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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 2017

FINANCIAL HIGHLIGHTS

	For the year ended 30 June		
	2017	2016	Change
	RMB	RMB	%
Revenue	**416,007,000**	327,261,000	27.1
Gross profit	**91,592,000**	80,695,000	13.5
Gross profit margin	***22.0%***	*24.7%*	*(2.7)*
Profit for the year	**30,358,000**	27,073,000	12.1
Net profit margin	***7.3%***	*8.3%*	*(1.0)*
Profit attributable to owners of the Company	**30,639,000**	28,332,000	8.1
Earnings per share attributable to ordinary equity holders of the parent (RMB cents per share)			
- basic	**5.10**	4.73	7.8
- diluted	**5.10**	4.73	7.8
Non-GAAP profit for the year	**38,026,000**	29,384,000	29.4
Non-GAAP profit margin	***9.1%***	*9.0%*	*0.1*
Non-GAAP earnings per share (RMB cents per share)			
- basic	**6.38**	5.11	24.9

The Board recommends the payment of a final dividend of 2.4 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 2017, together with the comparative figures for the year ended 30 June 2016, 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 **2017** **RMB**	2016 RMB (Restated)
REVENUE	4	**416,007,189**	327,260,578
Cost of sales		**(324,414,793)**	(246,565,296)
Gross profit		**91,592,396**	80,695,282
Other income and gains	4	**5,906,585**	3,373,644
Selling and distribution expenses		**(9,721,324)**	(8,578,077)
Administrative expenses		**(32,323,830)**	(29,060,743)
Research and development expenses		**(14,458,386)**	(11,909,645)
Other expenses		**(2,127,619)**	(2,312,737)
OPERATING PROFIT		**38,867,822**	32,207,724
Finance income	6	**2,164,023**	1,331,031
Finance expense	6	**(4,322,196)**	(233,571)
Finance (expense)/income - net	6	**(2,158,173)**	1,097,460
PROFIT BEFORE TAX	5	**36,709,649**	33,305,184
Income tax expense	7	**(6,351,771)**	(6,231,925)
PROFIT FOR THE YEAR		**30,357,878**	27,073,259
Attributable to:			
- Owners of the parent		**30,638,948**	28,332,245
- Non-controlling interests		**(281,070)**	(1,258,986)
		30,357,878	27,073,259
OTHER COMPREHENSIVEINCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences related to foreign operations		**1,098,634**	5,311,255
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**1,098,634**	5,311,255
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**31,456,512**	32,384,514
Attributable to:			
- Owners of the parent		**31,737,582**	33,643,500
- Non-controlling interests		**(281,070)**	(1,258,986)
		31,456,512	32,384,514
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
- Basic earnings per share (RMB cents)		**5.10**	4.73
- Diluted earnings per share (RMB cents)		**5.10**	4.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2017 RMB	2016 RMB (Restated)	2015 RMB (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**40,141,314**	44,160,954	39,903,042
Investment properties		**6,300,537**	6,611,279	6,922,021
Prepaid land lease payments		**3,248,863**	3,353,805	3,458,747
Goodwill		**596,369**	596,369	-
Derivative financial instrument		**-**	430,000	-
Available-for-sale investment		**-**	-	8,000,000
Deferred tax assets		**2,762,933**	2,600,720	2,947,091
Trade and other receivables	10(i)	**84,673,706**	21,737,001	8,876,175
Prepayments	10(ii)	**222,023**	235,083	343,730
Total non-current assets		**137,945,745**	79,725,211	70,450,806
CURRENT ASSETS				
Prepaid land lease payments		**104,942**	104,942	104,942
Inventories		**59,511,860**	81,312,866	55,965,808
Trade and other receivables	10(i)	**322,804,478**	241,886,964	91,537,106
Prepayments	10(ii)	**34,880,557**	24,596,257	10,666,450
Pledged deposits		**21,515,802**	23,554,990	1,236,037
Cash and cash equivalents		**50,554,277**	63,359,071	37,017,294
Total current assets		**489,371,916**	434,815,090	196,527,637
CURRENT LIABILITIES				
Trade and other payables	11	**228,067,991**	228,279,677	80,329,983
Interest-bearing loans		**8,626,000**	5,078,400	17,349,200
Income tax payable		**2,683,608**	4,090,811	1,891,030
Total current liabilities		**239,377,599**	237,448,888	99,570,213
NET CURRENT ASSETS		**249,994,317**	197,366,202	96,957,424
TOTAL ASSETS LESS CURRENT LIABILITIES		**387,940,062**	277,091,413	167,408,230
NON-CURRENT LIABILITIES				
Deferred tax liabilities		**800,512**	1,148,227	307,234
Convertible bonds	12	**66,821,857**	-	-
Total non-current liabilities		**67,622,369**	1,148,227	307,234
NET ASSETS		**320,317,693**	275,943,186	167,100,996
EQUITY				
Equity attributable to owners of the parent				
Share capital		**5,075,783**	2,397,524	2,175,184
Share premium		**93,615,618**	106,985,471	33,490,261
Equity component of convertible bonds	12	**23,609,589**	-	-
Other reserves		**65,867,660**	61,029,226	52,514,070
Retained earnings		**130,948,973**	104,049,825	78,921,481
		319,117,623	274,462,046	167,100,996
Non-controlling interests		**1,200,070**	1,481,140	-
TOTAL EQUITY		**320,317,693**	275,943,186	167,100,996

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 systems, project contracting services, sludge and wastewater treatment business and the provision of after-sales and other services in the People's Republic of China (the "PRC").

2.1 Change of presentation currency

The Group's functional currency is Renminbi ("RMB"). The presentation currency of the consolidated financial statements in the prior financial year was HK$.

Since the Group mainly operates its business in the PRC, the Directors consider that it is more appropriate to use RMB as the presentation currency of the Group and that the presentation of financial statements in RMB can provide more relevant information for management to control and monitor the performance and financial position of the Group. Accordingly, the Company has changed its presentation currency for the preparation of its consolidated financial statements from HK$ to RMB starting from the financial year ended 30 June 2017. The comparative figures in these consolidated financial statements have been restated from HK$ to RMB accordingly.

For the purpose of presenting the consolidated financial statements of the Group in RMB, the assets and liabilities for the consolidated statement of financial position are translated into RMB at the closing rate at the end of the reporting period. Income and expenses for the consolidated statement of profit or loss and other comprehensive income are translated at the average exchange rates for the relevant financial year, unless exchange rates fluctuated significantly during the year, in which case the exchange rates prevailing on the dates of transactions are used. The share capital, the share premium and reserves are translated at the exchange rates on the dates of the relevant transactions.

The relevant exchange rates used to re-present the comparative figures at 30 June 2015 and 30 June 2016 and for the year ended 30 June 2016 are as follows:

Year ended 30 June 2015 RMB1 = HK$
Average rate 1.26
Closing rate 1.27

Year ended 30 June 2016 RMB1 = HK$
Average rate 1.20
Closing rate 1.17

The change in presentation currency mainly impacted the carrying amount of foreign currency translation reserves from HK$13,905,000 and HK$5,871,000 to RMB6,463,000 and RMB11,774,000 as at 30 June 2015 and 2016, respectively.

2.2 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 requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments and derivative financial instrument at fair value. These financial statements are presented in RMB, unless otherwise stated.

2.3 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:

Amendments to HKFRS 2	*Classification and measurement of Share-based Payment Transactions* [2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts* [2]
HKFRS 9	*Financial Instruments* [2]
Amendments to HKFRS 10, and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]
HKFRS 15	*Revenue from Contracts with Customers* [2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers* [2]
HKFRS 16	*Leases* [3]
HK (IFRIC) – Int 22	*Foreign Currency Transactions and Advance Consideration* [2]
HK (IFRIC) – Int 23	*Uncertainty over Income Tax Treatments* [3]
Amendments to HKAS 7	*Disclosure Initiative* [1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses* [1]
Amendments to HKAS 40	*Transfer of Investment Property* [2]
Annual Improvements 2012-2014 Cycle	*Amendments to the following three Standards:* *HKFRS 1 First-time Adoption of International Financial Reporting Standards* [2] *HKAS 28 Investments in Associates and Joint Ventures* [2] *HKFRS 12 Disclosure of Interests in Other Entities* [2]

1. Effective for annual periods beginning on or after 1 January 2017
2. Effective for annual periods beginning on or after 1 January 2018
3. Effective for annual periods beginning on or after 1 January 2019
4. 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 upon initial application.

2.4 Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

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;
(b) project contracting services;
(c) sludge and wastewater treatment business; and
(d) after-sales and other services

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 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 expense and interest income) and income taxes are excluded from such measurement.

Segment assets include all assets of the Group except investment properties, goodwill, derivative financial instruments, deferred tax assets, pledged deposits, and certain prepayments, other receivables, cash and cash equivalents, property plant and equipment and prepaid 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, tax payable and convertible bonds, as these liabilities are managed on a group basis.

For year ended 30 June 2017	Industrial automation systems RMB	Project contracting services RMB	Sludge and wastewater treatment business RMB	After-sales and other services RMB	Total RMB
Segment revenue:					
Sales to external customers	**77,064,124**	**235,483,184**	**48,615,465**	**54,844,416**	**416,007,189**
Segment cost of sales	**(50,696,282)**	**(199,715,179)**	**(33,468,845)**	**(40,534,487)**	**(324,414,793)**
Segment gross profit	**26,367,842**	**35,768,005**	**15,146,620**	**14,309,929**	**91,592,396**
Segment results	**6,801,142**	**32,370,319**	**5,023,247**	**13,853,152**	**58,047,860**
Common administrative expenses					**(24,581,275)**
Other expenses					**(505,348)**
Other income and gains					**5,906,585**
Finance expense - net					**(2,158,173)**
Profit before tax					**36,709,649**
Income tax expense					**(6,351,771)**
Profit for the year					**30,357,878**

Other segment information:

	Industrial automation systems RMB	Project contracting services RMB	Sludge and wastewater treatment business RMB	After-sales and other services RMB	Unallocated RMB	Total RMB
Capital expenditure	**225,494**	**-**	**299,181**	**-**	**269,801**	**794,476**
Depreciation of property plant and equipment	**803,779**	**-**	**1,159,719**	**-**	**2,850,707**	**4,814,205**
Amortisation of prepaid land lease payments	**29,786**	**-**	**39,519**	**-**	**35,637**	**104,942**
Depreciation of investment properties	**-**	**-**	**-**	**-**	**310,742**	**310,742**

The segment assets and liabilities as at 30 June 2017 are as follows:

	Industrial automation systems RMB	Project contracting services RMB	Sludge and wastewater treatment business RMB	After-sales and other services RMB	Unallocated RMB	Total RMB
Assets	**87,402,655**	**311,086,561**	**93,813,001**	**6,765,303**	**128,250,141**	**627,317,661**
Liabilities	**85,650,789**	**74,552,830**	**45,215,562**	**261,000**	**101,319,787**	**306,999,968**

For year ended 30 June 2016 (Restated)	Industrial automation systems RMB	Project contracting services RMB	Sludge and wastewater treatment business RMB	After-sales and other services RMB	Total RMB
Segment revenue:					
Sales to external customers	90,404,421	150,175,020	46,564,750	40,116,387	327,260,578
Segment cost of sales	(63,538,153)	(118,119,673)	(35,300,184)	(29,607,286)	(246,565,296)
Segment gross profit	26,866,268	32,055,347	11,264,566	10,509,101	80,695,282
Segment results	11,053,371	30,417,846	14,163	10,044,529	51,529,909
Common administrative expenses					(22,695,829)
Other income and gains					3,373,644
Finance income - net					1,097,460
Profit before tax					33,305,184
Income tax expense					(6,231,925)
Profit for the year					27,073,259

Other segment information:

	Industrial automation systems RMB	Project contracting services RMB	Sludge and wastewater treatment business RMB	After-sales and other services RMB	Unallocated RMB	Total RMB
Capital expenditure	5,397,287	-	1,006,504	-	2,123,816	8,527,607
Depreciation of property plant and equipment	871,649	-	1,268,222	-	2,102,430	4,242,301
Amortisation of prepaid land lease payments	29,785	-	39,518	-	35,639	104,942
Gains on disposal of property, plant and equipment, net	-	-	-	-	41,674	41,674
Depreciation of investment properties	-	-	-	-	310,742	310,742

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

	Industrial automation systems RMB	Project contracting services RMB	Sludge and wastewater treatment business RMB	After-sales and other services RMB	Unallocated RMB	Total RMB
Assets	268,468,362	13,253,415	105,355,607	6,847,876	120,615,041	514,540,301
Liabilities	183,653,675	-	38,718,873	2,092,883	14,131,684	238,597,115

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 project contracting services segment amounted to RMB111,001,490 and RMB39,157,319 representing over 10% and 9% of the Group's total revenue for the year ended 30 June 2017, respectively. Revenues from two customers of the project contracting services segment amounted to RMB94,051,025 and RMB34,714,865 each representing over 10% of the Group's total revenue for the year ended 30 June 2016.

4 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	
	2017	2016
	RMB	RMB
		(Restated)
Revenue		
Project contracting services	**235,483,184**	150,175,020
Industrial automation systems	**77,064,124**	90,404,421
Sludge and wastewater treatment business	**48,615,465**	46,564,750
After-sale and other services	**54,844,416**	40,116,387
	416,007,189	327,260,578
Other income and gains		
Consultation income	**2,200,855**	-
Bidding service income	**1,466,084**	447,359
Government grants *	**1,051,593**	270,301
Rental income	**514,729**	548,006
Scrap steel income	**183,580**	205,211
Gain on disposal of an available-for sale investment	**-**	1,331,148
Others	**489,744**	571,619
	5,906,585	3,373,644

* Government grant mainly consist of subsidies for encouraging technological innovation and tax exemption. There are no unfulfilled conditions or contingencies attached to these grants.

5 Profit before tax

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

	For the year ended 30 June	
	2017	2016
	RMB	RMB
		(Restated)
Raw materials used	**326,969,206**	217,045,403
Employee benefit expenses (excluding directors' and chief executive's remuneration	**34,052,606**	30,076,093
Change in inventories of finished goods and work in progress	**(16,769,658)**	14,130,888
Travelling expenses	**6,870,719**	5,411,145
Depreciation of property, plant and equipment	**4,814,205**	4,242,301
Office expenses	**3,331,586**	3,620,366
Miscellaneous tax charges other than value added tax and income tax	**1,884,908**	2,882,370
Impairment of trade receivables and other receivables (Note 10)	**1,622,271**	2,312,737
Transportation expenses	**2,136,623**	2,008,912
Professional service fees	**2,046,755**	1,514,521
Auditors' remuneration	**1,450,000**	1,100,000
Change in fair value of derivative financial instrument	**430,000**	-
Utilities	**286,807**	410,737

6 Finance (expense)/income - net

An analysis of finance (expense)/income - net is as follows:

	For the year ended 30 June	
	2017	2016
	RMB	RMB
		(Restated)
Finance income		
-Interest income	**2,164,023**	1,318,235
-Exchange gain	**-**	12,796
	2,164,023	1,331,031
Finance expense		
-Interest expense on convertible bonds	**(3,584, 698)**	-
-Interest expenses on loans	**(392,587)**	(233,571)
-Exchange loss	**(344,911)**	-
	(4,322,196)	(233,571)
Finance (expense)/income - net	**(2,158,173)**	1,097,460

7 Income tax expense

	For the year ended 30 June	
	2017	2016
	RMB	RMB
		(Restated)
Current – PRC		
Charge for the year	**6,866,230**	6,138,520
Deferred tax	**(514,459)**	93,405
Income tax expense	**6,351,771**	6,231,925

(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 2017 (2016:Nil), as the Group had no taxable profits earned or derived in Hong Kong during 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 2016. Thus the applicable income tax rate of Zhejiang Huazhang was 15% for the year ended 30 June 2017 (2016: 15%). Zhejiang Huazhang is now under application of new validation period. It's highly possible that preferential tax rate will be approved by tax bureau around October 2017.

For Wukong, EIT was levied on 2% of the total revenue till 31 December 2016. From 1 January 2017, the applicable EIT rate of Wukong is 25% of taxable profit before tax.

(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	
	2017	2016
	RMB	RMB
		(Restated)
Profit before tax	**36,709,649**	33,305,184
Income tax charge at the statutory income tax rate	**11,373,696**	10,253,291
Effect of preferential tax rate	**(4,375,045)**	(3,759,740)
Expenses not deductible for tax purposes	**(119,240)**	100,079
Super deduction for research and development expense	**-**	(165,774)
Re-measurement of deferred income tax	**(352,175)**	(99,780)
Adjustments in respect of current tax of previous periods	**-**	55,709
Effect of withholding tax on the expected distributable profits of the subsidiary in Mainland China	**(175,465)**	(151,860)
Tax charge for the year at the effective rate	**6,351,771**	6,231,925

8 Dividends

	For the year ended 30 June	
	2017	2016
	RMB	RMB
		(Restated)
Proposed final – 2.4 HK cents (2016: 4.0 HK cents) per share	**12,511,258**	10,267,477
	12,511,258	10,267,477

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

9 Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 600,648,000 (2016: 599,537,213) in issue during the year, as adjusted to reflect the rights issue during the year.

On November 2016, the Company issued 300,324,000 bonus shares (one-for-one) to qualifying shareholders, the weighted average number of ordinary shares is calculated as if the bonus shares were granted before the beginning of 2016, the earliest period presented.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 30 June 2017 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

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

	For the year ended 30 June	
	2017	2016
	RMB	RMB
		(Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**30,638,948**	28,332,245
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	**600,648,000**	599,537,213
Basic and diluted earnings per share (RMB cents per share)	**5.10**	4.73

10 Trade and other receivables and prepayments

(i) Trade and other receivables

	As at 30 June	
	2017	2016
	RMB	RMB
		(Restated)
Warranty receivables (a)	**21,608,760**	24,997,516
Amounts due from contract customers (b)	**72,896,612**	61,354,280
Other trade receivables (c)	**265,060,443**	142,413,390
	359,565,815	228,765,186
Less: provision for impairment of trade receivables (d)	**6,529,385**	6,888,899
Trade receivables - net	**353,036,430**	221,876,287
Bills receivable (e)	**46,441,408**	25,889,246
Trade and bills receivables	**399,477,838**	247,765,533

	2017	2016
Other receivables due from a related party	**17,428**	17,428
Other receivables - performance guarantee	**3,979,787**	6,870,791
Others	**5,955,980**	8,970,213
	9,953,195	15,858,432
Less: provision for impairment of other receivables (f)	**1,952,849**	-
Other receivables - net	**8,000,346**	15,858,432
Total trade and other receivables	**407,478,184**	263,623,965
Less: trade receivables - non-current portion	**84,673,706**	21,737,001
	322,804,478	241,886,964

(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	
	2017	2016
	RMB	RMB
		(Restated)
Up to 3 months	**7,520,636**	7,890,606
3 months to 6 months	**3,475,779**	1,588,399
6 months to 1 year	**2,012,519**	2,545,015
1 to 2 years	**3,318,363**	5,586,917
Over 2 years	**5,281,463**	7,386,579
	21,608,760	24,997,516

(b) Amounts due from contract customers at the end of the reporting period are as follows:

	For the year ended 30 June	
	2017	2016
	RMB	RMB
		(Restated)
Cost incurred	**229,456,211**	110,844,058
Recognised profits	**90,754,994**	33,244,611
	320,211,205	144,088,669
Less: progress billings	**247,314,593**	82,734,389
	72,896,612	61,354,280

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

	As at 30 June	
	2017	2016
	RMB	RMB
		(Restated)
Other trade receivables		
Up to 3 months	**102,246,206**	57,191,402
3 months to 6 months	**1,750,061**	49,391,620
6 months to 1 year	**125,882,640**	9,892,187
1year to 2 years	**24,801,412**	22,181,648
Over 2 years	**10,380,124**	3,756,533
	265,060,443	142,413,390

(d) Movements in 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	
	2017	2016
	RMB	RMB
		(Restated)
Neither past due nor impaired	**246,019,262**	118,204,798
Past due but not impaired	**34,120,556**	42,317,209
	280,139,818	160,522,007

Receivables that were neither past due nor impaired are mainly relate to a 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	
	2017	2016
	RMB	RMB
		(Restated)
At beginning of the year	**6,888,899**	5,097,961
Impairment losses recognised (Note 5)	**(330,578)**	2,312,737
Amounts written off as uncollectible	**(28,936)**	(521,799)
	6,529,385	6,888,899

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB6,529,385 (2016: RMB6,888,899) with a carrying amount before provision of RMB6,529,385 (2016: RMB6,888,899).

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	
	2017	2016
	RMB	RMB
		(Restated)
1 year to 2 years	**2,721,816**	2,509,258
Over 2 years	**3,807,569**	4,379,641
	6,529,385	6,888,899

(e) Bills receivable

Transfer of financial assets that are not derecognised in their entirety

At 30 June 2017, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB18,071,165 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 RMB18,071,165 as at 30 June 2017.

The Group keeps monitoring the default risk of endorsed bills and as of 30 June 2017, all endorsed bills became mature except for the amount retained on the book totaling RMB18,071,165 and those bills that are derecognised as discussed below, which have a maturity from one to six months.

At 30 June 2017, the Group discounted certain bills receivable with recourse accepted by certain banks in Mainland China (the "Recognised Bills") with a carrying amount of RMB5,000,000 (the "Discount"). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Recognised Bills have a right of recourse against the Group if the PRC banks default. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Recognised Bills, and accordingly, it continued to recognise the full carrying amounts of the Recognised Bills. The proceeds from the Discount are recorded as interest-bearing bank loans.

Transfer of financial assets that are derecognised in their entirety

At 30 June 2017, 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 RMB31,483,219. 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 2017, 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.

(f) Movements in the Group's provision for impairment of other receivables

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

	As at 30 June	
	2017	2016
	RMB	RMB
At beginning of the year	**-**	-
Impairment losses recognized (Note 5)	**1,952,849**	-
	1,952,849	-

(ii) Prepayments

	As at 30 June	
	2017	2016
	RMB	RMB
		(Restated)
Prepayments for raw materials	**23,697,260**	24,077,373
Investment down payment	**9,000,000**	-
Prepayments for new contracts	**1,810,710**	161,145
Others	**594,610**	592,822
Total prepayments	**35,102,580**	24,831,340
Less: prepayments - non-current portion	**222,023**	235,083
	34,880,557	24,596,257

11 Trade and other payables

	As at 30 June	
	2017	2016
	RMB	RMB
		(Restated)
Trade payables	**84,326,082**	88,332,989
Bills payable	**41,413,968**	56,378,103
	125,740,050	144,711,092
Advances from customers	**66,347,155**	59,932,685
Other taxes payables	**18,558,419**	1,512,804
Employee benefit payables	**5,266,456**	4,586,790
Accrual	**2,801,397**	3,216,795
Deposit	**2,135,426**	4,429,800
Provision for warranty expenses	**570,470**	688,853
Others	**6,648,618**	9,200,858
	102,327,941	83,568,585
	228,067,991	228,279,677

The aged analysis of the trade payables is as follows:

	As at 30 June	
	2017	2016
	RMB	RMB
		(Restated)
Up to 3 months	**43,113,547**	53,575,818
3 months to 6 months	**14,216,652**	20,386,102
6 months to 1 year	**14,102,033**	10,448,471
1year to 2 years	**8,992,629**	2,813,616
Over 2 years	**3,901,221**	1,108,982
	84,326,082	88,332,989

12 Convertible Bonds

On 29 March 2017, the Company issued convertible bonds in principal amount of HK$100,000,000 (equivalent to RMB88,780,000) (the "Convertible Bonds").

Pursuant to the bond subscription agreement, the Convertible Bonds are:

(a) convertible at the option of the bond holders into ordinary shares of the Company at HK$2.50 (subject to adjustment) at any time on or after 29 April 2017 up to the close of business on the 30th day prior to the maturity date;

(b) the maturity date is 29 March 2019 and it is at the Company's discretion to extend one additional year;

The Convertible Bonds bear interest at a rate of 5% per annum payable semi-annually in arrears on 28 September and 28 March.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The proceeds from the issuance of Convertible Bonds of HK$100,000,000 have been split into liability and equity components on 29 March 2017 (the issuance date). On the issuance date, the fair value of the liability component of the Convertible Bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk. And it will be measured on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds are allocated to the equity component of Convertible Bonds. Transaction cost are apportioned between liability and equity components of the Convertible Bonds based on the allocation of proceeds to the liability and equity components on the issuance date.

There is no movement in the number of the Convertible Bonds during the year.

The fair value of the liability and equity components are determined based on the valuations performed by Duff and Phelps, an independent firm of professional valuers, using binomial model.

The convertible bonds issued during the year have been split into the liability and equity components as follows:

	Liability component of Convertible Bonds RMB	Equity component of Convertible Bonds RMB	Total RMB
At 29 March 2017	65,051,769	23,728,231	88,780,000
Transaction cost allocation	(325,258)	(118,642)	(443,900)
Interest expense	3,584,698	-	3,584,698
Currency translation differences	(1,489,352)	-	(1,489,352)
At 30 June 2017	66,821,857	23,609,589	90,431,446

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Over the past year, the Chinese economy progressed slowly yet stably. In 2016, the gross domestic production ("GDP") grew at a rate of 6.7%, well-within the expected range (6.5%-6.7%) of the Chinese government. In the first half year of 2017, China's GDP grew at a rate of 6.9%, an increase in percentage point showing a robust growth momentum. Against the backdrop of the stable macro-economy, the papermaking industry in which the Company operated was driven by the reform on the supply side, the national environmental protection initiatives, the eradication of out-dated capacity, and the growth in market demand, and witnessed an accelerated pace of paper price increase. In particular, since the second half year of 2016, prices have generally been increasing in the papermaking industry in China due to, among other things, the increased cost of wood pulp, waste paper, logistics and coal, and showing signs of recovery in the industry with a potential of a prolonged boom.

Propelled by the increase in demand, the papermaking industry is expected to have larger development potentials. Since 2009, China has become the largest paper and cardboard production base in the world. Although the per capita consumption of the Chinese exceeds the world average, there is still great room for improvement considering the per capita consumption of over 200 kg for developed countries. Paper and cardboard consumption was once an important indicator of the level of modernization and civilization of a country. In the long run, with the continuous and steady expansion of China's national economy, the papermaking industry's growth potential will continue to expand steadily, its industry structure optimized, and the concentration level will continue to increase. Affected by factors such as economic development level, raw materials supply, and market price fluctuation, the papermaking industry will undergo a new round of structure adjustment. In the future, companies with clear resource advantages and strong integration capability will gain a competitive advantage and achieve better growth.

Moreover, as environmental protection policies continue to tighten in China, improving capacity and promoting compliant clean manufacturing have become the focus of the industry. On 5 January 2017, the Ministry of Environmental Protection issued Interim Measures for the Administration of Pollutant Discharge Licenses (排污授權管理暫行條例), requiring licenses for pollutant treatment facilities as well as concentration, quantity, and management of pollutants, and providing that papermaking industry nationwide must obtain licenses before engaging in pollutant treatment as of 1 July 2017. With increasingly stringent environmental protection regime, various environmental protection policies were issued, indicating the eradication of out-dated capacity will remain a key task for the reform on the supply side in the papermaking industry during the 13th Five Year Plan. Therefore, for papermaking companies that have yet to meet the new environmental protection requirements, more investment must be made to meet such requirements. In particular, investment and operating cost in wastewater treatment will increase for manufacturing companies.

OPERATION DISCUSSION AND ANALYSIS

During the year, guided by the new policy of "New Huazhang, New Development, New Dream", employees of the Group continued to live up to our corporate philosophy, namely, "integrity, dedication, learning and innovation" and achieved encouraging results. For the year ended 30 June 2017, the Group recorded a turnover and profit of approximately RMB416.0 million and RMB30.4 million, respectively, representing a year-on-year growth of approximately 27.1% and 12.1%, respectively. With such results, the Group accomplished various performance and financial indicators set at the beginning of the year.

For the year ended 30 June 2017, the aggregate value of contracts signed by the Group amounted to approximately RMB644.3 million, representing an increase of approximately 52.2% over the same period in 2016. Among the signed contracts, contracts of project contracting services for the papermaking industry amounted to RMB437.9 million, representing an increase of 84.5% over the same period in 2016. Currently, the market demands for papermaking project contracting services are strong, mainly because many medium and large papermaking companies lack necessary technologies and capable engineers. In this regard, the Group, with over 16 years of industry experience and over 100 engineers and project management personnel, is well-equipped to help clients set up a variety of production lines and provide comprehensive solutions, and establish competitive advantages in the industry.

During the year, to address the strong demand in the papermaking industry for quality improvement, effective productivity integration, and cost reduction, and to meet more stringent regulatory requirements, the Group efficiently executed relevant strategies to help papermaking companies effectively improve capacity and meet various clean manufacturing requirements. As a result, the Group gained advantages in the process of accelerated industry consolidation. The Group united efforts of all employees to tackle the challenges and achieved remarkable progress in its business. In particular, the Group executed the following strategies in the year ended 30 June 2017:

Accelerated Merger and Acquisition for Core Parts

By acquiring upstream manufacturer of core parts, the Group expanded its capability in intelligent manufacturing and helped papermaking companies implement autocontrol. In May 2017, the Group acquired the entire interests in Hangzhou Haorong Technology Co., Ltd ("Hangzhou Haorong") and Hangzhou MCN Paper Tech Co., Ltd ("Hangzhou MCN", and together, "MCN Group"). Founded in 2001, Hangzhou MCN was a leading supplier of headbox and highfrequency shake in China, owning multiple proprietary technologies and intellectual property rights. Hangzhou Haorong was founded in 2006 and its main businesses include development of various control systems for high-frequency shake and headbox. Acquisition of manufacturers of core parts helped the Group carry out the plan of replacing imported parts with Chinese proprietary core parts, achieve economies of scale, and command more control in integration at technical level, thereby helped the Group realize the Chinese Dream at the high-end of the industry.

Expanded Distribution of Industry Service Outlet

The Group expanded distribution of service outlet to provide complete value-added services for the papermaking industry. In May 2017, the Group announced the intention to acquire Wuxi Refine Technology Co,. Ltd. ("Wuxi Refine") to strength its capability of after-sale and maintenance services. Wuxi Refine principally engages in the business of maintenance and upgrade services. In June 2017, the Group announced the acquisition of all issued share capital and shareholders' loan of Fu An 777 Logistics Limited ("777 Logistics", together with its subsidiaries, "777 Logistics Group"). 777 Logistics Group mainly engages in logistics and warehouse business. It is currently constructing a logistics and warehouse centre in Yangjiang, Guangdong Province which is capable of providing bonded logistics services of raw materials, equipment and supplies for papermaking companies. Such logistics and warehouse centre is expected to be completed at the end of this year. The acquisition helped the Group's establish a one-stop integrated service platform through further integration of internal resources and promote all-encompassing services to papermaking companies.

Improved Clean Manufacturing Business

Through strategic cooperation, the Group continued to provide comprehensive solutions for clean manufacturing of the papermaking industry. In March 2017, the Group entered into an Exclusive Cooperation Agreement with a Taiwanese environmental protection company, Kun Sheng Machine Co., Ltd., which introduced the Refuse Derived Fuel technology into China's papermaking industry. Kun Sheng Machine Co., Ltd is a global leader in treatment of paper sludge and solid waste in the paper industry. The strategic cooperation further strengthened the Group's competitiveness in green manufacturing technology and product in the papermaking industry and enabled the Group to expand from the existing wastewater and sludge treatment to treatment of paper sludge and solid waste, helping papermaking companies meet regulator's environmental protection requirements, and improving the Group's clean manufacturing business.

Proactively Explored Overseas Markets

In the second half of 2016, in support of the national "the Belt and Road" strategy, the Group established the overseas business division to actively explore the overseas markets. In the past year, staffs of overseas business division have visited paper-making enterprises in countries in Middle East and Southeast Asian . The Group made contact with a number of potential customers, and negotiated the business opportunities.

In addition, in December 2016, Zhejiang Huazhang Technology Co., Ltd., a subsidiary of the Group, acted as a host of the Indian Papermaking Enterprise China Delegation, which was organized by the Indian Pulp and Paper Technology Association (IPPTA) and the National Federation of Industry and Commerce Paper Industry Association (CPICC). The Indian Papermaking Enterprise China Delegation invited 34 Indian paper and papermaking equipment companies to visit the Groups plant in Tongxiang and presented the latest papermaking technologies and sludge treatment solutions. In June 2017, at the invitation of Finnish Paper Engineers' Association, Zhu Gen Rong, the Chairman of the Group, joined the Chinese papermaking exploratory mission led by China Paper and Pulp Industry Chamber of Commerce in a visit to Finland for the purpose of exploration and exchange as well as project docking. Through expansion in overseas markets and strengthening industry exchange overseas, the Group will help China become a powerhouse in the world in papermaking equipment manufacturing.

Competitive Strength Recognized by the Industry

In November 2016, the China Paper and Pulp Industry Chamber of Commerce (CPICC) hosted the 9th China Paper Industry Development Conference cum 10th CPICC Anniversary Meeting (第九屆中國紙業發展 大會暨紙業商會十周年大會), at which the Group was awarded two prizes, namely, the Leadership Award (領軍力量獎) and the Motivation Award (自主力量獎) under the "China Cailun Award", demonstrating the recognition given by industry peersto the Group's technology, products and services. In the June 2017 list of "Top 30 Equipment Manufacturers in China' Light Industry" published by China National Light Industry Council, Huazhang Technology was ranked the seventh overall ranking, and the first among papermaking equipment manufacturers.

In addition, in June 2017, the Group jointly hosted the 2017 Chinese Papermaking Industry Executive Summit in Tongxiang, Zhejiang, which attracted over 170 organizations within the industry to participate.

FINANCIAL REVIEW

Revenue and gross profit margin

Revenue increased by approximately 27.1% from approximately RMB327,261,000 for the year ended 30 June 2016 to approximately RMB416,007,000 for the year ended 30 June 2017. Gross profit margin decreased form approximately 24.7% for the year ended 30 June 2016 to approximately 22.0% for the year ended 30 June 2017.

Industrial automation systems

Revenue from sales of industrial automation systems decreased by approximately 14.8% from approximately RMB90,404,000 for the year ended 30 June 2016 to approximately RMB77,064,000 for the year ended 30 June 2017. Such decrease was primarily attributable to the decrease in export sales through trading agency from approximately RMB24,684,000 for the year ended 30 June 2016 to approximately RMB5,491,000 for the year ended 30 June 2017. The gross profit margin of industrial automation systems increased from approximately 29.7% for the year ended 30 June 2016 to approximately 34.2% for the year ended 30 June 2017. For the year ended 30 June 2017, the Group have established overseas business division to develop overseas markets and explore for direct export sales.

Project contracting services

Revenue from project contracting services increased significantly by approximately 56.8% from approximately RMB150,175,000 for the year ended 30 June 2016 to approximately RMB235,483,000 for the year ended 30 June 2017. The revenue from project contracting services was recognised under the completion percentage method, and was partially offset by financial components in relation to the discount of instalment receivables. Such instalment receivables generally have repayment periods of approximately 2-3 years and the financial components are recognised as interest income using effective interest method over repayment periods.

Since 2014, the Group has been to developing the project contracting services business, an one-stop service which includes the provision of “design”, “production” and “service”. The number of projects in progress and revenue from such projects increased from 3 and approximately RMB152,486,000 for the year ended 30 June 2016 to 6 and approximately RMB242,597,000 for the year ended 30 June 2017, respectively, as project of the scale become large. The increase in revenue from the projects was offset by the financial components, which increased from approximately RMB2,311,000 for the year ended 30 June 2016 to approximately RMB7,113,000 for the year ended 30 June 2017. The gross profit margin of project contracting services decreased from approximately 21.3% for the year ended 30 June 2016 to approximately 15.2% for the year ended 30 June 2017 mainly due to the increase in financial components and decrease in profit margin of a project.

Sludge and wastewater treatment business

Revenue from sales of sludge and wastewater treatment business increased by approximately 4.4% from approximately RMB46,565,000 for the year ended 30 June 2016 to approximately RMB48,615,000 for the year ended 30 June 2017, primarily attributing to the increase in the sales of wastewater treatment products. The gross profit margin of sludge and wastewater treatment business increased from approximately 24.2% for the years ended 30 June 2016 to approximately 31.2% for the year ended 30 June 2017, primarily due to the increase was a result of improvement of gross profit margin of wastewater treatment business.

After-sales and other services

Revenue from after-sales and other services increased by approximately 36.7% from approximately RMB40,116,000 for the year ended 30 June 2016 to approximately RMB54,844,000 for the year ended 30 June 2017. Such increase was primarily attributable to the increase in sales of the electrical components and equipment and increase in after-sales services. The gross profit margin for after sales and other services remained stable at approximately 26.2% and approximately 26.1% for the year ended 30 June 2016 and 2017, respectively.

Other income

Other income increased from approximately RMB3,374,000 for the year ended 30 June 2016 to approximately RMB5,907,000 for the year ended 30 June 2017, primarily due to the increase in bidding service income of approximately RMB1,019,000, the increase in government grant of approximately RMB781,000 and the increase in consultation income of approximately RMB2,201,000 for the year ended 30 June 2017 as compared with year ended 30 June 2016. Such increase was offset by the decrease in gain on disposal of an available-for-sales investment of RMB1,331,000 as no such transaction was recorded for the year ended 30 June 2017.

Selling and distribution expenses

The selling and distribution expenses increased by approximately RMB1,143,000 from approximately RMB8,578,000 for the years ended 30 June 2016 to approximately RMB9,721,000 for the years ended 30 June 2017.Selling and distribution expenses accounted for approximately 2.6% and 2.3% of the Group’s revenue for the years ended 30 June 2016 and 2017, respectively. The increase in amount for the year ended 30 June 2017 was mainly attributable to the increase in product maintenance expenses of approximately RMB903,000, as the Group provided certain after-sales service free of charge in order to maintain the business relationships with certain customers.

Administrative expenses

The administrative expenses increased by approximately RMB3,263,000 from approximately RMB29,061,000 for the year ended 30 June 2016 to approximately RMB32,324,000 for the year ended 30 June 2017. Administrative expenses accounted for approximately 7.7% of the Group’s revenue for the year ended 30 June 2017, as compared with approximately 8.9% last year. The increase in amount for the year ended 30 June 2017 was primarily due to the increase in auditor’s remuneration and other professional fees by the aggregate amount of approximately RMB882,000, which was mainly related to services provided for the acquisition transactions and issuance of convertible bond and increase in salaries and employee benefit expenses amounting to approximately RMB1,146,000 in relation to increase in number of management personnel.

Research and development expenses

The research and development expenses increased by approximately RMB2,548,000 from approximately RMB11,910,000 for the year ended 30 June 2016 to approximately RMB14,458,000 for the year ended 30 June 2017. Research and development expenses accounted for approximately 3.5% of the Group's revenue for the year ended 30 June 2017, as compared with approximately 3.6% last year. The increase in amount for the year ended 30 June 2017 was mainly attributable to the increase in number of staff in the research and development department. The Group focused on development of technologies in relation to intelligence manufacturing and environment protection in papermaking industry. During the year, the Group obtained 8 new patents in relation to control systems and software copy right.

Finance (expense)/income - net

The net finance expense for year ended 30 June 2017 was approximately RMB2,158,000 as compared to a net finance income of approximately RMB1,097,000 for the year ended 30 June 2016. Such change was attributing to the interest expenses of approximately RMB3,585,000 in relation to issuance of convertible bonds with a coupon rate of 5.0% in March 2017.

Income tax expense

Income tax expense remained relatively stable, which was approximately RMB6,352,000 for the year ended 30 June 2017 and approximately RMB6,232,000 for the year ended 30 June 2016.

The effective tax rates of the Group for the years ended 30 June 2016 and 2017 were 18.7% and 17.3% respectively. The decrease was primarily attributale to the re-measurement of deferred income tax, which increased from approximately RMB100,000 for the year ended 30 June 2016 to approximately RMB352,000 for the year ended 30 June 2017.

Profit for the year and net profit margin

Profit for the year increased by approximately RMB3,285,000 from approximately RMB27,073,000 for the year ended 30 June 2016 to approximately RMB30,358,000 for the year ended 30 June 2017. At the same time, the net profit margin decreased from approximately 8.3% for the year ended 30 June 2016 to approximately 7.3% for the year ended 30 June 2017. Such decrease was primarily attributable to the decrease in gross profit margin.

Profit attributable to the owners of the parent

Profit attributable to the owners of the parent increased by approximately RMB2,307,000 from approximately RMB28,332,000 for the year ended 30 June 2016 to approximately RMB30,639,000 for the year ended 30 June 2017.

Non-GAAP Financial Measures

To supplement the consolidated results of the Group prepared in accordance with HKFRS, certain additional non-GAAP financial measures (in terms of, profit for the period, net margin, profit attributable to equity holders of the Company, basic earnings per share and diluted earnings per share), have been presented in this announcement. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with HKFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies.

The Company's management believes that the non-GAAP financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain non-cash items and certain impact of discounting of receivables from instalment transactions. In addition, non-GAAP adjustments include relevant non-GAAP adjustments for the Group's material associates based on available published financials of the relevant material associates, or estimates made by the Company's management based on available information, certain expectations, assumptions and premises.

The following tables set forth the reconciliation between the Non-GAAP financial measures and measures prepared in accordance with HKFRS for the year ended 30 June 2017 and 2016:

	Year ended 30 June 2017			
	As reported **RMB**	**Amortised costs of liability component of the Convertible Bond *(Note 1)*** **RMB**	**Financial components from provision for project contracting services *(Note 2)*** **RMB**	**Non-GAAP** **RMB**
Profit for the year	**30,357,878**	**2,470,064**	**5,197,987**	**38,025,929**
Profit attributable to owners of the Company	**30,638,948**	**2,470,064**	**5,197,987**	**38,306,999**
Earning per shares (RMB cents per share)				
- basic	**5.11**			**6.38**
- diluted	**5.11**			**6.38**

	Year ended 30 June 2016			
	As reported RMB	Amortised costs of liability component of the Convertible Bond *(Note 1)* RMB	Financial components from provision for project contracting services *(Note 2)* RMB	Non-GAAP RMB
Profit for the year	27,073,259	-	2,310,906	29,384,165
Profit attributable to owners of the Company	28,332,245	-	2,310,906	30,643,151
Earning per shares (RMB cents per share)				
- basic	4.73			5.11
- diluted	4.73			5.11

Note:

(1) Amortised costs of liability component of convertible bonds is the amount at which the convertible bonds were measured at initial recognitions plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

(2) Financial components from provision for project contracting services combines the difference between the sales price and the present value of the consideration, determined by discounting the instalments receivable at the imputed rate of interest, and the difference to be recognised as revenue as interest element using the effective interest method.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquidity position during the year ended 30 June 2017. The Group was principally financed through internal resources, borrowings and the issuance of convertible bonds during the year. As at 30 June 2017, the Group had cash and cash equivalent balance of approximately RMB50,554,000 (30 June 2016: approximately RMB63,359,000) and borrowings of approximately RMB8,626,000 (30 June 2016: approximately RMB5,078,000).

Convertible Bonds

On 29 March 2017, the Company issued Convertible Bonds in principal amount of HK$100,000,000 (equivalent to approximately RMB88,780,000).

Pursuant to the bond subscription agreement, the Convertible Bonds are:

a) convertible at the option of the bond holders into ordinary shares of the Company at HK$2.50 (subject to adjustment) at any time on or after 29 April 2017 up to the close of business on the 30th day prior to the maturity date; and

b) the maturity date is 29 March 2019 and it is subject to the Company's discretion to extend one additional year;

Borrowing and charges of assets

As at 30 June 2017, the Group's interest-bearing loans were approximately RMB8,626,000 in aggregate (30 June 2016: RMB5,078,000). The interest-bearing loans are repayable within 1 year. Such loans were all denominated in RMB, and bear an interest range of 3.0% to 7.2% per annum (30 June 2016: all denominated in RMB and 7.2% per annum).

As at 30 June 2017, the unused banking facilities of the Group were RMB53,794,000 in aggregate (as compared to RMB25,804,000 as at 30 June 2016). The banking facilities granted by banks were secured by property, plant and equipment, prepaid land lease payments and investment properties of the Group amounting to approximately RMB32,199,000 and RMB3,354,000 and RMB6,301,000, respectively, as at 30 June 2017 (30 June 2016: RMB34,713,000 and RMB3,459,000 and RMB6,611,000, respectively).

Gearing ratio

The gearing ratios as at 30 June 2016 and 2017 were approximately 1.8% and 2.6% respectively. The increase in gear ratio was mainly attributable to in gear ratio the Group's interest bearing loans from approximately RMB5,078,000 as at 30 June 2016 to approximately RMB8,626,000 as at 30 June 2017. . Based on the gearing ratio as at 30 June 2017, the Group still maintained a good financial position.

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

Trade and bills receivables

Trade and bills receivables increased by approximately RMB151,712,000 from approximately RMB247,766,000 as at 30 June 2016 to approximately RMB399,478,000 as at 30 June 2017. The increase was mainly attributable to the Group's provision of the project contracting services, in which the Group allowed the customers to extend the repayment period to 2-3 years and to settle the receivable by instalment through finance lease companies. The Group believes that this model will enable the Group to improve market competitiveness and provide more flexible services to customers. In addition, the Group will strengthen customer credit risk management to guard against the increase in bad debt provision.

Capital Expenditure

For the year ended 30 June 2017, the Group's capital expenditure amounted to approximately RMB794,000 (30 June 2016: RMB8,528,000).

Commitments

As at 30 June 2017, the Group had no capital commitments.

Contingent liabilities

As at 30 June 2017, 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 RMB. Most of its assets and liabilities are denominated in RMB, except for certain payables to professional parties and administrative expenses in Hong Kong office that are denominated in Hong Kong dollars.

The RMB is not freely exchangeable. 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

Significant investments

The Group had no significant investments held and disposals during the year ended 30 June 2017.

Acquisitions

On 16 May 2017, the Company as purchaser and Zhang Hai Hui, Jiang Yi Dong and Cui Liang Rong as vendors entered into a sale and purchase agreement in relation to the sale and purchase of (1) the entire equity interests in MCN Group and (2) the benefit (subject to the burden) of the contracts entered into by Sunplus Industrial Co., Limited for an initial consideration of RMB34,000,000 (subject to adjustment), which will be settled partly by cash consideration of approximately RMB9,000,000 and partly by issuance of 11,097,942 shares of the Company upon completion of the transaction. In addition, there is also a contingent consideration with the maximum amount of RMB34,000,000 stipulated in the agreement, which is based on the performance on profit over the next two years after the acquisition. On 14 August 2017, an extraordinary general meeting was held, at which the shareholders of the Company approved the transaction. For more details of the transaction, please refer to the announcements of the Company dated 17 May 2017, 23 May 2017, 24 July 2017, 14 August 2017 and 31 August 2017 and the circular of the Company dated 28 July 2017.

On 31 May 2017, the Company entered into a non-legally binding letter of intent with the vendors in relation to the possible acquisition of the entire interest in Wuxi Refine Technology Co., Ltd.

On 17 June 2017, the Company entered into a sale and purchase agreement with the Swift Fortune Holdings Limited and 777 Logistics Warehouse Holdings Limited, pursuant to which the Company conditionally agreed to acquire the entire issued share capital of the 777 Logistics and the shareholders loans due from the 777 Logistic Group at an aggregate consideration of HK$205,140,000, which would be satisfied in full by the Company's issue of 80,447,059 shares upon the completion of the acquisition. For more details of the transaction, please refer to the announcements of the Company dated 18 June 2017, 21 July 2017 and 31 August 2017.

As at the date this announcement, the transactions mentioned above were yet to be consummated. Save as disclosed herewith, the Group did not make any other material mergers or acquisitions for the year ended 30 June 2017.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2017, the Group had 285 employees (30 June 2016: 287 employees), including the Directors. Total staff cost (including Directors' emoluments) for the year ended 30 June 2017 was approximately RMB36,960,000, as compared to approximately RMB32,836,000 for the year ended 30 June 2016.

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

Next year, the Group expects the Chinese economy to continue the stable development. As the “13th Five Year” national plan unfolds, the development direction of China’s macro-economy will become clearer. Against this backdrop, the papermaking industry is expected to continue its group momentum from the past year and take advantage of the rallying paper price to maintain a robust profit growth trend. In addition, the Chinese government will roll out more positive measures to encourage companies to transform and upgrade, and will intensify environmental protection supervision. It is expected that the papermaking industry will be subject to more stringent environmental protection requirements and the industry concentration will increase. To address on the opportunities and address the challenges faced by the industry, the Group will take proactive actions in an attempt to become a leading solution provider and comprehension service provider for the papermaking industry in China. Such actions include:

“Intelligent Manufacturing”

“Made in China 2025” is a strategic plan for the manufacturing sector expressly specified in China’s “13th Five Year” plan to enhance innovation capability and quality level of China’s manufacturing industry and advance the process of industrialization and modernization. The core concept of “Made in China 2025” is Intelligent Manufacturing, or boosting production efficiency and product quality through information technology and digital and intelligent production facilities The Group expects that papermaking companies will proactively promote the paper industry’s own “Made in China 2025” strategy, while the production processes will align with the core concept of “Intelligent Manufacturing”. 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 papermaking industry’s “Made in China 2025” strategy. The Group will increase its investment in research and enhance its digital and intelligent products and services through collaboration with universities or technology corporations to meet the product quality improvement needs of the papermaking industry while effectively controlling costs and increasing profits.

Continue Strategic Acquisition and Enhance Industry Chain Service

The Group will continue to seek proper acquisition opportunities to enhance the services for the entire industry chain of the papermaking industry and provide the papermaking industry with professional, all encompassing services. Potential acquisition targets include leading companies in both upstream and downstream of the industry chain, including but not limited to suppliers of core parts and logistics companies. In selection of an acquisition target, the Group will consider its position in the industry and its reputation and operational capability, as well as whether its business complements the Group’s businesses. The Group believes that ongoing strategic acquisition will bring about synergy for the Group, enable the Group to have more core technologies in papermaking equipment, and benefits the Group’s export business, which is in line with “the Belt and Road” national strategy.

Strengthen Comprehensive Services for Papermaking Plants

The Group will make the best use of its existing advantage in client resources to strengthen comprehensive services for papermaking plants. The Group believes that as the papermaking industry matures, such comprehensive services for papermaking plants as on-site technology support and responsiveness will be one of the most critical factors on which the success of a company hinges. Providing comprehensive services for papermaking plants not only provides revenue for the Group and fully utilises the Group’s skills and expertise, but also allows the Group to better serve our clients and maintain good business relations with them. To support its business expansion and growth, the Group intends to further expand its comprehensive service team to improve its service quality.

OTHER INFORMATION

Purchase, sale or redemption of listed securities

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 2017.

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 entered into a non-competition undertaking (the "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 the Company a written confirmation in respect of his/its compliance with the Deed for the year ended 30 June 2017. 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 risk management, 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 2017.

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 2017 and they all confirmed that they have fully complied with the required standard set out in the Model Code.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, the Group had no material events after the reporting period.

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 auditors; to assess the performance of internal financial and audit personnel; and to assess the risk management and 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 auditors about the accounting principles and policies adopted by the Group and discussed risk management, internal controls and financial reporting matters including a review of the Group's consolidated financial statements for the year ended 30 June 2017.

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 2017 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 2016 (2015: Nil).

The board of directors now recommend to pay the final dividend for 2017 at 2.4 HK cents per share (2016: 4.0 HK cents per share) payable to shareholders of the Company whose names are on the register of members on 3 November 2017. It is expected that the final dividend will be paid on 8 November 2017. The proposed distribution of final dividend is subject to the approval of the Annual General Meeting ("AGM").

Closure of register of members

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

(i) from 20 October 2017 (Friday) to 25 October 2017 (Wednesday), 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 19 October 2017 (Thursday); and

(ii) from 1 November 2017 (Wednesday) to 3 November 2017 (Friday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to the final dividend. In order to establish entitlements to the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 31 October 2017 (Tuesday).

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 Wednesday, 25 October 2017. 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 2017 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, 5 September 2017

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.