
SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information which may be important to you. You should read this prospectus in its entirety before you decide to invest in the Placing Shares. There are risks associated with any investment. Some of the particular risks of investing in the Placing Shares are summarised in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Placing Shares. Various expressions used in this summary are defined in the sections headed “Definitions” in this prospectus.

OVERVIEW

We are principally engaged in the research and development, manufacture and sale of industrial automation systems and sludge treatment products for the paper-making industry and other industries such as metallurgy and electricity in the PRC. Our industrial automation systems and sludge treatment products are custom-built in accordance with the specifications and requirements provided by our customers and are mainly sold to customers in the paper-making industry in the PRC. According to Euromonitor, in 2011, our Group had a market share of approximately 5.7% of the industrial automation system market for the paper-making industry in the PRC and a market share of approximately 0.1% of the entire industrial automation system market in the PRC in the same year. We are also engaged in the provision of after-sales services to our existing customers.

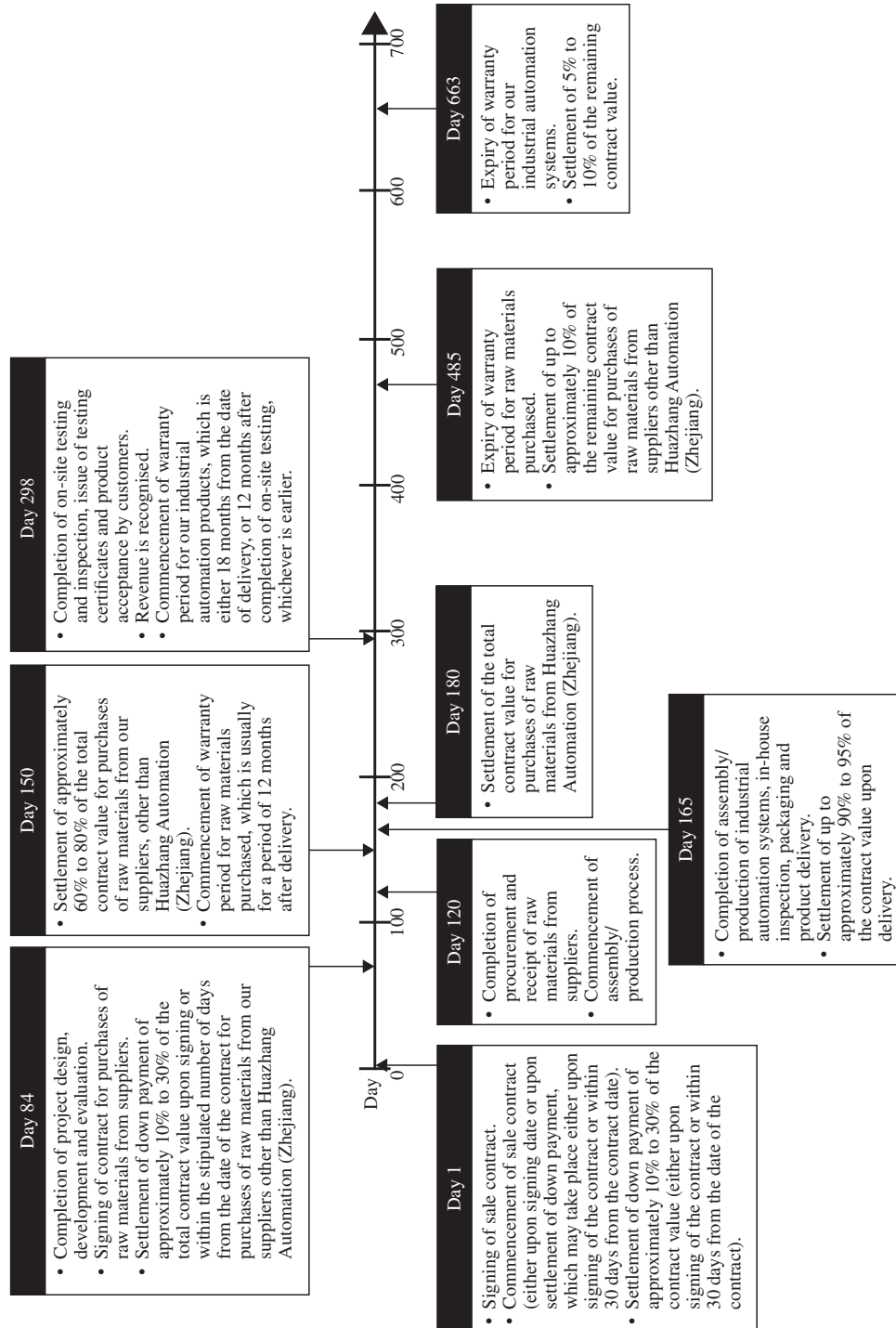
Majority of our industrial automation systems are made from our self-developed software and hardware sourced from our suppliers, and are used in industrial production applications to improve production line efficiency by controlling the production process. Our industrial automation systems mainly comprise four types of products, namely drive control system, distributed control system, machine control system and motor control centre. Our sludge treatment products are dewatering systems made from our self-developed software and hardware sourced from our suppliers and 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 requirements for environmental protection. Our sludge treatment products include filter press and steel-belt filter press. We also sell the hardware of our sludge treatment products separately. We also provide after-sales services, including on-site engineering and maintenance services, as well as the repair and replacement of spare parts and components, to customers of both our industrial automation systems and sludge treatment products. After-sales services are provided to our customers free-of-charge within the warranty period and our customers would be required to pay us for such services after the expiry of the warranty period.

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Project operation cycle

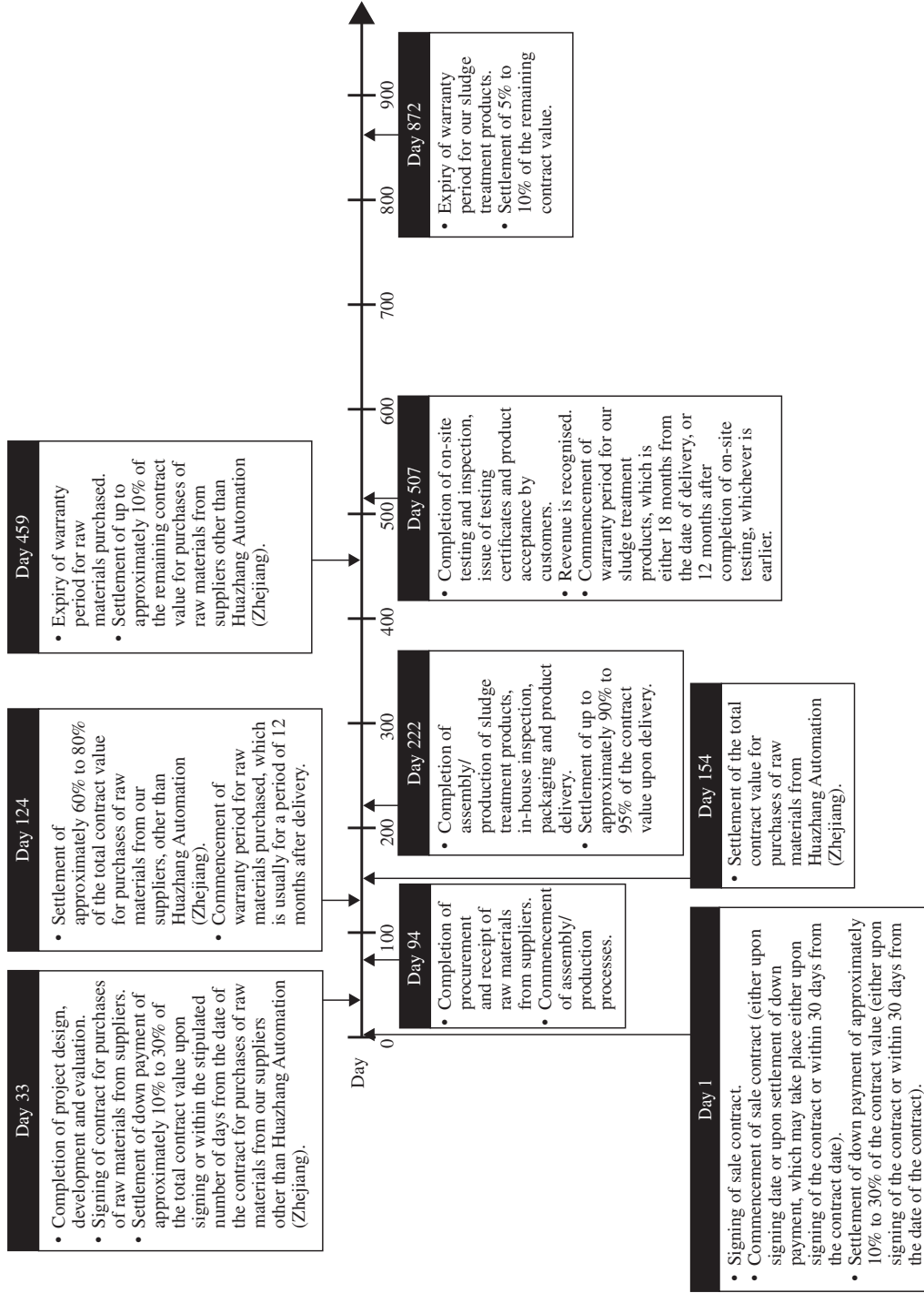
The timelines below set out the overall project operation cycle of our industrial automation systems and sludge treatment products and the actual average time required for each stage of the cycle:

Project operation cycle for our industrial automation systems



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Project operation cycle for our sludge treatment products



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We generally experience long on-site installation, testing and inspection time in our project operation cycle. To the best of our Directors' understanding and knowledge, other suppliers of parts and components for the assembly of paper-making machines also generally experience long on-site installation, testing and inspection time, and therefore our Directors consider that the long on-site installation, testing and inspection time experienced by our Group during the Track Record Period was in line with the industry practice of assembling paper-making machines. Our Directors confirm that there were no prolonged failures to obtain customer acceptance during the Track Record Period and up to the Latest Practicable Date.

As a result of such long on-site installation, testing and inspection time in our project operation cycle, we are subject to several significant risks inherent to our Group's business operations including (i) risk of delays in completion of on-site testing and acceptance of our products; (ii) risk of significant cash flow mismatch; (iii) risk of cost overruns; and (iv) risk of our substantial inventory balance. For details of significant risks inherent to our Group's business operations as well as other risks and uncertainties that may affect the value of our Shares, please refer to the section headed "Risk Factors" beginning on page 29 in this prospectus. Please also refer to the paragraphs headed "Business model" and "Internal controls" under the section headed "Business" beginning on page 111 and page 119 respectively in this prospectus for details of the measures adopted to mitigate our said significant risks.

Customers

The majority of our revenue was generated from sales of our industrial automation systems to customers in the paper-making industry in the PRC. Sales to our five largest customers accounted for approximately 30.7%, 48.1% and 47.2% of our total revenue, and sales to our largest customer accounted for approximately 10.2%, 14.3% and 11.7% of our total revenue for the two years ended 30 June 2011 and 2012 and the six months ended 31 December 2012 respectively. Huazhang Automation (Zhejiang) was our largest customer for the year ended 30 June 2011. Huazhang Automation (Zhejiang) is indirectly owned as to 70% by French Business Partner, an Independent Third Party, and as to 30% by Huazhang Overseas, which is in turn owned as to approximately 77.9% in aggregate by our Controlling Shareholders. Huazhang Automation (Zhejiang) is principally engaged in the business of trading, import and export of parts and components for industrial automation systems and provision of ancillary services in relation to the industrial automation systems and is currently an authorised distributor of the Branded Industrial Automation Products in Zhejiang Province, the PRC. We anticipate that our sales of industrial automation systems to Huazhang Automation (Zhejiang) will continue after the Listing. Save for Huazhang Automation (Zhejiang), none of our five largest customers during the Track Record Period was a Connected Person of our Company.

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Suppliers

We source the parts and components required for the production of our industrial automation systems and sludge treatment products from our suppliers. Purchases from our five largest suppliers accounted for approximately 64.3%, 55.4% and 54.0% of our total purchases, and purchases from our largest supplier Huazhang Automation (Zhejiang) accounted for approximately 44.1%, 42.3% and 36.9% of our total purchases for the two years ended 30 June 2011 and 2012 and the six months ended 31 December 2012 respectively. We anticipate that our purchase of the Branded Industrial Automation Products from Huazhang Automation (Zhejiang) will continue after the Listing. Save for Huazhang Automation (Zhejiang), none of our five largest suppliers during the Track Record Period was a Connected Person of our Company. Please refer to the paragraph headed “Excluded Business” under the section headed “Relationship with Controlling Shareholders” beginning on page 177 in this prospectus for further details of Huazhang Automation (Zhejiang) and its relationship with our Group.

COMPETITIVE STRENGTHS

Our Directors consider that we possess competitive strengths including (i) our experience in providing industrial automation systems for the paper-making industry; (ii) our technical expertise and comprehensive after-sales services; (iii) our registered patents in relation to technologies required by the steel-belt filter press; and (iv) our participation in setting the PRC’s industry standards as well as technical conditions for the filter press. Please refer to the paragraph headed “Competitive strengths of our Group” under the section headed “Business” beginning on page 106 in this prospectus for further details.

BUSINESS OBJECTIVE AND STRATEGIES

Our business objective is to become one of the leading providers of industrial automation systems and sludge treatment products in the PRC. By adopting various business strategies, we plan to strengthen the market position of our existing products and services in the PRC, and develop new products and markets. Our key business strategies, which are expected to be implemented to fulfill our business objective, include (i) expanding our production plant; (ii) a new production line for cabinets; (iii) developing new products and newer models of our existing products; (iv) enhancing our presence among our existing and potential customers through various advertising and marketing methods; (v) upgrading our current ERP system; (vi) expanding our business into new industries; and (vii) providing more comprehensive customer service. Please refer to the paragraph headed “Business objective and strategies” under the section headed “Business” beginning on page 108 in this prospectus for further details.

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FUTURE PLANS AND USE OF PROCEEDS

Assuming that the Offer Size Adjustment Option is not exercised and a Placing Price of HK\$1.20 per Placing Share, we estimate that the net proceeds to us from the Placing (after deducting underwriting fees and estimated expenses payable by us in connection with the Placing) will be approximately HK\$59.5 million. We intend to apply such net proceeds from the Placing for several purposes, including the development of both our industrial automation system business segment and sludge treatment products business segment, in the following manner:

Intended use	% of net proceeds	HK\$ million
Building a new production plant of approximately 11,000 sq.m. and improvement of the roads and greenery in the factory area	30.4	18.1
Improvement of production process using the high/low voltage power supply systems and addition of new laboratory facilities and testing facilities	15.1	9.0
A new production line for our cabinets	30.4	18.1
Product development and innovation	10.1	6.0
Increasing the market awareness and enhancing the presence of our Group among existing and potential customers	6.6	3.9
Upgrading our current ERP system	0.5	0.3
Working capital and other general corporate purposes	6.9	4.1

Please refer to the paragraph headed “Use of Proceeds” under the section headed “Future Plans and Use of Proceeds from the Placing” beginning on page 286 in this prospectus for further details.

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CONTROLLING SHAREHOLDERS' INFORMATION AND CONTINUING CONNECTED TRANSACTIONS

Our Group is established and controlled by Mr. Zhu, Mr. Wang, Mr. Liu and Ms. Zhu, parties mutually agreed to act in concert regarding the consolidation of control of our Company. Immediately following the completion of the Capitalisation Issue and the Placing, Lian Shun, which is owned as to 53.79%, 20.74%, 17.95% and 7.52% by Mr. Zhu, Mr. Wang, Mr. Liu and Ms. Zhu respectively, will hold 77.9% of the issued share capital in Florescent Holdings, which in turn will hold 75% of the interests in our Company, assuming the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme is not exercised. Please refer to the section headed “Relationship with Controlling Shareholders” beginning on page 175 in this prospectus for further details.

During the Track Record Period, our Group entered into a number of transactions with Huazhang Automation (Zhejiang), a company which is indirectly owned as to 30% by Huazhang Overseas, which is in turn owned as to approximately 77.9% in aggregate by our Controlling Shareholders. As such, Huazhang Automation (Zhejiang) will become a Connected Person of our Company upon the Listing. The table below sets out the transactions with Huazhang Automation (Zhejiang) during the Track Record Period and the relevant annual caps for each of the three years ending 30 June 2015:

Nature of transactions	Year ended 30 June		Six months ended	Annual caps		
	2011	2012	31 December	Year ending 30 June		
	(HK\$ million)	(HK\$ million)	(HK\$ million)	2013	2014	2015
				(HK\$ million)	(HK\$ million)	(HK\$ million)
Sales of industrial automation systems to Huazhang Automation (Zhejiang)	10.1	5.8	2.7	6.0	6.3	6.6
Purchases of raw materials from Huazhang Automation (Zhejiang)	54.9	67.9	31.2	68.0	64.6	61.4

Please refer to the section headed “Continuing Connected Transactions” beginning on page 187 in this prospectus for further details.

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SELECTED FINANCIAL INFORMATION

The following sets out selected items from the combined financial information as at and for the two years ended 30 June 2011 and 2012 and the six months ended 31 December 2012, extracted from the accountant's report set out in Appendix I to this prospectus, and should be read in conjunction with the accountant's report set out in Appendix I to this prospectus.

Selected combined statements of comprehensive income

	Year ended 30 June		Six months ended 31 December	
	2011 <i>HK\$</i>	2012 <i>HK\$</i>	2011 <i>HK\$</i>	2012 <i>HK\$</i>
			<i>(Unaudited)</i>	
Revenue	99,115,212	229,520,229	103,252,990	119,650,158
Gross profit	28,760,539	64,348,803	26,870,688	34,513,692
Operating profit	1,515,336	24,037,172	7,182,553	8,481,686
Profit for the year/period, all attributable to the owner of our Company	545,350	19,083,369	5,777,958	6,248,542
Total comprehensive income for the year/period, all attributable to the owner of our Company	3,667,633	20,398,711	7,271,873	6,684,549

Selected combined balance sheets

	As at 30 June		As at 31 December
	2011 <i>HK\$</i>	2012 <i>HK\$</i>	2012 <i>HK\$</i>
Non-current assets	40,131,361	50,513,239	49,543,867
Current assets	181,194,694	199,612,318	184,348,372
Non-current liabilities	–	–	215,248
Current liabilities	185,900,173	171,789,787	143,456,672
Net current (liabilities)/assets	(4,705,479)	27,822,531	40,891,700
Net assets	35,425,882	78,335,770	90,220,319

We recorded net current liabilities of approximately HK\$4.7 million as at 30 June 2011. Please refer to the paragraph headed “Net current (liabilities)/assets” under the section headed “Financial Information” beginning on page 246 in this prospectus for further details on our current assets and liabilities during the Track Record Period.

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Revenue by business segment

	Year ended 30 June				Six months ended 31 December			
	2011		2012		2011		2012	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%
Industrial automation systems	84,716,265	85.5	200,760,826	87.5	92,367,906	89.5	69,381,447	58.0
Sludge treatment products	2,362,602	2.4	14,465,470	6.3	5,455,220	5.3	41,839,930	35.0
After-sales services	12,036,345	12.1	14,293,933	6.2	5,429,864	5.2	8,428,781	7.0
	<u>99,115,212</u>	<u>100.0</u>	<u>229,520,229</u>	<u>100.0</u>	<u>103,252,990</u>	<u>100.0</u>	<u>119,650,158</u>	<u>100.0</u>

Please refer to the paragraph headed “Our results of operations” under the section headed “Financial Information” beginning on page 228 in this prospectus for further details on the fluctuations in our revenue during the Track Record Period.

Gross profit

	Year ended 30 June		Six months ended 31 December	
	2011	2012	2011	2012
Industrial automation systems	26.4%	27.3%	25.3%	29.3%
Sludge treatment products	25.2%	26.5%	22.1%	26.0%
After-sales services	48.0%	39.7%	42.0%	39.4%
Overall	29.0%	28.0%	26.0%	28.8%

The overall gross profit margin of our Group decreased by approximately 1.0% during the two years ended 30 June 2011 and 2012. This was primarily due to the substantial decrease in gross profit margin in our provision of after-sales services for the year ended 30 June 2012. The gross profit margin for provision of after-sales services decreased by approximately 8.3% during the two years ended 30 June 2011 and 2012. The decrease in the gross profit margin for provision of after-sales services was primarily due to: (i) the decrease in gross profit margin for the provision of engineering and maintenance services together with the supply of spare parts and components; and (ii) the decrease in proportion of revenue attributable to the provision of engineering and maintenance services to the revenue from provision of after-sales services in the year ended 30 June 2012.

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Our overall gross profit margin increased by approximately 2.8% for the six months ended 31 December 2012 as compared to the same period in 2011 due to the increase in gross profit margin for sales of industrial automation systems and sludge treatment products for the six months ended 31 December 2012. The gross profit margin for sales of industrial automation systems in the six months ended 31 December 2011 was relatively lower due to the completion of three industrial automation system projects with a lower average profit margin of approximately 10.4% during the same period. The gross profit margin in relation to our sludge treatment product segment for the six months ended 31 December 2011 was lower than its gross profit margin for the six months ended 31 December 2012 primarily due to the completion of our major sludge treatment project with a relatively low gross margin of about 22% during the six months ended 31 December 2011 which accounted for approximately 94.4% of our sales of sludge treatment products during the same period.

Please refer to the paragraph headed “Gross profit” under the section headed “Financial Information” beginning on page 237 in this prospectus for further details.

Impact on our financial results due to expenses incurred in relation to the Listing

Our Directors estimated that expenses relating to the Listing of approximately HK\$7.8 million and HK\$7.4 million will be charged to combined statements of comprehensive income for the year ending 30 June 2013 and our equity directly upon Listing, respectively, which may have a material adverse impact on our financial results for the year ending 30 June 2013. Approximately HK\$2.2 million and HK\$4.7 million of expenses relating to the Listing has been recognised in our combined statement of comprehensive income for the year ended 30 June 2012 and the six months ended 31 December 2012, respectively.

Key financial ratios

The following table sets out the key financial ratios for our Group during the Track Record Period:

	Year ended 30 June		Six months ended
	2011	2012	31 December 2012
Profitability ratios			
Return on assets (%)	0.2	7.6	5.3
Return on equity (%)	1.5	24.4	13.9
Liquidity ratios			
Current ratio	1.0	1.2	1.3
Quick ratio	0.4	0.5	0.5
Capital adequacy ratio			
Gearing ratio (%)	33.7	23.9	6.4
Interest coverage	2.2	15.5	14.5

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Please refer to the paragraph headed “Key financial ratios” under the section headed “Financial Information” beginning on page 252 in this prospectus for further details.

No material adverse change

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since 31 December 2012, being the date to which our latest audited financial statements were prepared, and up to the date of this prospectus.

RECENT DEVELOPMENTS SUBSEQUENT TO 31 DECEMBER 2012

As at the Latest Practicable Date, our sales contracts on hand amounted to approximately HK\$197.9 million. Based on our unaudited financial statements, our total revenue increased by approximately 13.5% for the nine months ended 31 March 2013 as compared to the same period in 2012. The table below sets out the revenue, the corresponding amount as a percentage of our total revenue and the gross profit margin for each of our business segments for the periods indicated:

	Nine months ended					
	31 March 2012			31 March 2013		
	<i>HK\$</i>	%	<i>Gross profit margin %</i>	<i>HK\$</i>	%	<i>Gross profit margin %</i>
Industrial automation systems	125,539,555	90.1	25.9	99,470,898	62.9	28.1
Sludge treatment products	5,484,202	3.9	20.6	43,852,302	27.7	25.1
After-sales services	8,313,186	6.0	42.1	14,817,392	9.4	40.6
	<u>139,336,943</u>	<u>100.0</u>	26.6	<u>158,140,592</u>	<u>100.0</u>	28.5

The financial information as shown above was extracted from the unaudited condensed combined financial statements for the nine months ended 31 March 2013 prepared by our Directors in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which were reviewed by the reporting accountant of our Company, with reference to the principles set out in Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. The comparative financial information as shown above for the period from 1 July 2011 to 31 March 2012 has not been reviewed.

Revenue from sales of industrial automation systems decreased by approximately 20.8% for the nine months ended 31 March 2013 as compared to the same period in 2012. Such decrease was primarily attributable to the higher level of revenue recognised during the nine months ended 31 March 2012 due to delay in acceptance of our industrial automation systems in relation to seven of our sales contracts. Such delay in acceptance was primarily due to the delay in the construction work of our customers’ production facilities. The higher gross profit

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margin of approximately 28.1% for the nine months ended 31 March 2013 as compared to the same period in 2012 was primarily due to the lower level of gross profit margin during the nine months ended 31 March 2012 as a result of the completion of three industrial automation system projects with a lower average profit margin, which were treated as opportunities to explore the industrial automation system market in the electricity industry and provide value-added on-site services to customers during the said period.

Revenue from sales of sludge treatment products increased by approximately 7.0 times for the nine months ended 31 March 2013 as compared to the same period in 2012, because we received our first order for our sludge treatment products in March 2010 and first recognised revenue from sales of sludge treatment products in December 2010 after spending several years developing our sludge treatment products. Since then, we have managed to secure more sales orders for our sludge treatment business which were subsequently delivered to our customers. Sales of sludge treatment products increased by approximately HK\$2.0 million in the three months ended 31 March 2013 as compared to the same period in 2012 due to the completion of 22 contracts in the three months ended 31 March 2013. The gross profit margin for our sludge treatment products increased from approximately 20.6% in the nine months ended 31 March 2012 to approximately 25.1% in the nine months ended 31 March 2013 primarily due to the completion of our major sludge treatment project with a relatively low gross margin of about 22% during the nine months ended 31 March 2012 which accounted for approximately 93.9% of our sales of sludge treatment products during the same period, and shared a relatively higher production costs due to small scale of production in the three months ended 31 March 2012.

Revenue from provision of after-sales services increased by approximately 78.2% for the nine months ended 31 March 2013 as compared to the same period in 2012 due to an increase in the number of completed sales contracts with expired warranty period. The gross profit margin for provision of after-sales services decreased to approximately 40.6% for the nine months ended 31 March 2013 due to an increase in the proportion of revenue from the sole supply of spare parts and components, which had a lower gross profit margin.

Our trade receivables maintained at approximately HK\$37.5 million and HK\$37.5 million as at 31 December 2012 and 31 March 2013 respectively. As at 31 March 2013, approximately HK\$6.7 million of our trade receivables as at 31 December 2012 have been settled. Our bank borrowing amounted to approximately HK\$6.2 million as at 31 December 2012 and we did not have any banking borrowing as at 31 March 2013 as our Group repaid the bank loan in January 2013. As at the Latest Practicable Date, unutilised banking facilities amounted to approximately HK\$52.1 million.

Please refer to the paragraph headed “Recent developments subsequent to 31 December 2012” under the section headed “Financial Information” beginning on page 280 in this prospectus for further details.

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DIVIDEND

Following the Listing, our Shareholders will be entitled to receive dividends declared by our Company. There is no plan of dividend distribution in the foreseeable future for unremitted earnings of Huazhang Technology, our PRC subsidiary, that was earned on and after 1 January 2008 till 30 June 2012. We intend to declare dividends of not less than 25% of our net profit for each of the financial years starting from the year ending 30 June 2013, subject to the approval of our board of Directors and Shareholders and factors such as our results of operations and operating and capital requirements. Please refer to the paragraph headed “Dividend” under the section headed “Financial Information” beginning on page 278 in this prospectus for further details.

PLACING STATISTICS

**Based on a
Placing Price of
HK\$1.20 per Share**

Market capitalisation of our Shares (<i>Note</i>)	HK\$326.4 million
Unaudited pro forma adjusted net tangible asset value per Share	HK\$0.58

Note:

The calculation of the market capitalisation of our Shares is based on 272,000,000 Shares expected to be in issue immediately after completion of the Capitalisation Issue and the Placing but does not take into account any Shares which may be allotted or issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.

Please refer to the paragraph headed “Unaudited Pro Forma Adjusted Net Tangible Assets” in Appendix II to this prospectus for further details.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.