ended 30 June 2014.

(i) Industrial Automation Business

Revenue from sales of Industrial Automation Business increased by approximately 16.6% from approximately HK$174,946,000 for the year ended 30 June 2013 to approximately HK$203,949,000 for the year ended 30 June 2014. Such increase was primarily attributable to the number of completed contracts amounting to HK$5,000,000 or above increased from 7 contracts amounting to approximately HK$50,282,000 for the year ended 30 June 2013 to 10 contracts amounting to approximately HK$89,321,000 for the year ended 30 June 2014. The demand on Industrial Automation Business was high as the Group can provide one-stop value-added services to our customers. The gross profit margin of Industrial Automation Business decreased from approximately 28.0% for the year ended 30 June 2013 to approximately 26.8% for the year ended 30 June 2014. Such decrease is a result of the Group sold the systems with a lower profit margin in order to explore a new market as well as increase in provision of one-stop value-added services.

(ii) Sludge treatment products

Revenue from sales of sludge treatment products increased by approximately 19.8% from approximately HK$54,852,000 for the year ended 30 June 2013 to approximately HK$65,686,000 for the year ended 30 June 2014. Such increase was primarily attributable to the increase in number of contracts completed. The Group completed 127 contracts for the year ended 30 June 2014 as compared with there were only 91 contracts completed for the year ended 30 June 2013 due to our customers are more focused on the environmental protection policy. The gross profit margin of our sludge treatment products increased from approximately 26.4% for the year ended 30 June 2013 to approximately 28.3% for the year ended 30 June 2014. Such increase is mainly attributing to more recognition of our products in the markets under the new environmental protection policy.

FINANCIAL REVIEW *(Continued)*

Revenue and gross profit margin *(Continued)*

(iii) After-sales and other services

Revenue from provision of after-sales and other services increased by approximately 82.1% from HK$21,564,000 for the year ended 30 June 2013 to HK$39,272,000 for the year ended 30 June 2014. Such increase was primarily attributable to increase in demand on after-sales and other services from our customers, including system improvement projects, as well as to increase our resources to provide the service. The gross profit margin for provision of after-sales and other services decreased from approximately 38.3% for the year ended 30 June 2013 to approximately 33.3% for the year ended 30 June 2014. Such decrease is attributing to increase in supply of spare parts and components only with a lower gross profit margin.

Other income

For the years ended 30 June 2013 and 2014, other income amounted to approximately HK$8,214,000 and HK$3,018,000 respectively. The decrease was mainly due to decrease in subsidy received from Tongxiang municipal government of Zhejiang Province amounting to HK$4,889,000 for the year.

Distribution costs

The distribution costs slightly increased by approximately HK$435,000 from approximately HK$11,765,000 for the year ended 30 June 2013 to approximately HK$12,200,000 for the year ended 30 June 2014, accounting for approximately 3.9% of the Group's revenue for the year ended 30 June 2014, as compared with approximately 4.7% last year. The increase in distribution costs is mainly attributing to the increase in costs of sales staff resulted from the growth in sales activities.

Administrative expenses

The administrative expenses decreased by approximately HK$4,553,000 from approximately HK$35,265,000 for the year ended 30 June 2013 to approximately HK$30,713,000 for the year ended 30 June 2014, accounting for approximately 9.9% of the Group's revenue for the year ended 30 June 2014, as compared with approximately 14.0% last year. The decrease in administrative expenses was mainly attributing to the expenses of approximately HK$12,479,000 incurred in connection with the listing of the Company for the year ended 30 June 2013 as no such expenses were incurred for the year. Decrease in such expense decrease was partially offset by the increase in provision for impairment of trade receivables and increase in the headcount of administrative staff and the increase in remuneration.

Research and development expenses

The research and development expenses increased by approximately HK$1,570,000 from approximately HK$8,567,000 for the year ended 30 June 2013 to approximately HK$10,137,000 for the year ended 30 June 2014, accounting for approximately 3.3% of the Group's revenue for the year ended 30 June 2014, as compared with approximately 3.4% 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.

FINANCIAL REVIEW *(Continued)*

Finance (income)/costs – net

For the year ended 30 June 2014, the Group had a finance income - net of approximately HK$1,220,000 as compared with the finance costs - net of approximately HK$657,000 for the year ended 30 June 2013. Such change was mainly attributing to a significant increase in finance income in connection with the increase in the cash and cash equivalents balance after the listing of the Company.

Income tax expense

For the years ended 30 June 2013 and 2014, income tax expense were approximately HK$6,131,000 and HK$8,867,000 respectively. The increase was mainly attributable to the increase in taxable profit earned by the Company's operating subsidiary for the year ended 30 June 2014 and a tax rate of 25% adopted by the Company's operating subsidiary for the six months ended 30 June 2014. The subsidiary obtained qualification as High and New Technology Enterprise in 2011 for a period of three years effective from 2011. The applicable enterprise income tax rate of the subsidiary was 15% from 2011 till 2013. Since the preferential tax treatment resulting from such a title is expired in December 2013, the subsidiary have applied to the relevant PRC authorities in June 2014 for the classification of the subsidiary as a High and New Technology Enterprise and upon completion of such re-application, the subsidiary will try to register with the tax authorities in-charge for the entitlement to the preferential tax rate of 15% for the period from January 2014 to December 2016. Due to this reason, the applicable tax rate of the subsidiary was 15% and 25% for the six months ended 31 December 2013 and the six months ended 30 June 2014 respectively.

The effective tax rates of the Group for the years ended 30 June 2013 and 2014 were 25.7% and 23.7% respectively. The decrease was mainly attributing to re-measurement of deferred tax as a result of change in tax rate adopted by the subsidiary.

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

Profit attributable to the owners of the Company increased by approximately 61.2% from approximately HK$17,682,000 for the year ended 30 June 2013 to approximately HK$28,496,000 for the year ended 30 June 2014. At the same time, the net profit margin increased by approximately 2.2% from approximately 7.0% for the year ended 30 June 2013 to approximately 9.2% for the year ended 30 June 2014. Such increase is primarily attributing to the Group had enhanced its operating efficiencies as well as no listing expenses incurred for the year ended 30 June 2014.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquidity position during the period under review. The Group was principally financed by internal resources and borrowing. As at 30 June 2014, the Group have net cash and cash equivalent balance amounting to approximately HK$69,859,000 (30 June 2013: approximately HK$80,921,000) as the Group had a borrowing amounting to HK$22,000,000 (30 June 2013: Nil).

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

Borrowing and charges of assets

As at 30 June 2014, the Group's interest-bearing loan was HK$22,000,000 (30 June 2013: Nil) which will be repayable within 1 year. Such borrowing is all denominated in HK$, and bear an interest at rate of 6.0% per annum.

As at 30 June 2014, the banking facilities granted by the bank was secured by land use rights and properties of the Group amounting to approximately HK$2,632,000, and HK$17,155,000 respectively (30 June 2013: Nil and Nil respectively).

Gearing ratio

The gearing ratio was 10.1% as at 30 June 2014 while the ratio as at 30 June 2013 was nil. The increase was mainly attributable to a loan from an independent third party amounting to approximately HK$22,000,000 which was borrowed as at 30 June 2014 (30 June 2013: Nil). Based on the gearing ratio as at 30 June 2014, 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%.

Capital Expenditure

For the year ended 30 June 2014, the Group's capital expenditure amounted to approximately HK$14,156,000 (30 June 2013: HK$971,000), which was mainly used for the construction of 4th phase of production plant amounting to approximately HK$12,168,000.

Commitments

As at 30 June 2014, the Group had capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements amounting to approximately HK$5,140,000 (30 June 2013: Nil).

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 2014, the Group had no material contingent liabilities.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments held or material acquisitions and disposals during the year ended 30 June 2014.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2014, the Group had 228 employees (30 June 2013: 202 employees), including the Directors. Total staff costs (including Directors' emoluments) for the year ended 30 June 2014 were approximately HK$40,132,000, as comparable to approximately HK$30,771,000 for the year ended 30 June 2013.

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

FUTURE PROSPECTS

The Group expects the paper industry has reached bottom and will recover gradually. The elimination of outdated production capacity in the industry will be accelerated. It will bring opportunities to the Group. The Group will use our design experience in the industrial automation systems and sludge treatment products to further expand the Group's products to different markets and industries.

Effort to expand the share of the industrial automation systems in non-paper market

In the year, the Group established the general sales division to explore sales of industrial automation systems in the non-paper industry, such as metallurgy, electric power, chemical and other non-paper industries. The general sales division team will actively participate in various exhibitions and marketing activities to increase sales of industrial automation systems of the Group in the non-paper markets.

Promotion of "design" "production" "service" business model

In the year, the Group established the project division. Through working with the finance leasing companies, the division successfully provided customers an one-stop value-added service with "design" "production" "service". In the fiscal year of 2015, the Group will further promote such matured model to the markets. The Group is not only to assist our customers for designing the industrial automation systems and sludge treatment products, but also provide valued-added service on design or renovation of the whole production line, including to assist customers to obtain funds from the finance leasing companies. This business model will achieve a triple win situation, which in turn increase the Group's sales.

FUTURE PROSPECTS *(Continued)*

Investments in new capacity and cost-effectiveness

The Group expects the 4th phase of the production plant to be completed in September 2014 and production will be commenced thereafter. After the completion of the new plant, it will bring the Group to develop in more sustainable and secured way. The new plant will increase the production capacities of the industrial automation and sludge treatment products by approximately 100% to 5,000 units and 119.0% to 92 units. The Group believes that increase in the production capacity will enhance the economies scale of the Group and the Group have enough capacities to sell our products to various industries. In addition, the Group will further strengthen our cost control to maximize our benefits.

Use of existing customer resources to explore the after-sales service business

The Group is one of the leading suppliers of drive control system in the paper industry with a huge high-quality customer resources. Currently, the reformation and enhancement of environmental protection in the industry will require our customers to upgrade their equipment, reduce energy consumption and pollution. The Group takes advantages in the customer networks which the Group can assist the customers by supplying the appropriate systems and products. In addition, the modern production emphasizes on stabilization and high quality, especially for non-stop production model. Therefore, the customers are more emphasis on timely and pre-warning service. The Group will gradually promote the annual service plan to our customers. Under the service plan, the Group will be actively to provide annual inspection, software upgrades and services for maintenance and replacement of the hardware to our customers. The customers can enjoy an excellent protection on its non-stop production environments.

Management Discussion and Analysis

BUSINESS PLAN AND ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress for the year ended 30 June 2014. Capitalised terms used herein shall have the same meanings as those defined in the Prospectus unless the context requires otherwise.

Business plan up to 30 June 2014 as set out in the Prospectus	Actual business progress up to 30 June 2014
Increase production capacity	
– Build a new production plant of approximately 11,000 sq. m. and improve the roads and increase the greenery in the factory area	The Group has commenced the construction of the new production plant in December 2013. It is expected that the construction work should be completed in September 2014 and the production plant will commence production thereafter.
– Improve the production process using the high/low voltage power supply systems; addition of new laboratory facilities; and addition of testing facilities	The improvement will be commenced after the completion of the new production plant, which is expecting to be done by the end of 2014.
Cost saving construction	
– A new production line and numerical control center equipment for production of cabinets	The new production line and control center equipment were expected to commence the construction after the completion of the construction of the new production plant.
Continuous product development and innovation	
– Design and development of (i) RGU; (ii) newer models of our existing industrial automation systems	(i) The development of RGU has been completed, it reached the field testing stage. It was expected that the use of RGU will be commenced. (ii) The Group is still in the progress in design and development of newer model and improving the existing industrial automation system. For the year ended 30 June 2014, five new patents and two new software copyrights were registered.
– Design and development of new sludge treatment products	The Group is still in the progress in design and development of newer model and improving the existing sludge treatment products. For the year ended 30 June 2014, twenty new patents was registered.

BUSINESS PLAN AND ACTUAL BUSINESS PROGRESS *(Continued)*

Business plan up to 30 June 2014 as set out in the Prospectus	**Actual business progress up to 30 June 2014**
Increase market awareness and enhance image/reputation	The Group has applied funding aiming to increase market awareness and enhance its image/reputation through placing advertisements in trade magazines for the paper-making industry and attending trade exhibition.
Improve the current information management system	
– Upgrade the current ERP system	The system has been upgraded gradually in the year of 2014.

From the listing date to 30 June 2014, the proceeds from the global offering 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 2014	**Actual use of the proceeds from the listing date to 30 June 2014**
	HK$000	HK$000
Increase production capacity	27,100	7,195
Cost saving construction	16,900	–
Continuous product development and innovation	4,700	4,700
Increase market awareness and image of the Group	2,600	498
Improve the current information management system	300	87
	51,600	12,480

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.

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 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are, set out in note 27 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 2014 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 42 to 45.

FINAL DIVIDEND

The board of directors recommended to pay the final dividend for 2014 at 5.0 HK cents per share (2013: 3.3 HK cents per share). The proposed dividend account for approximately 47.7% of the profit attributable to the owners of the Company of the year. 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 2014 (Thursday) to 10 November 2014 (Monday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 5 November 2014 (Wednesday); and

(ii) from 14 November 2014 (Friday) to 18 November 2014 (Tuesday), 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 2014 (Thursday).

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 5.

Directors' Report

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 7 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 12 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 2014.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in notes 12, 13 and 14 to the consolidated financial statements.

As at 30 June 2014, 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$59,213,000. The amount of HK$59,213,000 represents the Company's share premium, net 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 2014 are set out in note 16 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 2014 represented approximately 6.4% (30 June 2013: 6.2%) and 25.5% (30 June 2013: 26.4%), respectively, of the Group's total revenue from sales operations.

The aggregate amount of purchases from the Group's largest and five largest suppliers for the year ended 30 June 2014 represented approximately 26.1% (30 June 2013: 38.5%) and 42.2% (30 June 2013: 53.6%), 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' Report

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 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 8 to 10 in this annual report.

In accordance with Articles 84 of the Articles, Mr Dai Tian Zhu and Mr Kong Chi Mo will retire at the 2014 AGM and, being eligible, will offer themselves for re-election at the 2014 AGM.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 18.39B of the Rules Governing the Listing of Securities on GEM (the "GEM 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 2014.

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.

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. 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 30 to the consolidated financial statements also constituted continuing connected transactions under the GEM Listing Rules which are required to be disclosed in this report in accordance with Chapter 20 of the GEM 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	5,904,167
Purchases of branded industrial automation products, hardware and components	58,767,237

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

The continuing connected transactions have been subject to annual review by the Independent Non-executive Directors of the Company pursuant to Rule 20.53 of the GEM Listing Rules and confirmation of the auditor of the Company pursuant to Rule 20.54 of the GEM Listing Rules.

In respect of the financial year ended 30 June 2014, 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 20.55 of the GEM 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 22 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 2014.

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

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.

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 2014 and up to the date of this report, none of the Directors or any of their respective associates, had engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

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).

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.

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.

SHARE OPTION SCHEME *(Continued)*

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

Long positions in the shares

Name of director	Company/name of associated company	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 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%

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:

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.

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

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

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

INTERESTS OF THE COMPLIANCE ADVISER

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

AUDIT COMMITTEE

The audit committee was established with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and Paragraph C.3.3 of the Corporate Governance Code on 6 May 2013. The primary duties of the audit committee are mainly to review the financial systems of the Group; to review the accounting policy, financial position and financial reporting procedures of the Group; to communicate with external 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.

AUDIT COMMITTEE *(Continued)*

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 2014.

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 GEM 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 2014 have been audited by PricewaterhouseCoopers.

On behalf of the Board
Zhu Gen Rong
Chairman

Hong Kong, 5 September 2014

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. 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 2014, except the deviation under the Code Provision A.2.1 stated in the section headed "Chairman and Chief Executive Officer" in this report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

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 Zhong Xin Gang
	Mr Jin Hao
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.

Corporate Governance Report

BOARD OF DIRECTORS *(Continued)*

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 5.09 of the GEM 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 GEM 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 five 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.

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.

Corporate Governance Report

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

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)*	5/5	1/1
Mr Zhong Xin Gang	5/5	1/1
Mr Jin Hao	4/5	1/1
Mr Dai Tian Zhu	5/5	1/1
Ms Chen Jin Mei	5/5	1/1
Mr Kong Chi Mo	5/5	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 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, 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.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The current articles of association of the Company (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.

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 6 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.

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 2014 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 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 2014 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)*	5/5
Ms Chen Jin Mei	5/5
Mr Dai Tian Zhu	5/5

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.

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 22 to the financial statements.

REMUNERATION COMMITTEE *(Continued)*

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.

On 9 May 2014, the Nomination Committee considered the nomination of a new director in the coming periods. The nomination was made in accordance with the terms of reference of the Nomination Committee, against objective criteria of a candidate's background and professional experience.

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)*	2/2
Mr Zhu Gen Rong	2/2
Ms Chen Jin Mei	2/2
Mr Kong Chi Mo	2/2

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.

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 2014, the fees paid/payable to the Company's auditor are set out as follows:

Services rendered	**Fees paid/ payable** (HK$'000)
Annual audit services	1,458
Interim review services	252
	1,710

COMPANY SECRETARY

Effective from 28 February 2014, Mr Chan So Kuen appointed as company secretary of the Company and filled the casual vacancy left by the resignation of Mr Alan So Wai Shing. The selection, appointment or dismissal of the company secretary is approved by the Board. Mr Chan is an employee of the Company and has day-to-day knowledge of the Company's affairs. For the year under review, Mr. Chan has taken no less than 15 hours of relevant professional training under the Rule 5.15 of the GEM Listing Rules.

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).

SHAREHOLDERS' RIGHTS *(Continued)*

Right to convene extraordinary general meeting *(Continued)*

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.

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 despatch 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 17.50(2) of the GEM 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 and quarterly reports, notices, announcements and circulars and the Company's website at www.hzeg.com.

During the year ended 30 June 2014, there had been no significant change in the Company's constitutional documents.

Independent Auditor's Report

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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 42 to 100, which comprise the consolidated and company balance sheets as at 30 June 2014, 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 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.

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羅兵咸永道

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

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 2014, 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 Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 5 September 2014

Consolidated Balance Sheet

As at 30 June 2014

	Note	As at 30 June 2014 HK$	2013 HK$
ASSETS			
Non-current assets			
Land use rights	6	**8,819,541**	9,039,689
Property, plant and equipment	7	**48,962,955**	38,194,654
Deferred income tax assets	17	**3,086,886**	1,175,292
Trade and other receivables	8	**1,251,763**	828,573
Prepayments	9	**509,453**	433,700
		62,630,598	49,671,908
Current assets			
Inventories	10	**108,652,096**	95,032,774
Trade and other receivables	8	**101,368,450**	52,072,397
Prepayments	9	**14,946,416**	11,190,500
Restricted cash	11	**957,225**	5,025,347
Cash and cash equivalents	11	**91,859,246**	80,920,622
		317,783,433	244,241,640
Total assets		**380,414,031**	293,913,548
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	12	**2,720,000**	2,720,000
Share premium	12	**61,934,254**	70,910,254
Other reserves	14	**64,604,279**	60,488,810
Retained earnings	13	**67,282,385**	42,088,858
Total equity		**196,540,918**	176,207,922

Consolidated Balance Sheet

As at 30 June 2014

	Note	As at 30 June 2014 HK$	2013 HK$
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	17	**1,360,000**	807,350
Current liabilities			
Trade and other payables	15	**155,912,619**	116,122,519
Current income tax liabilities		**4,600,494**	775,757
Borrowings	16	**22,000,000**	–
		182,513,113	116,898,276
Total liabilities		**183,873,113**	117,705,626
Total equity and liabilities		**380,414,031**	293,913,548
Net current assets		**135,270,320**	127,343,364
Total assets less current liabilities		**197,900,918**	177,015,272

The notes on pages 48 to 100 are an integral part of these consolidated financial statements.

The financial statements on pages 42 to 100 were approved by the Board of Directors on 5 September 2014 and were signed on its behalf.

Zhu Gen Rong
Director

Jin Hao
Director

Balance Sheet of the Company

As at 30 June 2014

	Note	2014 HK$	2013 HK$
		As at 30 June	
ASSETS			
Non-current assets			
Investments in subsidiaries	27	**66,697,008**	66,697,008
Current assets			
Trade and other receivables	8(b)	**2,020**	518,081
Prepayments	9(b)	**50,000**	50,000
Cash and cash equivalents		**1,647,791**	4,067,174
		1,699,811	4,635,255
Total assets		**68,396,819**	71,332,263
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	12	**2,720,000**	2,720,000
Share premium	12	**61,934,254**	70,910,254
Accumulated losses		**(2,721,543)**	(9,878,927)
Total equity		**61,932,711**	63,751,327
LIABILITIES			
Current liabilities			
Other payables	15(b)	**6,464,108**	7,580,936
Total equity and liabilities		**68,396,819**	71,332,263
Net current liabilities		**(4,764,297)**	(2,945,681)
Total assets less current liabilities		**61,932,711**	63,751,327

The notes on pages 48 to 100 are an integral part of these consolidated financial statements.

The financial statements on pages 42 to 100 were approved by the Board of Directors on 5 September 2014 and were signed on its behalf.

Zhu Gen Rong
Director

Jin Hao
Director

Consolidated Statement Of Comprehensive Income

For the year ended 30 June 2014

	Note	Year ended 30 June 2014 HK$	2013 HK$
Revenue	18	**308,905,915**	251,362,209
Cost of sales	20	**(222,675,095)**	(179,689,213)
Gross profit		**86,230,820**	71,672,996
Distribution costs	20	**(12,200,366)**	(11,765,216)
Administrative expenses	20	**(30,712,604)**	(35,265,116)
Research and development expenses	20	**(10,137,341)**	(8,566,882)
Other income	19	**3,018,267**	8,213,826
Other (losses)/gains- net		**(56,259)**	180,631
Operating profit		**36,142,517**	24,470,239
Finance income	23	**1,380,747**	180,992
Finance costs	23	**(160,428)**	(838,332)
Finance income/(costs) – net	23	**1,220,319**	(657,340)
Profit before income tax		**37,362,836**	23,812,899
Income tax expense	24	**(8,867,247)**	(6,130,712)
Profit for the year, all attributable to the owners of the Company		**28,495,589**	17,682,187
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Currency translation differences		**813,407**	1,359,711
Other comprehensive income for the year, net of tax		**813,407**	1,359,711
Total comprehensive income for the year and attributable to equity holders of the Company		**29,308,996**	19,041,898
Earnings per share for profit attributable to the owners of the Company			
– Basic earnings per share	25	**0.10**	0.08
– Diluted earnings per share	25	**0.10**	0.08

The notes on pages 48 to 100 are an integral part of these consolidated financial statements

	Note	Year ended 30 June 2014 HK$	2013 HK$
Dividends	26	**13,600,000**	8,976,000

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Attributable to the owners of the Company				
	Par value of ordinary shares HK$	Share Premium HK$	Other Reserves HK$	Retained Earnings HK$	Total Equity HK$
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 13)	–	–	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
Balance at 1 July 2012	–	–	51,468,818	26,866,952	78,335,770
Comprehensive income					
Profit for the year	–	–	–	17,682,187	17,682,187
Translation differences	–	–	1,359,711	–	1,359,711
Total comprehensive income	–	–	1,359,711	17,682,187	19,041,898
Transactions with owners					
Issuance of ordinary shares (Note 12)	680,000	80,920,000	–	–	81,600,000
Share issuance costs (Note 12)	–	(7,969,746)	–	–	(7,969,746)
Capitalisation issue (Note 12)	2,040,000	(2,040,000)	–	–	–
Capitalisation of loan from the former parent company (Note 14)	–	–	5,200,000	–	5,200,000
Profit appropriation to statutory reserves (Note 13)	–	–	2,460,281	(2,460,281)	–
Balance at 30 June 2013	2,720,000	70,910,254	60,488,810	42,088,858	176,207,922

The notes on pages 48 to 100 are an integral part of these consolidated financial statements

Consolidated Cash Flow Statement

For the year ended 30 June 2014

	Note	Year ended 30 June 2014 HK$	2013 HK$
Cash flows from operating activities			
Cash generated from operations	28(a)	**10,852,423**	480,410
Interest paid		**–**	(838,332)
Income tax paid		**(6,384,732)**	(3,735,855)
Net cash inflow/(outflow) from operating activities		**4,467,691**	(4,093,777)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(7,898,053)**	(1,226,521)
Interest received	23	**1,380,747**	164,027
Net cash outflow from investing activities		**(6,517,306)**	(1,062,494)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares, net		**–**	61,946,829
Proceeds from borrowings		**22,000,000**	6,204,359
Repayments of borrowings		**–**	(31,108,657)
Dividends paid to the owners of the company	26	**(8,976,000)**	–
Loan from a related party		**–**	5,200,000
Net cash inflow from financing activities		**13,024,000**	42,242,531
Net increase in cash and cash equivalents		**10,974,385**	37,086,260
Effect of foreign exchange rate changes		**(35,761)**	16,965
Cash and cash equivalents at beginning of the year		**80,920,622**	43,817,397
Cash and cash equivalents at end of the year	11	**91,859,246**	80,920,622

The notes on pages 48 to 100 are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

1 GENERAL INFORMATION AND REORGANISATION

1.1 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 "Persons Acting in Concert", or "Controlling Shareholders").

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

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 5 September 2014.

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.

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 2014*

The following new and amendment to standards are mandatory for the first time for the financial year beginning on 1 July 2013 and are relevant to the Group.

- Amendment to HKFRSs 10, 11 and 12 on transition guidance are effective for annual periods beginning on or after 1 January 2013. These amendments provide additional transition relief to HKFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

- HKFRS 10 'Consolidated financial statements' is effective for annual periods beginning on or after 1 January 2013. The objective of HKFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

- HKAS 27 (revised 2011) 'Separate financial statements' is effective for annual periods beginning on or after 1 January 2013. It includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.

- HKFRS 13 'Fair value measurements' is effective for annual periods beginning on or after 1 January 2013. It aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and Generally Accepted Accounting Principles ("US GAAP"), do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

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 2014 (continued)

- Amendment to HKFRS 7 'Financial instruments: Disclosures' on asset and liability offsetting is effective for annual periods beginning on or after 1 January 2013. The amendments also require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

The adoption of the above new standards and amendment starting from 1 July 2013 did not give rise to any significant impact on the Group's results of operations and financial position for year ended 30 June 2014. 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 2013 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 2013 and have not been early adopted by the Group

- Amendment to HKAS 32 'Financial instruments: Presentation' on asset and liability offsetting. These amendments are to the application guidance in HKAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. Amendment HKAS 32 is effective for annual periods beginning on or after 1 January 2014.

- Amendments to HKFRS 10, 12 and HKAS 27 "Consolidation for investment entities". 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. Amendments to HKFRS 10, 12 and HKAS 27 is effective for annual periods beginning on or after 1 January 2014.

- Amendment to HKAS 36, 'Impairment of assets' on recoverable amount disclosures. 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 36 is effective for annual periods beginning on or after 1 January 2014.

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 2013 and have not been early adopted by the Group (continued)*

- HK(IFRIC) 21 'Levies'. 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. HK(IFRIC) 21 is effective for annual periods beginning on or after 1 January 2014.

- Amendments to HKFRS 8 "Operating segments" requires 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. Amendment to HKFRS 8 is effective for annual periods beginning on or after 1 July 2014.

- 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. Amendment to HKAS19 is effective for annual periods beginning on or after 1 January 2016.

- 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 HKAS19 is effective for annual periods beginning on or after 1 January 2017.

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 2013 and have not been early adopted by the Group (continued)*

- HKFRS 9 "Financial Instruments" is the first standard issued as part of a wider project to replace HKAS 39. HKFRS 9 "Classification and Measurement" retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. For financial liabilities 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 other comprehensive income ("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. HKFRS 9 is effective for annual periods beginning on or after 1 January 2018.

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.

2.2 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(b) *Business combinations (Continued)*

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 remeasured, 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 the income statement.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 consolidated statement of comprehensive income.

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'.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 consolidated statement of comprehensive income 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.

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 2.7).

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 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 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 an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

(a) Classification

The Group classifies its financial assets under the category of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

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 2.11 and 2.12).

(b) 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. 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. Loans and receivables are initially recognised at fair value plus transaction costs and then subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of financial 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.

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 the consolidated statements of comprehensive income.

2.10 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.

2.11 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 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.

2.13 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.

2.14 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.

2.15 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 the consolidated statements of comprehensive income 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 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 consolidated statement of comprehensive income in the period in which they are incurred.

2.17 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.

(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 or 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Current and deferred income tax *(Continued)*

(b) Deferred income tax *(Continued)*

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.

2.18 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.

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.

2.19 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Provisions *(Continued)*

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.

2.20 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 consolidated statements of comprehensive income over the period necessary to match them with the costs they are intended to compensate.

2.21 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Revenue recognition *(Continued)*

(c) Operating lease rental income

Rental income from operating leases is recognised in the consolidated statement of comprehensive income 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.

(d) Interest income

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

(e) Dividend income

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

2.22 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 consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

2.23 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 owners.

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, 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 ("Zhejing Huazhang") is HK$, since the companies other than Zhejiang Huazhang are investment holding companies and their operation, financing and dividend income are primarily denominated in HK$. The functional currency of Zhejiang Huazhang is Renminbi ("RMB"), since majority of Zhejiang Huazhang's revenue is derived from operations in Mainland China.

The Group's exposure to foreign exchange risk is primarily arising from to Zhejiang Huazhang's financing activities of issuances of ordinary share, which are dominated in United States Dollars ("USD"). 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 position of Zhejiang Huazhang are translated from the functional currency RMB into the presentation currency HK$. All resulting exchange differences are recognised as comprehensive income in equity.

At 30 June 2014 and 2013, 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	
	2014	2013
	HK$	HK$
Owners' equity increase/(decrease)		
– Strengthened 5%	**10,886,712**	8,591,248
– Weakened 5%	**(10,886,712)**	(8,591,248)

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 11 and 16.

As at 30 June 2014 and 2013, if average interest rates on borrowings which bear fixed rates had been 10% higher/lower with all other variables held constant, the post-tax profit for the year would change as follows:

	Year ended 30 June	
	2014	2013
	HK$	HK$
Post-tax profit increase/(decrease)		
– 10% higher	**(12,467)**	–
– 10% lower	**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.

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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(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 2014				
Trade and other payables	**55,337,867**	**–**	**–**	**55,337,867**
Borrowings*	**22,212,667**	**–**	**–**	**22,212,667**
	77,550,534	**–**	**–**	**77,550,534**
As at 30 June 2013				
Trade and other payables	41,041,266	–	–	41,041,266

* The borrowings include future interest payment.

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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management *(Continued)*

During years ended 30 June 2014 and 2013, the Group's strategy is to maintain the gearing ratio below 50%. The gearing ratio at 30 June 2014 and 2013 were as follows:

	As at 30 June	
	2014	2013
	HK$	HK$
Total debt – total borrowings (Note 16) (a)	**22,000,000**	–
Total equity	**196,540,918**	176,207,922
Total capital (b)	**218,540,918**	176,207,922
Gearing ratio ((a)/(b))	**10.1%**	–

As at 30 June 2014, the Group has newly borrowed HK$22,000,000 from an independent third party, which led to the gearing ratio increase from zero as at 30 June 2013 to 10.1%.

3.3 Fair value estimation

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

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.

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions

(a) Carrying value of non-current assets

Non-current assets, including land use rights 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.

(b) Useful lives of property, plant and equipment

The management determine the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment 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 25% and 20% of the trade receivables were past due over one year but not considered as impaired as at 30 June 2014 and 2013 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(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.

(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

Revenue recognition in respect of sales of goods

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.2 Critical judgements in applying the Group's accounting policies *(Continued)*

The Group determines whether the 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 designed by the Group directly 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 and revenue is recognised applying the percentage of completion method. 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. During the years ended 30 June 2014 and 2013, all the sales of the industrial automation systems and sludge treatment products made by the Group are recognised as sales of goods under HKAS 18 Revenue.

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 service.

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.

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.

5 SEGMENT INFORMATION *(Continued)*

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 and the cash and cash equivalents.

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

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 service 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 income – 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 service 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 and other service 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)

5 SEGMENT INFORMATION *(Continued)*

The segment results for the year ended 30 June 2013:

	Industrial Automation systems and related projects HK$	Sludge treatment products HK$	After-sales and other service HK$	Total HK$
Segment revenue from external customers	174,946,086	54,851,876	21,564,247	251,362,209
Segment cost of sales	(126,016,342)	(40,375,705)	(13,297,166)	(179,689,213)
Segment gross profit	48,929,744	14,476,171	8,267,081	71,672,996
Segment results	33,796,200	6,029,449	7,195,767	47,021,416
Common administrative expenses				(30,945,634)
Other gains – net				180,631
Other income				8,213,826
Finance costs – net				(657,340)
Profit before income tax				23,812,899
Income tax expense				(6,130,712)
Profit for the year				17,682,187

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 service HK$	Unallocated HK$	Total HK$
Capital expenditure	–	734,568	–	235,979	970,547
Depreciation of property, plant and equipment	1,327,375	1,068,968	–	984,070	3,380,413
Amortization of land use rights	70,302	93,276	–	84,116	247,694

The segment assets and liabilities as at 30 June 2013 are as follows:

	Industrial Automation systems and related projects HK$	Sludge treatment products HK$	After-sales and other service HK$	Unallocated HK$	Total HK$
Segment assets	103,332,857	66,819,376	18,306,231	105,455,084	293,913,548
Segment liabilities	(84,198,828)	(27,347,693)	(624,542)	(5,534,563)	(117,705,626)

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 31 to 41 years.

Movements in land use rights are as follows:

	Year ended 30 June	
	2014	2013
	HK$	HK$
At beginning of year		
Cost	**10,394,878**	10,156,817
Accumulated amortisation	**(1,355,189)**	(1,079,296)
Net book amount	**9,039,689**	9,077,521
Opening net book amount	**9,039,689**	9,077,521
Amortisation for the year (Note 20)	**(251,029)**	(247,694)
Foreign exchange difference	**30,881**	209,862
Closing net book amount	**8,819,541**	9,039,689
At end 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

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

As at 30 June 2014, land use rights with an aggregate carrying amount of HK$2,631,577 were pledged as collateral for the Group's banking facilities (Note 16) (2013: Nil).

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$	Machineries and vehicles HK$	Furniture, fittings and equipment HK$	Construction in progress HK$	Total HK$
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 20)	(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
At 1 July 2012					
Cost	33,395,663	7,230,903	6,563,008	–	47,189,574
Accumulated depreciation	(5,368,196)	(1,030,366)	(1,088,587)	–	(7,487,149)
Net book amount	28,027,467	6,200,537	5,474,421	–	39,702,425
Year ended 30 June 2013					
Opening net book amount	28,027,467	6,200,537	5,474,421	–	39,702,425
Additions	–	734,568	235,979	–	970,547
Depreciation (Note 20)	(1,442,411)	(729,983)	(1,208,019)	–	(3,380,413)
Foreign exchange difference	640,017	145,387	116,691	–	902,095
Closing net book amount	27,225,073	6,350,509	4,619,072	–	38,194,654
At 30 June 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

7 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

	Year ended 30 June	
	2014	2013
	HK$	HK$
Cost of sales	**1,547,318**	874,409
Administrative expenses	**1,680,712**	2,340,588
Research and development expenses	**310,512**	165,416
	3,538,542	3,380,413

During the years ended 30 June 2014 and 2013, the Group did not capitalise any interest expense.

As at 30 June 2014, buildings with an aggregate carrying amount of HK$17,155,450 were pledged as collateral for the Group's banking facilities (Note 16) (2013: Nil).

8 TRADE AND OTHER RECEIVABLES

(a) Group

	As at 30 June	
	2014	2013
	HK$	HK$
Warranty receivables – due from third parties (i)	**24,319,196**	23,040,517
Other trade receivables – due from third parties	**37,291,531**	24,282,747
Other trade receivables – due from related parties (Note 30)	**–**	2,152,565
	61,610,727	49,475,829
Less: provision for impairment of trade receivables	**(6,722,075)**	(3,617,438)
Trade receivables – net	**54,888,652**	45,858,391
Bills receivable	**44,019,889**	4,748,783
Trade and bills receivables	**98,908,541**	50,607,174
Other receivables due from related parties (Note 30)	**142,777**	21,880
Other receivables due from the sponsor	**–**	518,081
Others	**3,568,895**	1,753,835
	3,711,672	2,293,796
Total trade and other receivables	**102,620,213**	52,900,970
Less: trade receivables – non-current portion	**(1,251,763)**	(828,573)
	101,368,450	52,072,397

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

8 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Group *(Continued)*

As at 30 June 2014 and 2013, the ageing analysis of the warranty receivables and other trade receivables (including non-current portion) is as follows:

	As at 30 June	
	2014	2013
	HK$	HK$
Warranty receivables		
Up to 3 months	**3,478,647**	5,130,520
3 months to 6 months	**1,536,694**	1,708,071
6 months to 1 year	**6,114,641**	4,098,100
1 year to 2 years	**9,085,052**	7,964,120
Over 2 years	**4,104,162**	4,139,706
	24,319,196	23,040,517

	As at 30 June	
	2014	2013
	HK$	HK$
Other trade receivables		
Up to 3 months	**11,071,235**	7,653,062
3 months to 6 months	**8,462,070**	1,244,621
6 months to 1 year	**7,892,886**	14,014,175
1 year to 2 years	**8,037,689**	1,956,242
Over 2 years	**1,827,651**	1,567,212
	37,291,531	26,435,312

8 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Group *(Continued)*

As at 30 June 2014 and 2013, trade receivables of HK$43,758,670 and HK$34,921,700 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	
	2014	2013
	HK$	HK$
Past due within 3 months	**11,071,235**	7,653,062
Past due in 3 months to 6 months	**8,462,070**	1,244,621
Past due in 6 months to 1 year	**7,892,886**	14,014,175
1 year to 2 years	**14,006,956**	7,623,765
Over 2 years	**2,325,523**	4,386,077
	43,758,670	34,921,700

As at 30 June 2014 and 2013, trade receivables of HK$6,722,075 and HK$3,617,438 were impaired respectively. The amount of the provision was HK$6,722,075 and HK$3,617,438 as at 30 June 2014 and 2013 respectively. The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations. The ageing of these trade receivables is as follows:

	As at 30 June	
	2014	2013
	HK$	HK$
1 year to 2 years	**3,115,785**	2,296,597
Over 2 years	**3,606,290**	1,320,841
	6,722,075	3,617,438

8 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Group *(Continued)*

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

	Year ended 30 June	
	2014	2013
	HK$	HK$
At 1 July	**3,617,438**	3,493,754
Provision for receivables impairment (Note 20)	**3,086,758**	41,312
Foreign exchange difference	**17,879**	82,372
At 30 June	**6,722,075**	3,617,438

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 approximates 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.

(b) Company

	Year ended 30 June	
	2014	2013
	HK$	HK$
Other receivables due from third parties	**2,020**	–
Other receivables due from the sponsor	**–**	518,081
	2,020	518,081

9 PREPAYMENTS

(a) Group

	As at 30 June	
	2014	2013
	HK$	HK$
Non-current		
Prepayments for operating lease payment – non-current portion	**509,453**	433,700
Current		
Prepayments for raw materials	**14,627,384**	11,015,461
Prepayments for operating lease payment – current portion	**–**	125,039
Prepayments for other expenses	**319,032**	50,000
	14,946,416	11,190,500
	15,455,869	11,624,200

(b) Company

	As at 30 June	
	2014	2013
	HK$	HK$
Prepaid service fees	**50,000**	50,000

10 INVENTORIES

	As at 30 June	
	2014	2013
	HK$	HK$
Raw materials	**34,669,664**	28,960,234
Work in progress	**25,267,062**	39,939,254
Finished goods	**48,715,370**	26,133,286
	108,652,096	95,032,774

The cost of inventories recognised as expense and included in 'cost of sales' amounted to HK$220,867,820 and HK$178,418,336, which included provision for write-down of inventories of HK$1,320,061 and HK$299,396 for the years ended 30 June 2014 and 2013 respectively (Note 20).

10 INVENTORIES *(Continued)*

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

	Year ended 30 June	
	2014	2013
	HK$	HK$
At 1 July	**2,727,905**	2,369,463
Provision for write-down of inventories (Note 20)	**1,320,061**	299,396
Foreign exchange difference	**11,738**	59,046
At 30 June	**4,059,704**	2,727,905

As at 30 June 2014, raw materials with cost of HK$6,963,529 were considered as obsolete (30 June 2013: HK$4,374,567) and a provision of HK$4,059,704 was made against these raw materials as at 30 June 2014 (30 June 2013: HK$2,727,905). The Group made an additional provision for inventory write-down of HK$1,320,061 for the year ended 30 June 2014 (30 June 2013: HK$299,396). The amount charged has been included in 'cost of sales' in the consolidated statement of comprehensive income.

11 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 30 June	
	2014	2013
	HK$	HK$
Cash at bank and on hand	**78,959,076**	85,945,969
Debenture securities with maturities of three months or less (a)	**13,857,395**	–
	92,816,471	85,945,969
Less: Restricted cash (b)	**(957,225)**	(5,025,347)
Cash and cash equivalents (c)	**91,859,246**	80,920,622

(a) The weighted average effective interest rate on debenture securities with maturities of three months or less was 3.2% per annual (Year ended 30 June 2013: nil).

(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.

11 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH *(Continued)*

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

	As at 30 June	
	2014	2013
	HK$	HK$
RMB	**83,530,779**	76,157,229
HK$	**4,994,101**	4,738,348
USD	**3,334,366**	25,018
EURO	**–**	27
	91,859,246	80,920,622

12 SHARE CAPITAL AND PREMIUM – GROUP AND COMPANY

(a) Authorized shares

	Number of authorized shares (thousands)
At 26 June 2012 (date of incorporation)	38,000
Authorized shares increase on 6 May 2013 (Note)	7,962,000
At 30 June 2013 and 2014	8,000,000

Note: Pursuant to a shareholder's resolution dated 6 May 2013, the authorised share capital of the Company increased from HK$380,000 divided into 38,000,000 ordinary shares, to HK$80,000,000 divided into 8,000,000,000 ordinary shares of par value HK$0.01 each.

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

(b) Issued shares

	Number of issued shares	Ordinary shares HK$	Share premium HK$	Total HK$
At 1 July 2013	**272,000,000**	**2,720,000**	**70,910,254**	**73,630,254**
Dividends (i)	**–**	**–**	**(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**	
At 30 June 2012	1	–	–	–
Issuance of ordinary shares (iii)	68,000,000	680,000	80,920,000	81,600,000
Share issuance costs (iii)	–	–	(7,969,746)	(7,969,746)
Capitalisation issue (iv)	203,999,999	2,040,000	(2,040,000)	–
At 30 June 2013	272,000,000	2,720,000	70,910,254	73,630,254

(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 26.

(ii) On 13 July 2012, Mr. Zhu transferred the 1 ordinary share to Florescent Holdings Limited ("Florescent"), the sole shareholder prior to the Listing of the Company.

(iii) On 16 May 2013, the Company issued 68,000,000 new ordinary shares of par value HK$0.01 each at HK$1.2 per share in connection with its Placing and the commencement of the Listing of its shares on the SEHK, and raised gross proceeds of approximately HK$81,600,000. The excess over the par value of HK$680,000 for the 68,000,000 ordinary share issued net of transaction costs HK$7,969,746 was credited to "share premium" with amount of HK$72,950,254.

(iv) On 16 May 2013, pursuant to a shareholder's resolution dated 6 May 2013 and a board resolution dated 14 May 2013, conditional on the share premium account of the Company being credited as a result of the issue of the offer shares pursuant to the Placing, the Company capitalised an amount of HK$2,039,999.99, standing to the credit of its share premium account by applying such sum to pay up in full at par a total of 203,999,999 shares for allotment and issue to Florescent.

13 RETAINED EARNINGS

	Year ended 30 June 2014 HK$	2013 HK$
At 1 July	**42,088,858**	26,866,952
Profit for the year	**28,495,589**	17,682,187
Appropriation to statutory reserves (Note 14)	**(3,302,062)**	(2,460,281)
At 30 June	**67,282,385**	42,088,858

14 OTHER RESERVES

	Reorganisation reserve (i) HK$	Merger reserve (ii) HK$	Statutory reserves (iii) HK$	Translation differences HK$	Total HK$
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 13)	**–**	**–**	**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**
At 1 July 2012 (i)	3,000,000	35,224,773	2,812,658	10,431,387	51,468,818
Translation differences	–	–	–	1,359,711	1,359,711
Capitalisation of loan from the former parent company (ii)	–	5,200,000	–	–	5,200,000
Appropriation to statutory reserves (Note 13)	–	–	2,460,281	–	2,460,281
At 30 June 2013	3,000,000	40,424,773	5,272,939	11,791,098	60,488,810

(i) Reorganisation reserve

On 3 May 2013, pursuant to which Likwin Limited ("Likwin"), subsidiary of the Company, acquired 3,000,001 shares of Hua Zhang Electric Holding Company Limited ("Huazhang Electric") from Huazhang Overseas Holding, Inc. ("Huazhang Overseas"), the former parent company, and 1 share of Huazhang Electric from Mr. Zhu, representing the entire issued share capital of Huazhang Electric, through a share swap, which was satisfied by a consideration of procuring Florescent, Likwin's ultimate holding company, to allot and issue 7,789 shares to Lian Shun Limited and 2,210 shares to Qunyu Limited, both of which were 100% owned by the non-controlling shareholders. As a result, the Company became the holding company of the companies now comprising the Group.

14 OTHER RESERVES *(Continued)*

(ii) Merger reserve

Additions in the year ended 30 June 2013 represent the capitalised amount of loans from Huazhang Overseas.

Pursuant to the board resolution of Huazhang Electric on 31 December 2012, Huazhang Electric capitalised HK$5,200,000 payables to Huazhang Overseas, which was satisfied by the issuance of one (1) ordinary share of Huazhang Electric at the par value of HK$1 per share to Huazhang Overseas at a premium of HK$5,199,999.

(iii) 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.

15 TRADE AND OTHER PAYABLES

(a) Group

	As at 30 June	
	2014	2013
	HK$	HK$
Trade payables – due to third parties	**29,133,087**	20,193,031
Trade payables – due to a related party (Note 30)	**13,860,684**	968,581
Bills payable	**2,139,058**	15,757,999
	45,132,829	36,919,611
Other taxes payable	**2,475,826**	2,564,940
Employee benefit payables	**2,191,731**	2,510,828
Advances from customers (a)	**94,341,429**	68,465,543
Provision for warranty expenses	**1,565,766**	1,489,942
Payables for property, plant and equipment	**8,311,239**	2,053,096
Payables for service fees to the compliance adviser	**–**	45,000
Others	**1,893,799**	2,073,559
	110,779,790	79,202,908
	155,912,619	116,122,519

15 TRADE AND OTHER PAYABLES *(Continued)*

(a) Group *(Continued)*

(a) 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 2014 and 2013, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) is as follows:

	As at 30 June	
	2014	2013
	HK$	HK$
Up to 3 months	**41,603,159**	18,215,552
3 to 6 months	**508,821**	895,368
6 to 1 year	**308,277**	1,196,756
1 to 2 years	**106,513**	552,177
Over 2 years	**467,001**	301,759
	42,993,771	21,161,612

(b) Company

	As at 30 June	
	2014	2013
	HK$	HK$
Other payables – due to fellow subsidiaries	**6,232,108**	7,469,120
Payables for service fees to the compliance adviser	**–**	45,000
Others	**232,000**	66,816
	6,464,108	7,580,936

16 BORROWINGS

	As at 30 June	
	2014	2013
	HK$	HK$
Loan from an independent third party (i)	**22,000,000**	–

(i) As at 30 June 2014, the Group's loan of HK$22,000,000 from an independent third party and borne an interest at the rate of 6% per annum and was repayable in August 2014. The above loan was extended for another 12-month period after expiration of first loan contract.

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

The fair value of current borrowings approximate their carrying amount.

As at 30 June 2014, the Group has the following unutilised banking facilities:

	As at 30 June	
	2014	2013
	HK$	HK$
Authorised banking facilities – expiring within one year	**62,988,158**	62,770,699
Less: used banking facilities	**(2,475,309)**	(12,505,932)
	60,512,849	50,264,767

The Group's certain land use right (Note 6) and building (Note 7) was pledged as securities for above banking facilities.

17 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 2014 and 2013, the analysis of deferred tax assets and deferred tax liabilities are as follows:

	As at 30 June	
	2014	2013
	HK$	HK$
Deferred tax assets		
– to be recovered after more than 12 months	**–**	–
– to be recovered within 12 months	**3,086,886**	1,175,292
	3,086,886	1,175,292
Deferred tax liabilities		
– to be recovered after more than 12 months	**–**	–
– to be recovered within 12 months	**1,360,000**	807,350
	1,360,000	807,350

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

	Deferred tax assets			Deferred tax liabilities
	Provision for warranty expenses HK$	**Provision for impairment** HK$	**Total** HK$	**Withholding tax on unremitted earnings of Zhejiang Huazhang** HK$
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 24)	**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)**
At 1 July 2012	207,238	879,483	1,086,721	–
Credited/(charged) to the consolidated statement of comprehensive income (Note 24)	11,262	51,107	62,369	(797,998)
Foreign exchange difference	4,990	21,212	26,202	(9,352)
At 30 June 2013	223,490	951,802	1,175,292	(807,350)

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

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 2014, the Group did not recognise deferred income tax assets of HK$1,005,323 (30 June 2013: HK$420,039) and in respect of tax losses of to HK$6,092,866 (30 June 2013: HK$2,545,690) arising from Huazhang Electric, a company incorporated in Hong Kong, 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 of Huazhang Electric.

Deferred income tax liabilities of HK$3,321,496 (Year ended 30 June 2013: HK$1,373,270) have not been recognised for the withholding tax of on the unremitted earnings of certain subsidiaries. Such unremitted earnings are considered permanently reinvested and amounted to HK$33,214,956 at 30 June 2014 (Year ended 30 June 2013: HK$13,732,696).

18 REVENUE

	Year ended 30 June	
	2014 **HK$**	2013 HK$
Revenue from sales of industrial automation systems and related projects	**203,948,533**	174,946,086
Revenue from sales of sludge treatment products	**65,685,847**	54,851,876
Revenue from provision of after-sales and other services	**39,271,535**	21,564,247
	308,905,915	251,362,209

19 OTHER INCOME

	Year ended 30 June	
	2014 **HK$**	2013 HK$
Government grants (i)	**2,789,197**	7,677,770
Operating lease income	**229,070**	536,056
	3,018,267	8,213,826

(i) For the years ended 30 June 2014 and 2013, government grants represent the subsidies received from local finance bureau.

20 EXPENSES BY NATURE

	Year ended 30 June 2014 HK$	2013 HK$
Raw materials used	**207,726,159**	150,253,892
Change in inventories of finished goods and work in progress (Note 10)	**(7,909,892)**	14,866,653
Employee benefit expenses (Note 21)	**40,131,548**	30,771,384
Amortisation of land use rights (Note 6)	**251,029**	247,694
Depreciation of property, plant and equipment (Note 7)	**3,538,542**	3,380,413
Transportation expenses	**4,005,616**	3,787,698
Utilities	**1,065,879**	675,583
Travelling expenses	**5,760,219**	4,138,850
Provision for impairment of trade receivables (Note 8)	**3,086,758**	41,312
Provision for write-down of inventories (Note 10)	**1,320,061**	299,396
Miscellaneous tax charges other than value added tax and income tax	**2,460,033**	1,825,082
Warranty expenses	**3,084,241**	3,274,628
Office expenses	**2,916,797**	3,284,497
Auditor's remuneration	**1,709,629**	1,364,959
Professional service fees	**1,703,887**	12,478,682
Other expenses	**4,874,900**	4,595,704
Total cost of sales, distribution costs, administrative expenses and research and development expenses	**275,725,406**	235,286,427

21 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 30 June 2014 HK$	2013 HK$
Wages and salaries	**25,181,537**	17,079,347
Bonus	**3,671,896**	5,445,263
Social security costs	**7,008,272**	5,413,969
Other benefits	**4,269,843**	2,832,805
	40,131,548	30,771,384

22 DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

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 (i)	–	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 (ii)	120,000	–	–	–	120,000
Mr. Dai Tian Zhu (ii)	120,000	–	–	–	120,000
Ms. Chen Jin Mei (ii)	60,000	–	–	–	60,000
	300,000	1,901,468	254,473	98,091	2,554,032

The remuneration of each director of the Company paid/payable by the Group for the year ended 30 June 2013 is set out as follows:

Name	Fees HK$	Salary HK$	Bonus HK$	Other Benefits HK$	Total HK$
Mr. Zhu (i)	–	972,813	168,753	45,260	1,186,826
Mr. Jin Hao	–	465,313	481,704	53,839	1,000,856
Mr. Zhong Xin Gang	–	342,470	28,539	49,237	420,246
Mr. Kong Chi Mo (ii)	18,387	–	–	–	18,387
Mr. Dai Tian Zhu (ii)	18,387	–	–	–	18,387
Ms. Chen Jin Mei (ii)	18,387	–	–	–	18,387
	55,161	1,780,596	678,996	148,336	2,663,089

22 DIRECTORS' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

(i) The chief executive officer of the Company is Mr. Zhu, who is one of the directors.

(ii) Mr. Kong Chi Mo, Mr. Dai Tian Zhu and Ms. Chen Jin Mei were appointed as independent directors on 6 May 2013.

For the years ended 30 June 2014 and 2013, 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 years ended 30 June 2014, Ms. Chen Jin Mei waived the emolument amounted to HK$60,000 (Year ended 30 June 2013: nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the years ended 30 June 2014 and 2013 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 2014 and 2013 respectively are as follows:

	Year ended 30 June	
	2014	2013
	HK$	HK$
Fees	**–**	–
Salary	**1,193,187**	1,275,013
Bonus	**188,638**	186,125
Other benefits	**45,182**	55,187
	1,427,007	1,516,325

The emoluments fell within the following bands:

	Number of individuals Year ended 30 June	
	2014	2013
Emolument bands (in HK$)		
HK$ nil – HK$500,000	**1**	–
HK$500,001 – HK$1,000,000	**1**	2

For the years ended 30 June 2014 and 2013, 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.

23 FINANCE (INCOME)/COSTS – NET

	Year ended 30 June	
	2014	2013
	HK$	HK$
Finance costs		
– Interest expenses on borrowings	**124,667**	838,332
– Net foreign exchange loss	**35,761**	–
	160,428	838,332
Finance income		
– Interest income on bank deposits and debenture securities	**(1,380,747)**	(164,027)
– Net foreign exchange gain	**–**	(16,965)
	(1,380,747)	(180,992)
Net finance (income)/ costs	**(1,220,319)**	657,340

24 INCOME TAX EXPENSE

	Year ended 30 June	
	2014	2013
	HK$	HK$
Current income tax		
– PRC enterprise income tax	**9,731,976**	5,395,083
– Hong Kong profits tax	**23,753**	–
Deferred income tax (Note 17)	**(888,482)**	735,629
Income tax expense	**8,867,247**	6,130,712

(i) Cayman Islands profits tax

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

(ii) Hong Kong profits tax

For the year ended 30 June 2014, Hong Kong profit tax has been provided at the rate of 16.5%. No Hong Kong profit tax has been provided for the year ended 30 June 2013, as the Group has no taxable profit earned or derived in Hong Kong for the year.

24 INCOME TAX EXPENSE *(Continued)*

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

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

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

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

(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 17.

24 INCOME TAX EXPENSE *(Continued)*

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	
	2014 HK$	2013 HK$
Profit before income tax	**37,362,836**	23,812,899
Tax calculated at tax rates applicable to profits in the respective jurisdiction	**9,642,219**	8,524,651
Tax effects of:		
Effect of preferential tax rate	**(1,563,382)**	(3,555,142)
Expenses not deductible for tax purposes	**242,374**	165,797
Tax losses for which no deferred income tax asset was recognised (Note 17)	**585,284**	197,408
Re-measurement of deferred tax (Note)	**(1,054,990)**	–
Effect of withholding tax on the expected distributable profits of the subsidiary in mainland China (Note 17)	**1,015,742**	797,998
Tax charges	**8,867,247**	6,130,712

Note: Zhejiang Huazhang's qualification as High and New Technology Enterprise, ended on 31 December 2013 and the application for renewal is progress. As at the date of this report, the above application has not been completed and the management used EIT tax rate of 25% to re-measure deferred tax balance due to the uncertainty associated with of the renewal application.

25 EARNINGS PER SHARE

Basic earnings per share for the years ended 30 June 2014 and 2013 is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue. In determining the weighted average number of ordinary shares in issue during the years ended 30 June 2013, 203,999,999 shares issued and allotted through capitalisation of the share premium account of the Company upon Listing on 16 May 2013 (Note 12(b)(iv)) have been regarded as if these shares were in issue since 1 July 2012.

	Year ended 30 June	
	2014	2013
	HK$	HK$
Profit attributable to the owners of the Company	**28,495,589**	17,682,187
Weighted average number of ordinary shares in issue	**272,000,000**	212,500,000
Basic earnings per share	**0.10**	0.08

As there were no dilutive options and other dilutive potential shares in issue during the years ended 30 June 2014 and 2013, diluted earnings per share is the same as basic earnings per share.

26 DIVIDENDS

	Year ended 30 June	
	2014	2013
	HK$	HK$
Proposed final dividends	**13,600,000**	8,976,000

At a meeting held on 5 September 2014, the Board proposed a final dividend of HK5.0 cents (Year ended 30 June 2013: HK3.3 cents) per share, representing HK$13,600,000 (Year ended 30 June 2013: HK$8,976,000) using the share premium account.

Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. The proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of share premium for the year ending 30 June 2015.

The consolidated profit attributable to equity shareholders of the Company for the year ended 30 June 2014 includes a profit of HK$1,818,616 (Year ended 30 June 2013: HK$9,878,927) which has been dealt with in the financial statements of the Company.

27 INVESTMENTS IN SUBSIDIARIES – COMPANY

	As at 30 June 2014 HK$	2013 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 2014 and 2013 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 2014	2013	Principal activities
Zhejiang Huazhang	PRC, 19 July 2001	Foreign investment enterprise	USD 16,300,000	USD 13,578,280	**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	USD 50,000	USD1	**100%**	100%	Investment holding

* As at 30 June 2014 and 2013, Likwin is directly held by the Company, all other subsidiaries of the Group are indirectly held by the Company.

28 CASH GENERATED FROM OPERATIONS

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

	Year ended 30 June	
	2014	2013
	HK$	HK$
Profit before income tax	**37,362,836**	23,812,899
Adjustments for:		
– Depreciation of property, plant and equipment (Notes 7)	**3,538,542**	3,380,413
– Amortisation of land use rights (Notes 6)	**251,029**	247,694
– Provision for impairment of receivables (Note 8)	**3,086,758**	41,312
– Provision for write-down of inventories (Note 10)	**1,320,061**	299,396
– Finance income (Note 23)	**(1,380,747)**	(180,992)
– Finance costs (Note 23)	**160,428**	838,332
Changes in working capital:		
– Restricted cash	**4,068,122**	(3,497,863)
– Inventories	**(14,951,121)**	15,779,291
– Trade and other receivables and prepayments	**(56,010,775)**	(21,843,287)
– Trade and other payables	**33,407,290**	(18,396,785)
Cash generated from operations	**10,852,423**	480,410

(b) Non-cash transactions

The principal non-cash transaction during the year ended 30 June 2013 is the capitalisation of loan from the former parent company, Huazhang Overseas discussed in Note 14(ii), and the capitalisation issue of 203,999,999 shares through the share premium account of the Company upon the Listing on 16 May 2013 (Note 12(b)(iv)).

29 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	
	2014	2013
	HK$	HK$
Property, plant and equipment	**5,139,834**	–

29 COMMITMENTS *(Continued)*

(b) Operating lease commitments

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 2014 and 2013 are summarized as follows:

	Year ended 30 June	
	2014 HK$	2013 HK$
Not later than 1 year	**791,234**	377,939
Later than 1 year and no later than 5 years	**458,551**	–
	1,249,785	377,939

30 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 2014 and 2013, and balances arising from related party transactions as at 30 June 2014 and 2013.

(a) Name and relationship with related parties

Company name	**Relationships**
Mr. Zhu (i)	Person Acting in Concert, chairman of the Company
Mr. Wang (i)	Person Acting in Concert
Mr. Liu (i)	Person Acting in Concert
Ms. Zhu (i)	Person Acting in Concert
Mr. Zhu Genyi	Brother of Mr. Zhu
Huazhang Overseas	The former parent company, controlled by the Controlling Shareholders
Zhejiang Huazhang Automation Equipment Company Limited ("Huazhang Automation (Zhejiang)")	30% of its indirect interests held by Huazhang Overseas

(i) Mr. Zhu, Mr. Wang, Mr. Liu and Ms. Zhu form the "Persons Acting in Concert", or the "Controlling Shareholders".

30 RELATED-PARTY TRANSACTIONS *(Continued)*

(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	
	2014	2013
	HK$	HK$
Huazhang Automation (Zhejiang)		
– Sales of goods and services	**5,904,167**	5,971,272
– Purchases of goods and services	**58,767,237**	56,595,524
– Rental income	**164,095**	189,175
Huazhang Overseas		
– Loan from a related party	**–**	5,200,000
Key management compensation		
– Salaries	**3,671,020**	3,365,818
– Bonus	**443,111**	865,122
– Other benefits	**184,956**	252,425
	4,299,087	4,483,365

30 RELATED-PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

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

	As at 30 June	
	2014	2013
	HK$	HK$
Huazhang Automation (Zhejiang)		
– Included in trade receivables	**–**	2,152,565

	As at 30 June	
	2014	2013
	HK$	HK$
Mr. Zhu Genyi		
– Included in other receivables	**142,777**	21,880

The receivables from related parties as at 30 June 2014 and 2013 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 15):

	As at 30 June	
	2014	2013
	HK$	HK$
Huazhang Automation (Zhejiang)		
– Included in trade payables	**13,860,684**	968,581

The payables to related parties as at 30 June 2014 and 30 June 2013 arise mainly from ordinary course of businesses.

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