

### HISTORY AND DEVELOPMENT

#### Business development

The origin of our Group can be traced back to 2001 when Huazhang Technology, our principal operating subsidiary, was established in the PRC and commenced the construction of our Group's production plant in Tongxiang, Jiaxing City, Zhejiang Province, the PRC in 2002.

#### *Early work experience of Mr. Zhu*

Our Group was founded by Mr. Zhu, one of our Controlling Shareholders and an executive Director. Prior to founding our Group, from July 1984 to December 1993, Mr. Zhu worked at the Hangzhou Project and Research Institute of Electro-mechanic in Light Industry (輕工業杭州機電設計研究院), a state-owned enterprise jointly established by the MST and the Ministry of Light Industry of the PRC and approved by the State Council of the PRC in 1982, which principally engaged in the business of, among others, the researches in the technology for wood pulp, paper-making, household chemicals, plastic equipment industries and the automation of electric instruments. Mr. Zhu later worked at Hangzhou Huazhang Microelectronics Company Limited (杭州華章微電子公司) from December 1993 to December 1996, a company established by a state-owned enterprise 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. Except for his three years employment, Mr. Zhu had no relationship with Hangzhou Huazhang Microelectronics Company Limited (杭州華章微電子公司) which was subsequently deregistered in July 2005.

#### *Mr. Zhu's experience on establishing companies prior to founding our Group*

Mr. Zhu founded Hangzhou Yiyi Consultation (formerly known as Hangzhou Huazhang Electric Engineering Company Limited (杭州華章電氣工程有限公司)) in December 1996 with Mr. Wang, Mr. Liu, Ms. Zhu, our Controlling Shareholders, Mr. Jin Hao, our executive Director, and four Independent Third Parties. Hangzhou Yiyi Consultation was a private company principally engaged in the business of acting as the contractor for projects of industrial automation system, wholesale and retail sale of industrial automation equipment and components, hydraulic components, computer equipment and components and other electric machinery and equipment. Hangzhou Yiyi Consultation later became the authorised distributor of the Branded Industrial Automation Products in the region of Shandong Province, the PRC.

Hangzhou Rongtai Electric, an EJV, was established in December 1998 by Hangzhou Yiyi Consultation and Huazhang Electric, a private company then owned as to 65% by Mr. Zhu in June 1998. Hangzhou Rongtai Electric was principally engaged in the business of research and development of transformers, automation control system and electrical components. In order to further extend the distribution businesses of the Branded Industrial Automation Products, Hangzhou Rongtai Electric entered into an agreement with a subsidiary of the brand owner of the Branded Industrial Automation Products and became the authorised distributor of the Branded Industrial Automation Products in the provinces of Zhejiang, Hunan, Hubei and Yunnan, the PRC in October 2005 and up to late 2006.

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In May 1999, Mr. Zhu also founded Shanghai Yunjie Consultation (formerly known as Shanghai Huazhang Electric Control Engineering Company Limited (上海華章電氣控制工程有限公司)) with two Independent Third Parties, a private company principally engaged in the business of acting as the contractor for projects of industrial automation system, wholesale of engineering machinery, sale of electric products, pneumatic and hydraulic components, programmable controls, electric drive, low voltage electrics and components, technical services for industrial automation engineering and rental of own factory. It later became an authorised distributor of the Branded Industrial Automation Products in the region of Shanghai, the PRC.

In order to attain a more efficient resources allocation among the entities controlled by Mr. Zhu, Huazhang Overseas established Huazhang Automation (Hong Kong) in June 2006, which in turn established Huazhang Automation (Zhejiang) in September 2006, and the distribution businesses of Hangzhou Yiyi Consultation, Hangzhou Rongtai Electric and Shanghai Yunjie Consultation were transferred to Huazhang Automation (Zhejiang) in November 2006. As a condition of the said transfers, Huazhang Automation (Zhejiang) replaced the above three companies to become an authorised distributor of the Branded Industrial Automation Products in the regions of Shandong Province, Zhejiang Province, Hunan Province, Hubei Province, Yunnan Province and Shanghai Province in anticipation of the subsequent disposal of 51.0% and 19.0% interests in Huazhang Automation (Hong Kong), the then wholly-owned subsidiary of Huazhang Overseas, to French Business Partner, an Independent Third Party, in March 2007 and August 2009 respectively. At the time of negotiations between French Business Partner and Huazhang Overseas in relation to the potential acquisition of interests in Huazhang Automation (Hong Kong), it was agreed that the potential transfer of interests in Huazhang Automation (Hong Kong) was to take place under separate tranches as the acquisition prices were determined by, among others, the financial performance of Huazhang Automation (Hong Kong) at different period of time. Pursuant to the HAHK 2007 S&P Agreement, 51.0% interests in Huazhang Automation (Hong Kong) was acquired by French Business Partner in March 2007 and the HAHK First Call Option was granted to French Business Partner. The consideration paid by French Business Partner for the said acquisition of 51.0% interests in Huazhang Automation (Hong Kong) was approximately RMB100.3 million, which was determined based on a multiple of the operating results of Huazhang Automation (Hong Kong) for the year ended 31 December 2007. As a result of the exercise of the HAHK First Call Option by French Business Partner, an additional 19% interests in Huazhang Automation (Hong Kong) was transferred to French Business Partner in August 2009 at a consideration of approximately RMB34.6 million, which was determined based on a multiple of the operating results of Huazhang Automation (Hong Kong) for the year ended 31 December 2008.

Pursuant to the HAHK 2007 S&P Agreement (as supplemented by an agreement dated 30 June 2009), French Business Partner was granted the HAHK Second Call Option for acquiring all outstanding interests in Huazhang Automation (Hong Kong). The HAHK Second Call Option is exercisable by French Business Partner within three months following the issue of the audited consolidated financial statements of Huazhang Automation (Hong Kong) for the financial year ending 31 December 2013, which is expected to be available by no later than 31

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March 2014, and shall lapse within three months following the issue of such financial statements. As at the Latest Practicable Date, as confirmed by the directors of Huazhang Overseas, Huazhang Overseas had not received any notice from French Business Partner on whether and when French Business Partner will exercise the HAHK Second Call Option.

French Business Partner is a wholly-owned subsidiary of French Listed Company, a company whose shares are listed on the NYSE Euronext Paris and the principal business of French Listed Company is the distribution of low and ultra-low voltage electrical products to profession customers, and has operation in Europe, North America and Asia-Pacific through its subsidiaries. French Business Partner is a simplified joint stock company governed by the laws of France and centralises the functional and operating management teams of its subsidiaries. French Business Partner provides services including management, strategic planning, finance, human resources, information technology, telecoms and legal to the subsidiaries of French Listed Company.

Prior to the acquisitions of interests in Huazhang Automation (Hong Kong) by French Business Partner, French Listed Company, through its subsidiaries, had been an authorised distributor of the Branded Industrial Automation Products in the US and other jurisdictions other than the PRC. In view of consolidating its distribution network of the Branded Industrial Automation Products, French Listed Company contacted Mr. Zhu in mid 2006 to discuss the possibility of acquiring the distribution rights of the Branded Industrial Automation Products in the PRC. Having considered that: (i) the disposals were able to provide Huazhang Overseas an opportunity to realise part of its investment in Huazhang Automation (Hong Kong) and generate immediate cash flow; (ii) the consideration for the disposals offered by French Business Partner was considered favourable; and (iii) there would be other alternative suppliers available in the market in the event that Huazhang Automation (Zhejiang) were to terminate its supply of the Branded Industrial Automation Products to us, the directors of Huazhang Overseas considered that the disposals were beneficial to Huazhang Overseas and its shareholders and therefore decided to proceed with the disposals. The proceeds from the disposal of the interests in Huazhang Automation (Hong Kong) had been applied by Huazhang Overseas for further investment purposes, including the increase in registered capital of Huazhang Technology in April 2008. During the Track Record Period and up to the Latest Practicable Date, there was no agreement between our Controlling Shareholders and French Business Partner requiring our Group to purchase the Branded Industrial Automation Products only from Huazhang Automation (Zhejiang). However, our Group has been participating in the “Solution Partner” programme launched by the brand owner of the Branded Industrial Automation Products, and under such programme our Group agreed to, among others, follow the distribution policy for the Branded Industrial Automation Products as instructed. Throughout the Track Record Period and up to the Latest Practicable Date, Huazhang Automation (Zhejiang) was the authorised distributor of the brand owner of the Branded Industrial Automation Products designated for the supply to our Group. For further details of the arrangement between our Group and Huazhang automation (Zhejiang), please refer to the paragraphs headed “Supply arrangement with Huazhang Automation (Zhejiang)” under the section headed “Business” in this prospectus.

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### *Establishment of Huazhang Technology, our PRC operating subsidiary*

Through accumulating experiences in the industrial automation systems industry during operating Hangzhou Yiyi Consultation, Hangzhou Rongtai Electric and Shanghai Yunjie Consultation, Mr. Zhu was able to familiarise himself with the industrial automation systems industry in the PRC and, through Huazhang Electric, further established Huazhang Technology in July 2001. Huazhang Technology has been focusing in the manufacture and sale of industrial automation systems for the paper-making industry in the PRC. In mid-2010, Huazhang Technology started the production of sludge treatment products for the paper-making industry in the PRC. Since then, our Group has been principally engaged in the research and development, assembly, manufacture and sale of both industrial automation systems and sludge treatment products.

### **Business milestones**

The following sets out the important milestones of our Group's business:

- 2001      Huazhang Technology (formerly known as Huazhang Electric (Tongxiang) Company Limited (華章電氣(桐鄉)有限公司) was incorporated in the PRC.
- 2002      The construction of the production plant in Tongxiang, Jiaxing City, Zhejiang Province, the PRC was commenced.
- 2004      The research and development division of Huazhang Technology was established.
- 2006      Huazhang Technology was recognised as “Zhejiang Province Technology-based Small-Medium Enterprise (浙江省科技型中小企業)”.  
  
Huazhang Technology was recognised as “Zhejiang Province Centre of Technology for Small-Medium Enterprise (浙江省省級中小企業技術中心)”.
- 2007      The motor control centre developed by Huazhang Technology passed the PRC National Compulsory Products Recognition (3C Recognition) (中國國家強制性產品認證(3C認證)).
- 2008      Huazhang Technology was recognised as High Technology Enterprise (高新技術企業).
- 2009      Huazhang Technology was admitted to the China Paper Industry Chamber of Commerce (中華全國工商業聯合會紙業商會) as a corporate vice-president (副會長單位).

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2010 Huazhang Technology was named as Zhejiang Province Innovative Pilot Enterprise (浙江省創新型試點企業), Technological Innovation Excellence Enterprise (科技創新優勝企業) and Zhejiang Province Patent Model Enterprise (浙江省專利示範企業). Huazhang Technology was admitted to the Environmental Protection Association of Jiaxing City (嘉興市環保產業協會) as an executive member (理事單位).

AC 3700, one of the models of the drive control system developed by Huazhang Technology, was recognised as one of the “National key projects of new products (國家重點新產品計劃)”.

2011 Huazhang Technology was named as Zhejiang Province Provincial Level Research and Development Centre for Advanced and Innovative Technology (浙江省省級高新技術企業研發中心).

Huazhang Technology was awarded the Tongxiang Top Ten Technological Progress Enterprise of 2010 (二零一零年度桐鄉十佳科技進步企業).

The sludge dewatering machine was named as the “2011 National Major New Product (二零一一年國家重點新產品)” and was awarded “Jiaxing Municipal Technological Progress Award (Class 2) (嘉興市科技進步二等獎)”.

2012 Huazhang Technology was recognised as “Outstanding Growing Enterprise of 2011 (二零一一年度優秀成長型企業)”.

### Corporate history

As at the Latest Practicable Date, our Group comprised our Company, Likwin, Huazhang Electric and Huazhang Technology. Prior to the Reorganisation, Huazhang Electric and Huazhang Technology were the wholly-owned subsidiaries of Huazhang Overseas, a private company which was held as to approximately 77.90% in aggregate by our Controlling Shareholders, of which approximately 41.90% was held by Mr. Zhu, 16.16% by Mr. Wang, 13.98% by Mr. Liu and 5.86% by Ms. Zhu, and the remaining 22.10% by United Offshore as at the Latest Practicable Date. Prior to the disposals of 51.0% and 19.0% interests in Huazhang Automation (Hong Kong) by Huazhang Overseas in March 2007 and August 2009, respectively, Huazhang Automation (Hong Kong) was a wholly-owned subsidiary of Huazhang Overseas. As a result of the disposals, Huazhang Automation (Hong Kong) was owned as to 30.0% by Huazhang Overseas and 70.0% by French Business Partner, an Independent Third Party. Immediately after the Reorganisation and as at the Latest Practicable Date, Huazhang Automation (Hong Kong) remained to be held as to 30.0% by Huazhang Overseas as such 30.0% interest was not included in our Group for the purpose of our Reorganisation.

### *Huazhang Overseas*

Huazhang Overseas was incorporated under the laws of the Cayman Islands with limited liability on 25 March 2003. On the date of its incorporation, Huazhang Overseas was owned as to approximately 73.24% in aggregate by our Controlling Shareholders, of which approximately 34.74% was held by Mr. Zhu, 16.00% by Mr. Wang, 16.00% by Mr. Liu and 6.50% by Ms. Zhu, and approximately 21.76% of the share capital of Huazhang Overseas was held by United Offshore and 5.00% by InduSolutions Co. Ltd.. InduSolutions Co. Ltd. is a company wholly-owned by Mr. Jeffrey, Xiao-hu Yin, an Independent Third Party. Mr. Zhu, Mr. Wang, Mr. Liu and Ms. Zhu are regarded as persons acting in concert in relation to Huazhang Overseas under the Takeovers Code regarding the consolidation of the control of Huazhang Overseas and our Group, as they have agreed to vote unanimously for all decisions in relation to Huazhang Overseas and our Group, including the acquisition of Huazhang Electric by Huazhang Overseas and the Reorganisation. Mr. Zhu, Mr. Wang, Mr. Liu and Ms. Zhu have been acting as the directors of Huazhang Overseas since its incorporation and throughout the Track Record Period. Mr. Zhu, Mr. Wang, Mr. Liu and Ms. Zhu have been working in the industrial automation system industry in the PRC since early 1990s, and Mr. Zhu, Mr. Wang and Mr. Liu acquainted with each other through working in Hangzhou Project and Research Institute of Electro-mechanic in Light Industry (輕工業杭州機電設計研究院) in late 1980s, whereas Ms. Zhu acquainted with Mr. Zhu when she was working in Hangzhou Huazhang Microelectronics Company Limited (杭州華章微電子公司) in 1993. Mr. Zhu, Mr. Wang, Mr. Liu and Ms. Zhu later established Hangzhou Yiyi Consultation together with Mr. Jin Hao, one of our executive Directors, and four other Independent Third Parties in December 1996.

United Offshore, one of the founding shareholders of Huazhang Overseas, was incorporated on 30 January 2003 with 47 shareholders, all of whom were the employees of Huazhang Technology. The purpose of setting up United Offshore was for these 47 employees of Huazhang Technology to participate in the investment in Huazhang Technology together with Mr. Zhu and the other shareholders of Huazhang Overseas through the acquisition of the entire interest in Huazhang Electric in November 2004. The number of shareholders of United Offshore increased to 67 as at 30 June 2012, and all of these 67 shareholders of United Offshore were employees of Huazhang Technology, of which 66 individual shareholders of United Offshore were residents of the PRC as at the Latest Practicable Date.

On 3 November 2004, Huazhang Overseas acquired 100% beneficial interests in Huazhang Electric at a consideration of HK\$3,000,000 based on the par value of the shares transferred. Such transfer was properly and legally completed and settled. As a result of the acquisition, Huazhang Technology became an indirect wholly-owned subsidiary of Huazhang Overseas.

On 23 February 2009, Huazhang Overseas repurchased certain number of its own shares from Mr. Zhu, Mr. Wang, Mr. Liu, Ms. Zhu and InduSolutions Co. Ltd. and allotted its shares to United Offshore. Immediately after these share repurchase and allotment, Huazhang Overseas was owned as to approximately 32.391% by Mr. Zhu, 14.482% by Mr. Wang, 13.980% by Mr. Liu, 5.860% by Ms. Zhu, 28.265% by United Offshore and 5.022% by InduSolutions Co. Ltd..

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On 30 June 2012, InduSolutions Co. Ltd. and United Offshore transferred approximately 5.022% and 4.49% interests in Huazhang Overseas respectively to Mr. Zhu, at a consideration of RMB2.40 million (equivalent to approximately HK\$2.98 million) and RMB2.14 million (equivalent to approximately HK\$2.66 million) respectively. United Offshore also transferred approximately 1.67% interests in Huazhang Overseas to Mr. Wang, at a consideration of RMB0.80 million (equivalent to approximately HK\$0.99 million). The considerations of the above transfers were mutually agreed after taking into account (i) the average investment cost of approximately HK\$1.79 million paid by InduSolutions Co. Ltd. in respect of the transfer of the 5.022% interests in Huazhang Overseas and the average investment cost of approximately HK\$1.60 million and HK\$0.59 million paid by United Offshore in respect of the transfer of the 4.49% interests and 1.67% interests in Huazhang Overseas respectively; (ii) the unaudited net asset value of Huazhang Technology as at 30 June 2012 of approximately RMB77.9 million (equivalent to approximately HK\$96.7 million); and (iii) the unaudited net asset value of the 30% interest in Huazhang Automation (Zhejiang) as at 30 June 2012 of approximately RMB9.6 million (equivalent to approximately HK\$11.9 million). All of the above transfers were properly and legally completed and settled and all the transferees had settled the consideration to the respective transferors. Since the completion of these transfers and up to the Latest Practicable Date, Huazhang Overseas was held as to approximately 77.9% in aggregate by our Controlling Shareholders, of which 41.9% was held by Mr. Zhu, 16.16% by Mr. Wang, 13.98% by Mr. Liu and 5.86% by Ms. Zhu, and the remaining 22.10% by United Offshore. Upon completion of the above transfer, InduSolutions Co. Ltd. ceased to be a shareholder of Huazhang Overseas.

Huazhang Overseas is an investment holding company. Huazhang Overseas' principal business was the holding of (i) the entire share capital of Huazhang Technology through Huazhang Electric; and (ii) the 30.0% indirect interest in Huazhang Automation (Zhejiang) during the Track Record Period and immediately before the completion of the Reorganisation. Upon the completion of the Reorganisation and as at the Latest Practicable Date, save for the 30% interest in Huazhang Automation (Hong Kong), it did not hold any other assets or business.

### *Huazhang Electric*

Huazhang Electric was principally engaged in the business of investment holding as at the Latest Practicable Date. On 25 March 1993, Huazhang Electric was incorporated in Hong Kong with limited liability with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each, with two ordinary shares issued and fully paid and each of these two shares was held by an Independent Third Party.

On 28 July 1995, the issued share capital of Huazhang Electric was increased to 100 ordinary shares, and Huazhang Electric was held as to 35%, 35% and 30% by three Independent Third Parties respectively. On 24 June 1998, Mr. Zhu acquired an aggregate of 65% interests in Huazhang Electric from two of these Independent Third Parties at a consideration of HK\$65.00 based on the par value of the shares transferred. Such acquisition was properly and legally completed and settled.

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The authorised share capital of Huazhang Electric was increased to HK\$3,000,000 divided into 3,000,000 ordinary shares of HK\$1.00 each on 29 March 2000, with 3,000,000 ordinary shares issued and fully paid, of which 75% was held by Mr. Zhu, 15% by an Independent Third Party and the remaining 10% by another Independent Third Party.

On 3 November 2004, Huazhang Overseas acquired the entire beneficial interest of Huazhang Electric at a consideration of HK\$3,000,000 based on the par value of the shares transferred. Such transfer was properly and legally completed and settled. Since the completion of the transfer and prior to the Reorganisation, Huazhang Electric was a direct wholly-owned subsidiary of Huazhang Overseas.

On 30 June 2012, the authorised share capital of Huazhang Electric was further increased to HK\$5,000,000 divided into 5,000,000 ordinary shares of HK\$1.00 each, and one share of Huazhang Electric was allotted to Huazhang Overseas on the same day for the purpose of capitalising the loan owed to Huazhang Overseas amounting to approximately HK\$35.2 million. On 31 December 2012, one additional share of Huazhang Electric was allotted to Huazhang Overseas for the purpose of capitalising the loan owed to Huazhang Overseas amounting to approximately HK\$5.2 million. As a result of the aforesaid allotments, 3,000,002 ordinary shares of Huazhang Electric were beneficially owned by Huazhang Overseas.

### *Huazhang Technology*

Huazhang Technology, our principal operating subsidiary, was established in the PRC as a WFOE with limited liability on 19 July 2001 with a registered capital of US\$3,300,000 which was fully paid up by Huazhang Electric by way of cash. The registered capital of Huazhang Technology was increased to US\$5,300,000 on 29 April 2008 and was fully paid up by Huazhang Electric by way of cash. For details of Huazhang Technology's business history and development, please refer to the paragraph headed "Business development" in this section.

### *Disposal of interests in Tongxiang Baimadun and Tongxiang Modern Eco-Agriculture*

During the Track Record Period and up to 10 April 2012, Huazhang Electric held 94.55% interest in Tongxiang Baimadun and the entire interest in Tongxiang Modern Eco-Agriculture.

Tongxiang Baimadun was an EJV incorporated in the PRC with limited liability on 30 December 2004 and was principally engaged in the business of development and management of tourism attraction (without providing tourism services), operation of large-scale restaurant (providing Chinese and cold dishes) and provision of services in relation to fishing. Tongxiang Baimadun was, since its incorporation and up to 10 April 2012, owned as to 94.55% by Huazhang Electric and 5.45% by an Independent Third Party. The audited net loss of Tongxiang Baimadun was approximately RMB2.99 million and RMB0.41 million for the years ended 31 December 2010 and 2011 respectively, and its unaudited net loss was RMB52,100 for the six months ended 30 June 2012.



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Tongxiang Modern Eco-Agriculture was a WFOE incorporated in the PRC by Huazhang Electric with limited liability on 19 December 2001 and was principally engaged in the business of production of merchantable fruit plants, vegetables and flower plants, research of the relevant planting technology and farming and growing of watery products. The audited net loss of Tongxiang Modern Eco-Agriculture was approximately RMB0.09 million and RMB0.40 million for the years ended 31 December 2010 and 2011 respectively, and its unaudited net profit was RMB0.28 million for the six months ended 30 June 2012.

As the businesses which Tongxiang Baimadun and Tongxiang Modern Eco-Agriculture were operating were different from the principal business of our Group, our Group entered into two equity transfer agreements in relation to the interest held by Huazhang Electric in Tongxiang Baimadun and Tongxiang Modern Eco-Agriculture on 23 March 2012 and 22 March 2012 respectively with an Independent Third Party pursuant to which Huazhang Electric would dispose of 94.55% equity in Tongxiang Baimadun and the entire interest in Tongxiang Modern Eco-Agriculture to that Independent Third Party at the consideration of US\$1.04 million and US\$6.0 million respectively. The considerations were determined with reference to the registered and fully paid-up capital of Tongxiang Baimadun of US\$1.1 million and that of Tongxiang Modern Eco-Agriculture of US\$6 million on the date of the relevant transfer agreements. The said disposals were completed on 10 April 2012, and the payment of the said considerations were fully settled and received by Huazhang Electric in June 2012.

### *Huazhang Automation (Hong Kong) and Huazhang Automation (Zhejiang)*

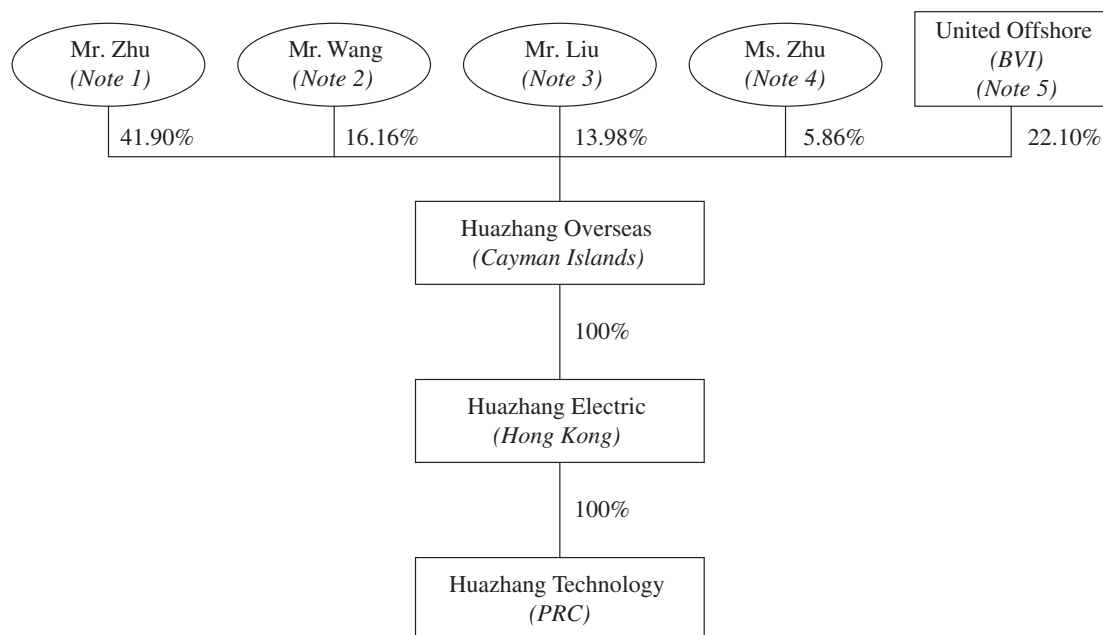
Huazhang Automation (Hong Kong) was a wholly-owned subsidiary of Huazhang Overseas immediately prior to the disposals of 51% interests in Huazhang Automation (Hong Kong) by Huazhang Overseas in March 2007 to French Business Partner, an Independent Third Party. Huazhang overseas further disposed of its 19% interests in Huazhang Automation (Hong Kong) in August 2009 to French Business Partner. Immediately after the Reorganisation, Huazhang Automation (Hong Kong) was remained to be held as to 30% by Huazhang Overseas as such 30% interest was not included in our Group for the purpose of our Reorganisation, and Huazhang Automation (Zhejiang) was a wholly-owned subsidiary of Huazhang Automation (Hong Kong). 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. Huazhang Overseas' interest in Huazhang Automation (Hong Kong) and Huazhang Automation (Zhejiang) was excluded from our Group for the purpose of our Reorganisation.

For further details of Huazhang Automation (Hong Kong) and Huazhang Automation (Zhejiang) and their relationship with our Controlling Shareholders and our Group, please refer to the paragraph headed "Customers" under the section headed "Business" and the paragraph headed "Excluded business" under the section headed "Relationship with Controlling Shareholders" in this prospectus.

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## CORPORATE REORGANISATION

The following chart sets out the structure of our Group immediately before the completion of the Reorganisation:



*Notes:*

- Mr. Zhu is the founder of our Group. He is also one of our Controlling Shareholders and an executive Director.
- Mr. Wang is a director of Huazhang Automation (Hong Kong) and Huazhang Automation (Zhejiang) and a general manager of Huazhang Automation (Zhejiang). Mr. Wang was a director of Huazhang Technology until he resigned on 10 October 2012. Mr. Wang is one of our Controlling Shareholders as he is one of the parties acting in concert with Mr. Zhu.
- Mr. Liu is one of the senior management members of our Group and is one of our Controlling Shareholders as he is one of the parties acting in concert with Mr. Zhu.
- Ms. Zhu was a director of Huazhang Technology until she resigned on 10 October 2012. Ms. Zhu resigned from the position due to her health problem. Ms. Zhu is one of our Controlling Shareholders as she is one of the parties acting in concert with Mr. Zhu.
- United Offshore was owned by 67 individuals as at the Latest Practicable Date, and save for Mr. Jin Hao, an executive Director who held approximately 12.50% interests in United Offshore, Mr. Tang Zhi Chao, a member of the senior management of our Group who held approximately 15.76% interests in United Offshore, Mr. Zhu Genyi and Mr. Zhu Genbiao who are brothers of Mr. Zhu and held approximately 2.46% and 1.90% interests in United Offshore respectively, all of these individuals were Independent Third Parties. None of the shareholder held more than 16% interest in United Offshore.

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Our Group underwent the Reorganisation in preparation for the Listing which involved the following major steps:

### **Incorporation of Qunyu, Lian Shun and Florescent Holdings**

#### ***Qunyu***

Qunyu was incorporated under the laws of the BVI with limited liability on 10 April 2012 and is an investment holding company. At the time of its incorporation and as at the Latest Practicable Date, it was owned by 67 individuals. The shareholders of Qunyu and those of United Offshore were identical, and save for Mr. Jin Hao, an executive Director who held approximately 12.50% interests in Qunyu, Mr. Tang Zhi Chao, a member of the senior management of our Group who held approximately 15.76% interests in Qunyu, Mr. Zhu Genyi and Mr. Zhu Genbiao who are brothers of Mr. Zhu held approximately 2.46% and 1.90% interests in Qunyu respectively, the remaining 63 individuals were Independent Third Parties, and none of the 67 individuals held more than 16% of the issued share capital of Qunyu.

As at the Latest Practicable Date, Qunyu held approximately 22.1% interests in Florescent Holdings, one of our Controlling Shareholders.

#### ***Lian Shun***

Lian Shun was incorporated under the laws of the BVI with limited liability on 25 May 2012 and is an investment holding company. At the time of its incorporation and as at the Latest Practicable Date, it was owned as to 53.79% by Mr. Zhu, 20.74% by Mr. Wang, 17.95% by Mr. Liu and 7.52% by Ms. Zhu, all of them were our Controlling Shareholders.

As at the Latest Practicable Date, Lian Shun held approximately 77.9% interests in Florescent Holdings, one of our Controlling Shareholders.

#### ***Florescent Holdings***

Florescent Holdings was incorporated under the laws of the BVI with limited liability on 8 June 2012 and is an investment holding company. At the time of its incorporation, it was wholly-owned by Mr. Zhu.

After completion of the Capitalisation Issue and the Placing, Florescent Holdings will become our Controlling Shareholder and will hold 75% interests in our Company.

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### **Incorporation of our Company**

Our Company was incorporated under the laws of the Cayman Islands with limited liability on 26 June 2012 and was wholly-owned by Mr. Zhu upon its incorporation. On 13 July 2012, as one of the steps of the Reorganisation, one ordinary share, representing the entire issued share capital of our Company, was transferred from Mr. Zhu to Florescent Holdings for a consideration of HK\$0.01. As a result of the said transfer, our Company became a wholly-owned subsidiary of Florescent Holdings.

Please refer to the paragraph headed “Further information about our Company and its subsidiaries – Changes in share capital” in Appendix VI to this prospectus for further details of changes in the share capital of our Company.

### **Incorporation of Likwin**

Likwin was incorporated under the laws of the BVI with limited liability on 8 June 2012 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On 13 July 2012, one fully paid share was allotted and issued to our Company and Likwin became a direct wholly-owned subsidiary of our Company. Likwin is an investment holding company.

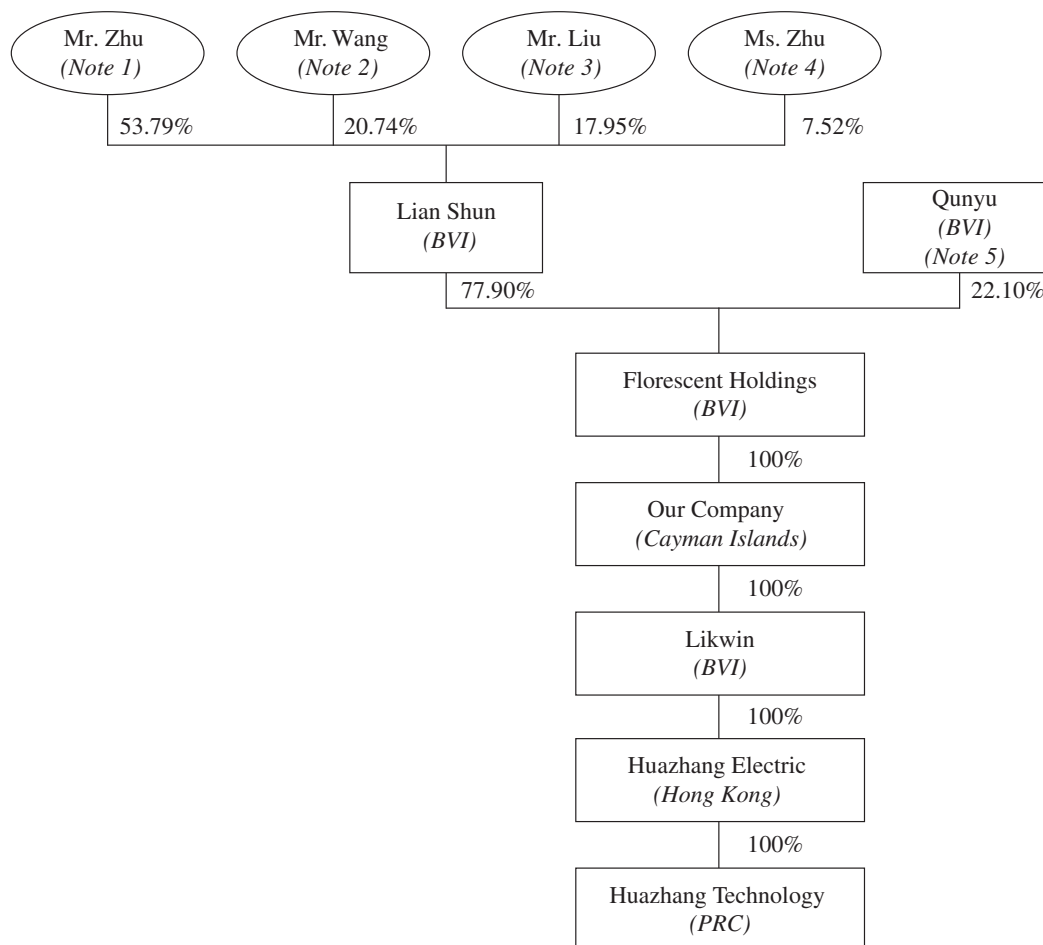
### **Acquisition of Huazhang Electric**

On 3 May 2013, Huazhang Overseas transferred all its interests in Huazhang Electric to Likwin in consideration of the allotment and issue of shares by Florescent Holdings to Lian Shun and Qunyu, all credited as fully paid. Such transfer was properly and legally completed and settled. As a result of the issue of shares, Florescent Holdings was owned as to 77.9% by Lian Shun, and 22.1% by Qunyu. As Mr. Zhu, Mr. Wang, Mr. Liu and Mr. Zhu held an aggregate of approximately 77.9% interests in Huazhang Overseas, and the shareholders of United Offshore were identical to those of Qunyu, there was no change as to both the ultimate beneficial owners of Huazhang Electric and their respective effective interest in Huazhang Electric before and after the said acquisition.

Upon the completion of the Reorganisation, our Company became the holding company of our Group. Please refer to the paragraph headed “Further information about our Company and its subsidiaries – Corporate reorganisation” in Appendix V to this prospectus for details of the Reorganisation.

## HISTORY, CORPORATE STRUCTURE AND REORGANISATION

The following chart sets out the structure of our Group immediately after the completion of the Reorganisation but prior to the Placing:

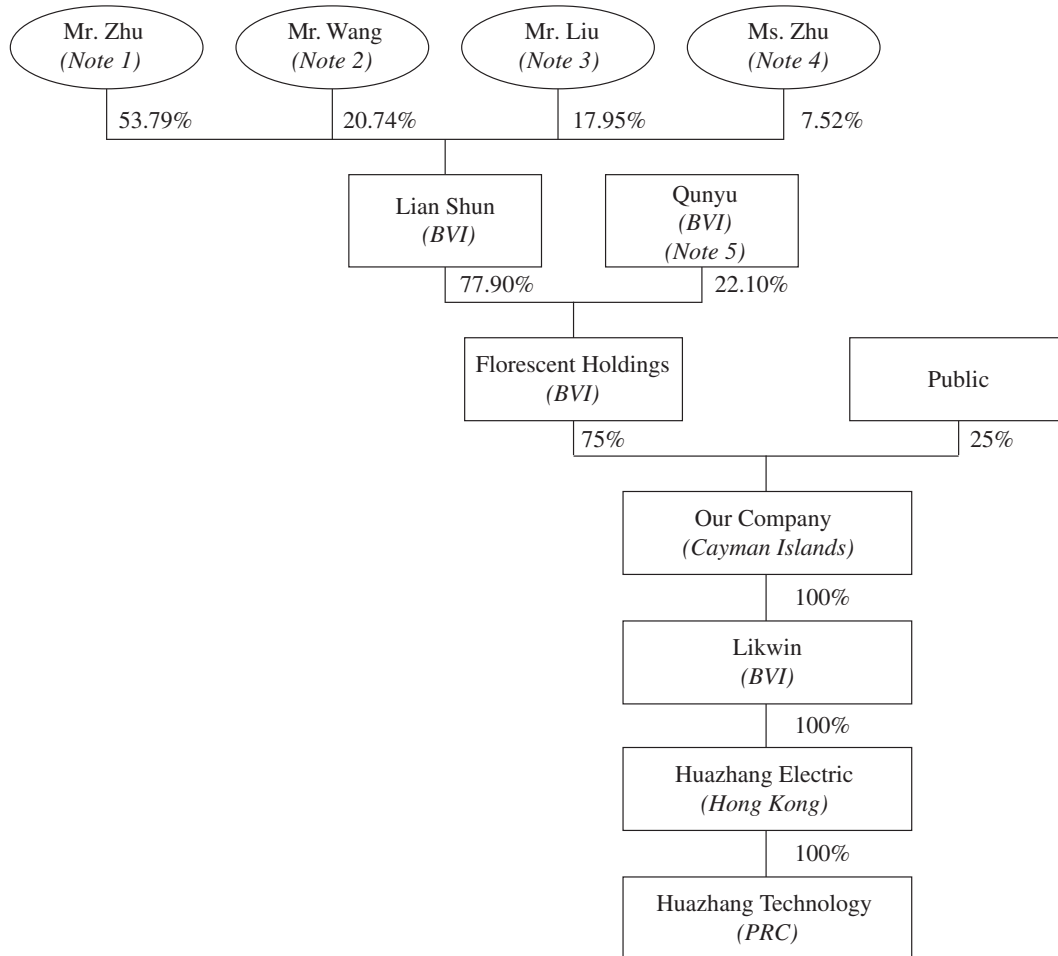


*Notes:*

1. Mr. Zhu is the founder of our Group. He is also one of our Controlling Shareholders and an executive Director.
2. Mr. Wang is a director of Huazhang Automation (Hong Kong) and Huazhang Automation (Zhejiang) and a general manager of Huazhang Automation (Zhejiang). Mr. Wang was a director of Huazhang Technology until he resigned from the position on 10 October 2012. Mr. Wang is one of our Controlling Shareholders as he is one of the parties acting in concert with Mr. Zhu.
3. Mr. Liu is one of the senior management members of our Group and is one of our Controlling Shareholders as he is one of the parties acting in concert with Mr. Zhu.
4. Ms. Zhu was a director of Huazhang Technology until she resigned from the position on 10 October 2012. Ms. Zhu resigned from the position due to her health problem. Ms. Zhu is one of our Controlling Shareholders as she is one of the parties acting in concert with Mr. Zhu.
5. Qunyu was owned by 67 individuals as at the Latest Practicable Date, and save for Mr. Jin Hao, an executive Director who held approximately 12.50% interests in Qunyu, Mr. Tang Zhi Chao, a member of the senior management of our Group who held approximately 15.76% interests in Qunyu, Mr. Zhu Genyi and Mr. Zhu Genbiao who are brothers of Mr. Zhu and held approximately 2.46% and 1.90% interests in Qunyu respectively, all of these individuals were Independent Third Parties. None of the shareholder of Qunyu held more than 16% interest in Qunyu. The shareholders and the shareholding structure of Qunyu and those of United Offshore are identical.

## HISTORY, CORPORATE STRUCTURE AND REORGANISATION

The following chart sets out the structure of our Group immediately after the Capitalisation Issue and the Placing (taking no account of any Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme):



*Notes:*

1. Mr. Zhu is the founder of our Group. He is also one of our Controlling Shareholders and an executive Director.
2. Mr. Wang is a director of Huazhang Automation (Hong Kong) and Huazhang Automation (Zhejiang) and a general manager of Huazhang Automation (Zhejiang). Mr. Wang was a director of Huazhang Technology until he resigned from the position on 10 October 2012. Mr. Wang is one of our Controlling Shareholders as he is one of the parties acting in concert with Mr. Zhu.
3. Mr. Liu is one of the senior management members of our Group and is one of our Controlling Shareholders as he is one of the parties acting in concert with Mr. Zhu.
4. Ms. Zhu was a director of Huazhang Technology until she resigned from the position on 10 October 2012. Ms. Zhu resigned from the position due to her health problem. Ms. Zhu is one of our Controlling Shareholders as she is one of the parties acting in concert with Mr. Zhu.

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## HISTORY, CORPORATE STRUCTURE AND REORGANISATION

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5. Qunyu was owned by 67 individuals as at the Latest Practicable Date, and save for Mr. Jin Hao, an executive Director who held approximately 12.50% interests in Qunyu, Mr. Tang Zhi Chao, a member of the senior management of our Group who held approximately 15.76% interests in Qunyu, Mr. Zhu Genyi and Mr. Zhu Genbiao who are brothers of Mr. Zhu and held approximately 2.46% and 1.90% interests in Qunyu respectively, all of these individuals were Independent Third Parties. None of the shareholder of Qunyu held more than 16% interest in Qunyu. The shareholders and the shareholding structure of Qunyu and those of United Offshore are identical.

### PRC LEGAL COMPLIANCE

According to the Circular No.75, if a PRC resident wants to use an overseas special purpose vehicle (i.e. the overseas enterprise directly established or indirectly controlled by the PRC resident for the purpose of overseas stock financing for the assets or interests held by him in the PRC enterprise) to conduct return investment in the PRC, i.e. direct investment in the PRC, the PRC resident shall submit the prescriptive documents to the local branch of the SAFE for foreign exchange registration in respect of his overseas investments. Mr. Zhu, Mr. Wang, Mr. Liu, Ms. Zhu and 66 individual shareholders of United Offshore and Qunyu are residents of the PRC and are subject to the requirements under the Circular No.75. The PRC Legal Advisers confirmed that all the necessary foreign exchange registration with local foreign exchange authority under the SAFE Circular No.75 was completed on 10 September 2012.

The PRC Legal Advisers further confirmed that all necessary approvals, permits and licences required under the PRC laws and regulations in connection with the Reorganisation have been obtained, and the Reorganisation has complied with all applicable laws and regulations of the PRC.