Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

Huazhang Technology Holding Limited

華章科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1673)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 3.3% from approximately HK$381,355,000 for the year ended 30 June 2015 to approximately HK$393,779,000 for the year ended 30 June 2016.
- Gross profit margin remained stable at approximately 24.7% and approximately 24.7% for the years ended 30 June 2016 and 2015, respectively.
- Profit for the year decreased by approximately HK$1,791,000 from approximately HK$34,454,000 for the year ended 30 June 2015 to approximately HK$32,663,000 for the year ended 30 June 2016. At the same time, the net profit margin slightly decreased by approximately 0.7% from approximately 9.0% for the year ended 30 June 2015 to approximately 8.3% for the year ended 30 June 2016.
- Profit attributable to the owners of the parent slightly decreased by approximately HK$295,000 from approximately HK$34,454,000 for the year ended 30 June 2015 to approximately HK$34,159,000 for the year ended 30 June 2016.
- Basic earnings per share for the year ended 30 June 2016 and 2015 were HK$0.11 and HK$0.13, respectively.
- The Board recommends the payment of a final dividend of 4.0 HK cents per share.

The board (the “Board“) of directors (the “Directors”) of the Huazhang Technology Holding Limited (the “Company”) is pleased to announce the consolidated financial results of the Company and its subsidiaries (together, the “Group“) for the year ended 30 June 2016, together with the comparative figures for the year ended 30 June 2015, which have been prepared in accordance with the Hong Kong Financial Reporting Standards as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the year ended 30 June 2016 HK$	2015 HK$
REVENUE	5	**393,779,048**	381,355,419
Cost of sales		**(296,634,140)**	(287,081,429)
Gross profit		**97,144,908**	94,273,990
Other income and gains	5	**4,055,860**	3,907,416
Selling and distribution expenses		**(10,315,091)**	(11,977,729)
Administrative expenses		**(37,709,849)**	(30,793,452)
Research and development expenses		**(14,339,165)**	(16,052,036)
Other losses - net		**-**	(947,989)
OPERATING PROFIT		**38,836,663**	38,410,200
Finance income	7	**1,605,815**	1,682,320
Finance expense	7	**(281,218)**	(875,640)
Finance income - net	7	**1,324,597**	806,680
PROFIT BEFORE INCOME TAX	6	**40,161,260**	39,216,880
Income tax expense	8	**(7,498,418)**	(4,762,743)
PROFIT FOR THE YEAR		**32,662,842**	34,454,137
Attributable to:			
- Owners of the parent		**34,158,634**	34,454,137
- Non-controlling interests		**(1,495,792)**	-
		32,662,842	34,454,137
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent period:			
Exchange differences on translation of foreign operations		**(19,265,499)**	1,300,705
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(19,265,499)**	1,300,705
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**13,397,343**	35,754,842
Attributable to:			
- Owners of the parent		**14,382,179**	35,754,842
- Non-controlling interests		**(984,836)**	-
		13,397,343	35,754,842
EARNINGS PER SHARE ATTRIBUTABLE TO OWERS OF THE PARENT	10		
- Basic earnings per share		**0.11**	0.13
- Diluted earnings per share		**0.11**	0.13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2016 HK$	2015 HK$
NON-CURRENT ASSETS			
Property, plant and equipment		**51,670,182**	50,599,851
Investment properties		**7,735,476**	8,777,607
Prepaid land lease payments		**4,046,880**	4,519,007
Goodwill	4	**714,051**	-
Derivative financial instrument		**513,249**	-
Available-for-sale investment		**-**	10,144,560
Deferred tax assets		**3,042,952**	3,737,117
Trade and other receivables	11(i)	**25,433,210**	11,255,611
Prepayments	11(ii)	**275,057**	435,874
Total non-current assets		**93,431,057**	89,469,627
CURRENT ASSETS			
Inventories		**95,139,487**	70,968,562
Trade and other receivables	11(i)	**283,017,964**	116,075,455
Prepayments	11(ii)	**28,778,659**	13,525,805
Pledged deposits		**27,560,333**	1,567,382
Cash and cash equivalents		**74,132,788**	46,940,520
Total current assets		**508,629,231**	249,077,724
CURRENT LIABILITIES			
Trade and other payables	12	**267,660,120**	101,864,038
Interest-bearing loans		**5,378,684**	22,000,000
Income tax payable		**4,786,422**	2,397,959
Total current liabilities		**277,825,226**	126,261,997
NET CURRENT ASSETS		**230,804,005**	122,815,727
TOTAL ASSETS LESS CURRENT LIABILITIES		**324,235,062**	212,285,354
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,343,474**	389,594
Total non-current liabilities		**1,343,474**	389,594
NET ASSETS		**322,891,588**	211,895,760
EQUITY			
Equity attributable to owners of the parent			
Share capital		**3,003,240**	2,720,000
Share premium		**135,568,655**	41,534,254
Other reserves		**54,670,611**	70,589,582
Retained earnings		**127,353,074**	97,051,924
		320,595,580	211,895,760
Non-controlling interests		**2,296,008**	-
TOTAL EQUITY		**322,891,588**	211,895,760

1 Corporate information

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 Group are principally engaged in the research and development, manufacture and sale of industrial automation and sludge treatment products, the provision of after-sales service and wastewater treatment business in the People's Republic of China (the "PRC").

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirement of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars.

2.2 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, to these financial statements:

HKFRS 9	*Financial Instrument*[3]
Amendments to HKFRS 2	*Classification and measurement of Share-based Payment Transactions*[3]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
HKFRS 16	*Leases*[4]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 7	*Disclosure Initiative*[2]
Amendments to HKAS 12	*Recognition on Deferred Tax Assets for unrealised losses*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Amendments to HKFRS 15	*Revenue from Contracts with Customers (Clarification to HKFRS 15)*[3]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]

1. Effective for annual periods beginning on or after 1 January 2016
2. Effective for annual periods beginning on or after 1 January 2017
3. Effective for annual periods beginning on or after 1 January 2018
4. Effective for annual periods beginning on or after 1 January 2019
5. Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
6. No mandatory effective yet determined but available for adoption

Management is in the process of making an assessment of the impact of above new standards and amendments to standards on the financial statements of the Group in the initial application.

3 Operating segment information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) industrial automation systems and related projects;
(b) sludge treatment;
(c) after-sales and other services; and
(d) wastewater treatment business

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before income tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that common administrative expenses, other losses, other income and gains, financing (including finance costs and interest income) and income taxes are excluded from such measurement.

Segment assets include all assets of the Group except investment properties, deferred tax assets, available-for-sale investment, goodwill, derivative financial instruments, pledged deposits, and certain prepayments, other receivables, cash and cash equivalents, property plant and equipment and land lease payments, as these assets are managed on a group basis.

Segment liabilities include all liabilities of the Group except certain other payables, interest-bearing loans, deferred tax liabilities and tax payable, as these liabilities are managed on a group basis.

For year ended 30 June 2016	Industrial automation systems and related projects HK$	Sludge treatment products HK$	After-sales and other services HK$	Wastewater treatment business HK$	Total HK$
Segment revenue:					
Sales to external customers	**289,656,700**	**37,787,899**	**48,299,972**	**18,034,477**	**393,779,048**
Segment cost of sales	**(218,715,306)**	**(25,125,922)**	**(35,647,056)**	**(17,145,856)**	**(296,634,140)**
Segment gross profit	**70,941,394**	**12,661,977**	**12,652,916**	**888,621**	**97,144,908**
Segment results	**49,931,182**	**5,003,025**	**12,093,573**	**(4,985,973)**	**62,041,807**
Common administrative expenses					**(27,619,163)**
Other income and gains					**4,055,860**
Finance income-net					**1,324,597**
Profit before income tax					**39,803,101**
Income tax expense					**(7,140,259)**
Profit for the year					**32,662,842**

Other segment information:

	Industrial automation systems and related projects HK$	Sludge treatment products HK$	After-sales and other services HK$	Wastewater treatment business HK$	Unallocated HK$	Total HK$
Capital expenditure	**2,463,443**	**459,391**	**-**	**-**	**969,357**	**3,892,191**
Depreciation of property plant and equipment	**931,964**	**1,355,212**	**-**	**767**	**2,811,674**	**5,099,617**
Amortisation of prepaid land lease payments	**35,861**	**47,580**	**-**	**-**	**42,909**	**126,350**
Gains on disposal of property, plant and equipment, net	**-**	**-**	**-**	**-**	**50,176**	**50,176**
Depreciation of investment properties	**-**	**-**	**-**	**-**	**374,132**	**374,132**

The segment assets and liabilities as at 30 June 2016 are as follows:

	Industrial automation systems and related projects HK$	Sludge treatment products HK$	After-sales and other services HK$	Wastewater treatment business HK$	Unallocated HK$	Total HK$
Assets	**329,626,378**	**84,520,457**	**8,012,304**	**43,070,768**	**136,830,381**	**602,060,288**
Liabilities	**214,882,558**	**24,572,187**	**2,448,762**	**20,259,002**	**17,006,191**	**279,168,700**

For year ended 30 June 2015	Industrial automation systems and related projects HK$	Sludge treatment products HK$	After-sales and other services HK$	Total HK$
Segment revenue:				
Sales to external customers	281,954,394	63,947,627	35,453,398	381,355,419
Segment cost of sales	(218,113,246)	(46,358,309)	(22,609,874)	(287,081,429)
Segment gross profit	63,841,148	17,589,318	12,843,524	94,273,990
Segment results	41,818,505	11,021,761	12,395,861	65,236,127
Common administrative expenses				(29,785,354)
Other losses - net				(947,989)
Other income and gains				3,907,416
Finance income-net				806,680
Profit before income tax				39,216,880
Income tax expense				(4,762,743)
Profit for the year				34,454,137

Other segment information:

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

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

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

Geographical information

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 return.

Information about major customers

Revenues from two customers of the industrial automation systems segment amounted to HK$116,014,847 and HK$41,794,925 each presenting over 10% of the Group's total revenue for the year ended 30 June 2016. Revenues from two customers of the industrial automation systems segment amounted to HK$65,686,976 and HK$47,505,374 each presenting over 10% of the Group's total revenue for the year ended 30 June 2015.

4 Business combination

On 22 December 2015 (the "Completion Date"), the Group completed the acquisition of 70% of the equity interest (the "Acquisition") in Wuhan Wukong Control System Engineering Co., Ltd. ("Wukong"), an unlisted company in Mainland China. Wukong principally engaged in the business of design and construction of wastewater treatment facilities in the Mainland China as well as other construction and fixture installation projects and the ancillary services. The Acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Wukong for the period from the Completion Date to 30 June 2016.

The fair values of the identifiable assets and liabilities of Wukong as at the date of Acquisition were:

	HK$
Inventories	6,493,722
Property, plant and equipment	6,537,387
Prepayments	2,219,785
Trade and other receivables	18,229,727
Cash and cash equivalents	194,962
Interest-bearing bank and other borrowings	(11,145,816)
Trade and other payables	(9,308,007)
Income tax payable	(995,036)
Deferred tax liabilities	(1,291,209)
Total identifiable net assets at fair value	10,935,515
Fair value of 70% of the equity interest in Wukong	7,654,861
Goodwill arising on acquisition	714,051
Derivative financial instruments	513,249
Total consideration	8,882,161
Analysis of cash flows on acquisition:	
Net cash and cash equivalents acquired with the subsidiary	194,962
Cash consideration paid	(7,995,785)
	(7,800,823)

The Group has elected to measure the non-controlling interest in Wukong at the non-controlling interest's proportionate share of Wukong's identifiable net assets.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Wukong with those of the Group. The goodwill is not deductible for income tax purposes.

Transaction costs of HK$265,464 have been expensed and are included in administrative expenses in profit or loss.

In accordance with HKFRS 3 (Revised) *Business Combinations*, the amounts recorded for the Acquisition are provisional and are subject to adjustments during the measurement period of not exceeding one year from the acquisition date if new information is obtained about facts and circumstances that existed as of the Completion Date and, if known, would have affected the measurement of the amounts recognised as of that date.

Since the Acquisition, Wukong contributed HK$18,034,477 to the Group's revenue and incurred a net loss of HK$4,985,973 for the year ended 30 June 2016.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the net profit of the Group for the year would have been HK$407,957,925 and HK$33,583,062, respectively.

The Group's interim financial statements for the six months ended 31 December 2015 were based on a provisional assessment of the Acquisition with a provisional goodwill of HK$1,227,300 recognised in the interim condensed consolidated statement of financial position in accordance with HKFRS 3 (Revised) *Business Combinations*. After considering all the facts and circumstances, management completed the measurement of the goodwill, and revised the provisional goodwill recognised at the Completion Date from HK$1,227,300 to HK$714,051.

Impairment testing of goodwill and other non-current assets

Goodwill of the Group includes HK$714,051 arising from the acquisition of Wukong in 2015. No impairment was recognised for the year ended 30 June 2016.

Goodwill is allocated to the wastewater treatment business cash-generating unit ("CGU") for impairment testing.

In 2016, the recoverable amount of the waste water business CGU was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projection was 18% and cash flows beyond the five-year period were extrapolated using a growth rate of 3% which was less than the long term average growth rate of waste water business industry. Management determined budgeted growth rates based on past performance and its expectations of market development, taking into consideration of the Group's specific synergies and reflecting the Group's strategy and intention in operating the business.

Assumptions were used in the value in use calculation of the waste water business CGU for 30 June 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins—The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates—The discount rates used are before tax and reflect specific risks relating to the relevant units.

Management does not foresee any significant change in the key assumptions used in the value in use calculation that will cause the recoverable amount of goodwill to be less than its carrying amount.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

The Group performed its annual impairment test on 30 June 2016. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing the indicators of impairment. No indicators of impairment were noted during 2016.

5 Revenue, other income and gains

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts and the value of services rendered during the year.

An analysis of revenue, other income and gains is as follows:

	For the year ended 30 June	
	2016	2015
	HK$	HK$
Revenue		
Industrial automation systems and related projects	**289,656,700**	281,954,394
Sludge treatment products	**37,787,899**	63,947,627
After-sales and other services	**48,299,972**	35,453,398
Wastewater treatment business	**18,034,477**	-
	393,779,048	381,355,419
Other income and gains		
Gain on disposal of available-for sale investment	**1,602,697**	-
Government grant	**325,442**	3,090,951
Other leasing income	**659,796**	458,566
Bidding service income	**538,619**	-
Scrap steel income	**247,073**	-
Others	**682,233**	357,899
	4,055,860	3,907,416

Government grant mainly consists of subsidy for encouragement of foreign investment in Mainland China. There are no unfulfilled conditions or contingencies attached to these grants.

6 Profit before tax

The Group's profit before tax is arrived at after charging:

	For the year ended 30 June	
	2016	2015
	HK$	HK$
Raw materials used	**260,407,295**	241,424,238
Employee benefit expenses	**39,294,187**	42,025,170
Change in inventories of finished goods and work in progress	**17,013,534**	23,137,528
Travelling expenses	**6,514,997**	5,997,983
Depreciation of property, plant and equipment	**5,099,617**	4,247,117
Office expenses	**4,358,906**	3,608,748
Miscellaneous tax charges other than value added tax and income tax	**3,470,362**	2,779,944
Impairment of trade receivables (Note 11)	**2,771,689**	1,873,258
Transportation expenses	**2,418,722**	3,214,112
Professional service fees	**1,823,477**	2,110,263
Auditor`s remuneration	**1,779,763**	1,885,387
Warranty expenses	**1,619,485**	4,040,790
Utilities	**1,409,041**	1,532,079

7 Finance income - net

An analysis of finance income - net is as follows:

	For the year ended 30 June	
	2016	2015
	HK$	HK$
Finance income		
-Interest income	**1,587,149**	1,609,356
-Exchange gain	**18,666**	72,964
	1,605,815	1,682,320
Finance expense		
-Interest expenses on loans	**(281,218)**	(875,640)
Finance income - net	**1,324,597**	806,680

8 Income tax expense

	For the year ended 30 June	
	2016	2015
	HK$	HK$
Current – PRC		
Charge for the year	**7,384,350**	5,154,896
Deferred tax	**114,068**	(392,153)
Income tax expense	**7,498,418**	4,762,743

(i) Cayman Islands profits tax

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

(ii) Hong Kong profits tax

No Hong Kong profits tax has been provided for the year ended 30 June 2016 (2015:Nil), as the Group had no taxable profits earned or derived in Hong Kong for the year.

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

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

Pursuant to the PRC Enterprise Income Tax Law (the "New EIT Law"), the EIT of companies established in the PRC is unified at 25%, effective from 1 January 2008.

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 had obtained the qualification of High and New Technology Enterprise in the calendar years of 2008, 2011 and 2014, with a validation period of three years each. The applicable EIT rate of Zhejiang Huazhang is 15% from 2008 till 2017, hence the applicable income tax rate of Zhejiang Huazhang was 15% for the year ended 30 June 2016 (2015: 15%). For Wukong, EIT is levied on 2% of the total revenue.

(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.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	For the year ended 30 June	
	2016	2015
	HK$	HK$
Profit before tax	**40,161,260**	39,216,800
Income tax charge at the statutory income tax rate	**12,339,938**	10,195,825
Effect of preferential tax rate	**(4,526,535)**	(7,798,866)
Expenses not deductible for tax purposes	**120,490**	132,166
Super deduction for research and development expense	**(199,584)**	-
Tax losses not recognised	**-**	760,174
Re-measurement of deferred income tax	**(120,130)**	1,238,134
Adjustments in respect of current tax of previous periods	**67,071**	-
Effect of withholding tax on the expected distributable profits of the subsidiary in Mainland China	**(182,832)**	235,310
Tax charge for the year at the effective rate	**7,498,418**	4,762,743

9 Dividends

	For the year ended 30 June	
	2016	2015
	HK$	HK$
Interim – nil (2015: 2.5 HK cents) per ordinary share	**-**	6,800,000
Proposed final – 4.0 HK cents (2015: 2.3 HK cents) per ordinary share	**12,012,960**	7,015,000
	12,012,960	13,815,000

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10 Earnings per share attributable to owers of the parent

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to owers of the parent, and the weighted average number of ordinary shares of 299,768,607 (2015: 272,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 30 June 2016 and 2015.

The calculations of basic and diluted earnings per share are based on:

	For the year ended 30 June	
	2016	2015
	HK$	HK$
<u>Earnings</u>		
Profit attributable to owers of the parent, used in the basic and diluted earnings per share calculation	**34,158,634**	34,454,137
<u>Number of shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	**299,768,607**	272,000,000
Basic and diluted earnings per share	**0.11**	0.13

11 Trade and other receivables and prepayments

(i) Trade and other receivables

	As at 30 June	
	2016	2015
	HK$	HK$
Warranty receivables (a)	**29,248,150**	23,433,385
Amounts due from contract customers (b)	**71,787,099**	8,405,791
Other trade receivables (c)	**166,629,682**	62,642,301
	267,664,931	94,481,477
Less: provision for impairment of trade receivables (d)	**(8,060,303)**	(6,464,571)
Trade receivables-net	**259,604,628**	88,016,906
Bills receivables (e)	**30,291,511**	2,993,275
Trade and bills receivables	**289,896,139**	91,010,181
Other receivables due from a related party	**20,393**	63,403
Other receivables - performance guarantee	**8,039,115**	26,472,451
Others	**10,495,527**	9,785,031
	18,555,035	36,320,885
Total trade and other receivables	**308,451,174**	127,331,066
Less: trade receivables - non-current portion	**(25,433,210)**	(11,255,611)
	283,017,964	116,075,455

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

The aged analysis of the warranty receivables as at the end of the reporting period is as follows:

	As at 30 June	
	2016	2015
	HK$	HK$
Up to 3 months	**9,232,342**	3,780,256
3 months to 6 months	**1,858,494**	1,425,813
6 months to 1 years	**2,977,775**	4,475,914
1 to 2 years	**6,536,929**	7,189,013
Over 2 years	**8,642,610**	6,562,389
	29,248,150	23,433,385

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

	For the year ended 30 June	
	2016	2015
	HK$	HK$
Cost incurred	**133,345,501**	12,991,022
Recognised profits	**39,986,862**	1,445,974
	173,332,363	14,436,996
Less: progress billings	**(96,802,729)**	(6,086,736)
Foreign exchange difference	**(4,742,535)**	55,531
	71,787,099	8,405,791
Represented by:		
Amounts due from contract customers	**71,787,099**	8,405,791

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

	As at 30 June	
	2016	2015
	HK$	HK$
Other trade receivables		
Up to 3 months	**66,916,356**	19,278,531
3 months to 6 months	**57,790,282**	26,959,292
6 months to 1 year	**11,574,277**	8,318,339
1year to 2 years	**25,953,465**	5,915,126
Over 2 years	**4,395,302**	2,171,013
	166,629,682	62,642,301

(d) Movements on the Group's provision for impairment of trade receivables

The aged analysis of the warranty and other trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 30 June	
	2016	2015
	HK$	HK$
Neither past due nor impaired	**138,304,607**	55,919,806
Past due but not impaired	**49,512,922**	23,691,309
	187,817,529	79,611,115

Receivables that were neither past due nor impaired are mainly relate to few customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The movements in provision for impairment of trade receivables are as follows:

	For the year ended 30 June	
	2016	2015
	HK$	HK$
At beginning of the year	**6,464,571**	6,722,075
Impairment losses recognised (Note 6)	**2,771,689**	1,873,258
Amounts written off as uncollectible	**(622,135)**	(2,173,930)
Foreign exchange difference	**(553,822)**	43,168
	8,060,303	6,464,571

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$8,060,303 (2015: HK$6,464,571) with a carrying amount before provision of HK$8,060,303 (2015: HK$6,464,571).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

	As at 30 June	
	2016	2015
	HK$	HK$
1 year to 2 years	**2,935,938**	2,752,252
Over 2 years	**5,124,365**	3,712,319
	8,060,303	6,464,571

(e) Bills receivables

Transfer of financial assets that are not derecognised in their entirety

At 30 June 2016, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of HK$19,225,558 to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was HK$19,225,558 as at 30 June 2016.

The Group keeps monitoring the default risk of endorsed bills and as of 30 June 2016, all endorsed bills became mature except for the amount retained on the book totaling HK$19,225,558 and those bills that are derecognized as discussed below, which have a maturity from one to six months.

Transfer of financial assets that are derecognised in their entirety

At 30 June 2016, the Group endorsed certain bills receivables accepted by banks in Mainland China (the “Derecognised Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount of HK$34,919,452. The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the “Continuing Involvement”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 30 June 2016, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

(ii) Prepayments

	As at 30 June	
	2016	2015
	HK$	HK$
Prepayments for raw materials	**28,171,543**	13,449,138
Others	**882,173**	512,541
Total prepayments	**29,053,716**	13,961,679
Less: prepayments - non-current portion	**(275,057)**	(435,874)
	28,778,659	13,525,805

12 Trade and other payables

	As at 30 June	
	2016	2015
	HK$	HK$
Trade payables	**103,353,328**	35,556,594
Construction payables	**-**	3,601,917
Bills payables	**65,964,762**	4,230,145
	169,318,090	43,388,656
Other taxes payables	**1,770,044**	1,567,450
Employee benefit payables	**5,366,738**	3,170,175
Advances from customers	**70,123,773**	47,056,346
Provision for warranty expenses	**805,987**	2,060,749
Payables for property, plant and equipment	**127,531**	169,658
Amount due to non-controlling shareholders	**738,426**	-
Others	**19,409,531**	4,451,004
	98,342,030	58,475,382
	267,660,120	101,864,038

The aged analysis of the trade payables is as follows:

	As at 30 June	
	2016	2015
	HK$	HK$
Up to 3 months	**62,685,970**	24,994,445
3 months to 6 months	**23,852,600**	1,357,662
6 months to 1 year	**12,225,152**	7,194,635
1year to 2 years	**3,292,049**	1,539,382
Over 2 years	**1,297,557**	470,470
	103,353,328	35,556,594

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Over the past year, under the backdrop of a continuously sluggish macro demand, the paper industry in China remained unchanged in general, and was still undergoing a stage of transformation and adjustment. Investment in fixed assets in the paper industry still witnessed a low level of growth. As a basic industrial raw material and a kind of consumer good, there was inelastic demand for paper products from various sectors. Except for a small number of paper categories with serious overcapacity such as coated paper and newsprint paper, overcapacity for most paper categories was still under control, with some categories such as packaging paper even facing insufficient production capacity.

Under the impact of factors such as tightened environmental protection policies and heightened elimination of backward production capacity in China, the paper industry, dominated by a large number of small and relatively scattered enterprises in the past, has evolved into an increasingly concentrated industry with a growing and significant trend of mergers and consolidation between small and medium sized enterprises. The products of large paper enterprises with sufficient capital and advanced technology have an edge in the market in terms of quality, cost and price, resulting in such enterprises enjoying a leading position. In the first half of 2016, the paper industry showed signs of recovery, with large paper enterprises recording improved profitability. They are expected to invest more resources to expand production capacity and thus strengthen their position in the market. Meanwhile, small and medium enterprises are expected to upgrade their existing equipment or purchase advanced equipment to enhance their competitiveness on the back of their own regional advantages.

The paper industry is one of those industries in China with more serious pollution problems. In April 2015, the State Council approved a more stringent policy to prevent and combat water pollution, the Action Plan on Prevention and Treatment of Water Pollution (the “Ten Measures for Water”), setting higher standards for enterprises in environmental protection requirements and resulting in increasingly stringent requirements on pollutant emission indicators for paper enterprises. At present, many enterprises in the paper industry still fail to meet the requirements of the new environmental protection standards, and they are required to invest in environmentally friendly facilities and equipment to meet these environmental protection regulations. In general, larger paper enterprises invest about 10% of their total cost on environmental protection.

BUSINESS REVIEW

The revenue of the Group increased by approximately 3.3% to approximately HK$393,779,000 for the year ended 30 June 2016 as compared with the last year. As compared with the six months ended 31 December 2014, the revenue of the Groups for the six months ended 31 December 2015, decreased by approximately 29.9%. The revenue for the six months ended 30 June 2016 had shown a significant improvement, an increase of 37.1%, as compared with the same period of last year. Such improvement was a benefit of the Group effort to promote the “design” “production” “service” business model (“One-Stop Service”) in the past year. During the first half of the financial year, the Group was negotiating with customers for the projects. These projects have been effectively implemented in the second half of this financial year.

For the year ended 30 June 2016, the Group has entered into contracts with amount of approximately HK$509,752,000, representing an increase of 48.6%, as compared with last year. As at 30 June 2016, the outstanding contracts amount was HK$274,709,000. Most of them were expected to be completed in the next financial year.

Under the difficult business environment faced by the Chinese paper industry, the Group tried to expand overseas market. Through a domestic import and export company, the Group recorded export sales of approximately HK$30,625,000 during the year (2015:Nil). In order to expand overseas market, the Group's sales staff participated in a number of international exhibitions, including: Paperex in India and International Print and Pack of Iran, and have visited various Southeast Asian countries to understand the latest information of the paper industry in these countries.

During the year, the Group continued our efforts to invest more resources in products research and development. Research and development expenses amounted to approximately HK$14,399,000 for the year ended 30 June 2016. The Group obtained 10 new patents during the year. As at 30 June 2016, the Group has registered 119 patents (including 38 invention patents, 70 utility model patents and 11 software copyrights).

The Group completed a placement to issue 33,000,000 shares on 21 July 2015. The net proceeds was approximately HK$116,593,000 which would be used in expanding the wastewater treatment business, repayment of a third party's loan and general working capital. On 21 December 2015, the Group completed the acquisition of 70% interests in Wukong. The purchase consideration was RMB7,420,000 (equivalent to approximately HK$8,882,000). Wukong is principally engaged in the business of design and construction of wastewater treatment facilities in the PRC as well as other construction and fixture installation projects and the ancillary services.

FINANCIAL REVIEW

Revenue and gross profit margin

Revenue increased by approximately 3.3% from approximately HK$381,355,000 for the year ended 30 June 2015 to approximately HK$393,779,000 for the year ended 30 June 2016. Gross profit margin remained stable at approximately 24.7% and approximately 24.7% for the years ended 30 June 2015 and 2016, respectively.

Industrial automation business

Revenue from sales of Industrial automation business increased by approximately 2.7% from approximately HK$281,954,000 for the year ended 30 June 2015 to approximately HK$289,657,000 for the year ended 30 June 2016. The increase in revenue from sales of Industrial Automation Business was primarily attributable to provision of one-stop services in relation to industrial automation systems. In early 2014, the Group established project division which have contributed revenue of approximately HK$180,811,000 for the year ended 30 June 2016, as compared with the same period in last year, revenue increased by 22.7% from approximately HK$147,412,000. Such services include sales of industrial automation systems and provision for installation and testing services. The gross profit margin of Industrial automation business increased from approximately 22.6% for the year ended 30 June 2015 to approximately 24.4% for the year ended 30 June 2016.

Sludge treatment products

Revenue from sales of sludge treatment products decreased by approximately 41.0% from approximately HK$63,948,000 for the year ended 30 June 2015 to approximately HK$37,788,000 for the year ended 30 June 2016, primarily attributing to more keen competition in the market. The Group intended to participate high-end projects, as a result, projects scales decreased and gross profit margin improved. The gross profit margin of our sludge treatment products increased from approximately 27.5% for the years ended 30 June 2015 to approximately 33.5% for the year ended 30 June 2016.

After-sales and other services

Revenue from provision of after-sales and other services increased by approximately 36.2% from approximately HK$35,453,000 for the year ended 30 June 2015 to approximately HK$48,300,000 for the year ended 30 June 2016. Such increase was primarily attributable to the increase in sales of the electrical components and increase in after-sales services. The gross profit margin for provision of after sales and other services decreased from approximately 36.2% for the year ended 30 June 2015 to approximately 26.2% for the year ended 30 June 2016. Such decrease is attributing to sales of the electrical components with a lower gross profit margin.

Other income

For the years ended 30 June 2015 and 2016, other income amounted to approximately HK$3,907,000 and HK$4,056,000, respectively, which remained stable. During the year ended 30 June 2016, the Group disposed of available-for-sales investment with a gain of approximately HK$1,603,000 and received a bidding-service income of approximately HK$539,000, which offset the impact on decrease in government subsidy of approximately HK$2,766,000.

Selling and distribution expenses

The selling and distribution expenses decreased by approximately HK$1,663,000 from approximately HK$11,978,000 for the years ended 30 June 2015 to approximately HK$10,315,000 for the years ended 30 June 2016, accounting for approximately 3.1% and approximately 2.6% of the Group's revenue for the years ended 30 June 2015 and 2016, respectively. The decrease in absolute amounts is mainly attributable to decrease in warranty expenses of approximately HK$2,421,000, which offset the increase in advertising and promotion expenses of approximately HK$350,000.

Administrative expenses

The administrative expenses increased by approximately HK$6,917,000 from approximately HK$30,793,000 for the year ended 30 June 2015 to approximately HK$37,710,000 for the year ended 30 June 2016, accounting for approximately 9.6% of the Group's revenue for the year ended 30 June 2016, as compared with approximately 8.1% last year. Increase in the administrative expenses for the year ended 30 June 2016 is primarily due to increase in administrative expenses after the acquisition of the Wukong and increase in salaries and employee benefit expenses in relation to increase in number of management personnel.

Research and development expenses

The research and development expenses decreased by approximately HK$1,713,000 from approximately HK$16,052,000 for the year ended 30 June 2015 to approximately HK$14,339,000 for the year ended 30 June 2016, accounting for approximately 3.6% of the Group's revenue for the year ended 30 June 2016, as compared with approximately 4.2% last year. The decrease in research and development expenses was mainly attributing to the Group reduced the research and development activities under the current business environment and have owned sustainable technology to meet the industry developments.

Finance income - net

The net finance income increased by approximately HK$518,000 from approximately HK$807,000 for the year ended 30 June 2015 to approximately HK$1,325,000 for the year ended 30 June 2016. Such increase was mainly attributing to decrease in finance costs of approximately HK$594,000.

Income tax expense

Income tax expense increased by approximately HK$2,735,000 from approximately HK$4,763,000 for the year ended 30 June 2015 to approximately HK$7,498,000 for the year ended 30 June 2016. Such increase was mainly attributable to the change in tax rate adopted by an operating subsidiary of the Group for the year ended 30 June 2015, so the tax authority refunded the excess of tax payment to the subsidiary. The subsidiary's 2011 tax benefit period ended by 31 December 2013 and the application for the next three years tax benefit period from calendar year 2014 was approved by the PRC tax bureau in May 2015. As a result, the subsidiary provided and paid EIT at 25% before the approval. The EIT rate adopted by the subsidiary for the year ended 30 June 2015 and 2016 is 15% and 15% respectively.

The effective tax rates of the Group for the years ended 30 June 2015 and 2016 were 12.2% and 18.7% respectively. The increase was mainly attributing to the reason was mentioned as above and increase in operating performance contributed by other subsidiaries. The EIT rate of these subsidiaries is higher than 15%.

Profit for the year and net profit margin

Profit for the year decreased by approximately HK$1,791,000 from approximately HK$34,454,000 for the year ended 30 June 2015 to approximately HK$32,663,000 for the year ended 30 June 2016. At the same time, the net profit margin slightly decreased by approximately 0.7% from approximately 9.0% for the year ended 30 June 2015 to approximately 8.3% for the year ended 30 June 2016. Such decrease was primarily attributing to the increase in the income tax expense

Profit attributable to the owners of the parent

Profit attributable to the owners of the parent slightly decreased by approximately HK$295,000 from approximately HK$34,454,000 for the year ended 30 June 2015 to approximately HK$34,159,000 for the year ended 30 June 2016.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquidity position during the year under review. The Group was principally financed by internal resources, borrowings and net proceeds from the placing. As at 30 June 2016, the Group have cash and cash equivalent balance amounting to approximately HK$74,133,000 (30 June 2015: approximately HK$46,941,000) and borrowings amounting to approximately HK$5,379,000 (30 June 2015: HK$22,000,000). Cash and cash equivalents increased significantly due to the Group completed a placement in July 2015 and raised a net proceeds of approximately HK$116,593,000.

As at 30 June 2016, the unused banking facilities of the Group were HK$10,300,000 (30 June 2015: HK$51,974,000).

Borrowing and charges of assets

As at 30 June 2016, the Group's interest-bearing loans were approximately HK$5,379,000 (30 June 2015: HK$22,000,000) which will be repayable within 1 year. Such loans were all denominated in RMB, and bear an interest of 7.2% per annum (30 June 2015: all denominated in HK$ and 3.6% per annum).

As at 30 June 2016, the banking facilities granted by the bank was secured by prepaid land lease payments, property, plant and equipment and investment properties of the Group amounting to approximately HK$4,047,000 and HK$32,934,000 and HK$7,735,000 respectively (30 June 2015: HK$2,579,000 and HK$15,975,000 and nil respectively).

Trade and bills receivables

Trade and bills receivables increased by approximately HK$198,886,000 from approximately HK$91,010,000 for the year ended 30 June 2015 to approximately HK$289,896,000 for the year ended 30 June 2016. The increase was mainly attributable to the Group provide the One-Stop Service, and accepted the customers to extend the repayment period to 2-3 years and to settle the receivable by instalment through the finance lease company. The Group believes that this model will enable the Group to improve market competitiveness, to provide more flexible services to customers. In addition, the Group will strengthen customer credit risk management to guard against bad debt provision increased.

Gearing ratio

The gearing ratio as at 30 June 2015 and 2016 were approximately 9.4% and approximately 1.6% respectively. Such decrease was mainly attributable to the Group were placing of share in July 2015 increase in total equity and the borrowing decrease as compared with the same period. As at 30 June 2016, the total equity increase by approximately HK$110,996,000 as compared with the last year. Based on the gearing ratio as at 30 June 2016, the Group still maintained a good financial position.

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

Available-for-sale financial assets

As at 30 June 2016, the Group had no available-for-sale financial assets (30 June 2015: HK$10,145,000).

Capital Expenditure

For the year ended 30 June 2016, the Group's capital expenditure amounted to approximately HK$3,892,000 (30 June 2015: HK$ 10,302,000).

Commitments

As at 30 June 2016, the Group had no capital commitments.

Contingent liabilities

As at 30 June 2016, the Group had no material contingent liabilities.

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.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments held and disposals during the year ended 30 June 2016.

On 21 December 2015, the Group acquired 70% of the equity interest of Wukong at a total consideration of RMB7,420,000 (equivalent to approximately HK$8,882,000).

Except as disclosed above, the Group did not make any other material mergers or acquisitions for the year ended 30 June 2016.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2016, the Group had 287 employees (30 June 2015: 241 employees), including the Directors. Total staff costs (including Directors' emoluments) for the year ended 30 June 2016 were approximately HK$39,294,000, as comparable to approximately HK$42,025,000 for the year ended 30 June 2015.

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 year, the Group continued its commitment to employees' training and development programme.

FUTURE PROSPECTS

With the Thirteenth Five-year Plan of China gradually rolling out, the overall direction of economic development in China has become clearer. The Chinese government is adopting more proactive measures to eliminate backward production capacity, step up environmental protection, and facilitate various industries to become smart industries and expand to overseas markets. The Group is fully prepared to respond to market changes.

Made in China 2025

The Thirteenth Five-year Plan of China has clear indications for implementing the "Made in China 2025" scheme to advance the progress of industrialisation and modernisation of the manufacturing industry in China. The core concept of Made in China 2025 is smart manufacturing, or boosting production efficiency and product quality through information technology and digital and smart production facilities. The Group expects that the development of the production process of the paper industry will align itself with national policies, and paper corporations will proactively promote the paper industry's own "Made in China 2025". The industrial automation system produced by the Group is equipped with functions for real-time collection and monitoring of production information, which is conducive to the Group in playing an important role in the process of pushing forward the paper industry's "Made in China 2025". The Group will increase its investment in research and enhance its digital and smart products and services to meet the future development needs of the paper industry through collaboration with universities or technology corporations.

One Belt, One Road

"One Belt, One Road" is a major economic policy over the next decade of China, allowing enterprises to extend their business overseas markets. The Group actively participated in overseas exhibitions and arranged visits of paper corporations in the Asia Pacific region over the past year, in order to understand the papermaking equipment demand in the region. The overseas market of papermaking equipment is vast, with a lack of quality provider. As such, with its advanced technology and competitive pricing, Chinese manufacturing equipment are in great demand. Hence, the Group has begun to set up a sales office in Southeast Asia. The sales office mainly provides services to on Thailand, Indonesia, Malaysia and other countries. The sales office is expected to generate revenue for the Group for the financial year ended 2017.

OTHER INFORMATION

Purchase, sale or redemption of listed securities

For the year ended 30 June 2016, 4,676,000 of its ordinary shares were repurchased on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate price of approximately HK$15,360,000. Subsequent to these share repurchase exercises, the Company has acquired and cancelled approximately 1.53% of the total number of issued shares of the Company immediately prior to such repurchases and cancellations.

The Directors believe that repurchases of shares are in the best interests of the Company and its shareholders and that such repurchases of shares would lead to an enhancement of the earnings per share.

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2016.

Placing of shares in July 2015

On 16 July 2015, Florescent Holdings Limited ("Florescent"), the controlling shareholder of the Company, entered into a placing agreement with a placing agent for placing a maximum of 33,000,000 ordinary shares (the "Placing Shares") of the Company at a placing price of HK$3.60 per share. On the same date, the Company entered into a subscription agreement with Florescent for issue of a maximum of 33,000,000 new ordinary shares at HK$3.60 per share.

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

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

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

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

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

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

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

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

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

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

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

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

None of the placees and their respective associates become a substantial shareholder as a result of the placing.

As at 30 June 2016, the Group have utilized an amount of approximately HK$7,996,000 for acquisition of 70% interests in Wukong, an amount of approximately HK$22,000,000 for repayment of a loan from third party amounting and an amount of approximately HK$38,873,000 for general working. As at 30 June 2016, the unused balance of approximately HK$47,543,000 were currently placed into deposits and/or money market instruments, which will be used as general working capital purpose.

Share Option Scheme

During the year under review, no option has been granted and there has been no movement of any options granted (if any) under the share option scheme adopted by the Company on 6 May 2013.

Compliance of Non-competition Undertakings

In order to protect the Group's interest in its business activities, on 19 December 2014, each of Florescent Holdings Limited, Lian Shun Limited, Mr. Zhu Gen Rong, Mr. Wang Ai Yan, Mr. Liu Chuan Jiang and Ms. Zhu Ling Yun, the controlling shareholders (the "Controlling Shareholders") of the Company, has given a non-competition undertaking ("Deed") in favour of the Company, pursuant to which each of them undertakes and covenants with the Company that, for as long as it/he and/or its/his associates, directly or indirectly, whether individually or taken together, remain to be the controlling shareholders, it/he will not and will procure its/his associates not to directly or indirectly carry on, participate, engage or otherwise be interested in any business which is or may be in competition with the business of any members of the Group (the "Restricted Business") from time to time.

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

In this regard, each of the Controlling Shareholders has provided to the Company a written confirmation in respect of his/its compliance with the Deed for the year ended 30 June 2016. The independent non-executive directors of the Company who forms the Independent Board Committee have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings in the Deed and have confirmed that, as far as they can ascertain, there is no breach of any of the undertakings in the Deed given by the Controlling Shareholders.

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

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

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. 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 Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules for the year ended 30 June 2016.

Model code for securities transactions by directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code for the year ended 30 June 2016 and they all confirmed that they have fully complied with the required standard set out in the Model Code.

Audit committee

The audit committee was established on 6 May 2013. The primary duties of the audit committee are mainly to review the financial systems of the Group; to review the accounting policy, financial position and financial reporting procedures of the Group; to communicate with external auditor; to assess the performance of internal financial and audit personnel; and to assess the internal controls of the Group. The audit committee consists of three independent non-executive Directors namely, Mr. Kong Chi Mo, Ms. Chen Jin Mei and Mr. Dai Tian Zhu. The audit committee is chaired by Mr. Kong Chi Mo.

The Audit Committee of the Company has discussed with the management and external auditor about the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including a review of the Group's consolidated financial statements for the year ended 30 June 2016.

Scope of work of Messrs. Ernst & Young

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2016 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

Final dividend

The Board resolved not to declare any interim dividend for the six months ended 31 December 2015 (2014: 2.5 HK cents per share).

The board of directors now recommend to pay the final dividend for 2016 at 4.0 HK cents per share (2015: 2.3 HK cents per share) payable to shareholders of the Company whose names are on the register of members on 21 November 2016. It is expected that the final dividend will be paid on 25 November 2016. The proposed distribution of final dividends is subject to the approval of the Annual General Meeting ("AGM").

Proposed bonus shares issue

The Directors proposes a bonus issue of shares on the basis of three bonus shares for every one existing share held by shareholders whose names appear on the register of members of the Company on 21 November 2016. The relevant resolution will be proposed in the forthcoming annual general meeting of the Company, and if passed and upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in such new shares, share certificates for the bonus shares will be dispatched to Shareholders on or around 2 December 2016.

The bonus shares will rank pari passu in all respects with the existing shares in issue from the date of issue except that they will not rank for the final dividend in respect of the year ended 30 June 2016.

Closure of register of members

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

(i) from 9 November 2016 (Wednesday) to 11 November 2016 (Friday), 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 8 November 2016 (Tuesday); and

(ii) from 17 November 2016 (Thursday) to 21 November 2016 (Monday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to the final dividend and bonus shares. In order to establish entitlements to the final dividend and bonus shares, 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 16 November 2016 (Wednesday).

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

Annual general meeting

The AGM will be held on Friday, 11 November 2016. Shareholders should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto to be dispatched by the Company.

Publication of annual results announcement and annual report

The annual report for the year ended 30 June 2016 will be dispatched to shareholders and published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.hzeg.com in due course. This announcement can also be accessed on these websites.

On behalf of the Board
Huazhang Technology Holding Limited
Zhu Gen Rong
Chairman

Zhejiang, China, 14 September 2016

As at the date of this announcement, the executive Directors are Mr. Zhu Gen Rong, Mr. Wang Ai Yan, Mr. Jin Hao and Mr. Zhong Xin Gang, and the independent non-executive Directors are Ms. Chen Jin Mei, Mr. Dai Tian Zhu and Mr. Kong Chi Mo.