

Hollysys Automation Technologies, Ltd.  
Form 20-F  
September 25, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 20-F**

**(Mark One)**

**..REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**<sup>x</sup>ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 30, 2015

**OR**

**..TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

**OR**

**..SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report \_\_\_\_\_

Commission file number: **001-33602**

**HOLLYSYS AUTOMATION TECHNOLOGIES LTD.**

(Exact name of Registrant as specified in its charter)

**Not Applicable**

(Translation of Registrant's name into English)

**British Virgin Islands**

(Jurisdiction of incorporation or organization)

**No. 2 Disheng Middle Road,**

**Beijing Economic-Technological Development Area,**

**Beijing, P. R. China 100176**

(Address of principal executive offices)

**Arden Xia, Tel: (86 10) 5898 1386, Email: xiachuan@hollysys.com**

**Address: No. 2 Disheng Middle Road, Beijing Economic-Technological Development Area, Beijing, P.R. China 100176**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
<b>Ordinary Shares, \$0.001 par value per share</b>	<b>The NASDAQ Global Select Market</b>

Securities registered or to be registered pursuant to Section 12(g) of the Act.

**None**

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

**None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or ordinary shares as of the close of the period covered by the annual report (June 30, 2015): 58,358,521 ordinary shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

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(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

**HOLLYSYS AUTOMATION TECHNOLOGIES LTD.**

**ANNUAL REPORT ON FORM 20-F**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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## USE OF CERTAIN DEFINED TERMS

Except as otherwise indicated by the context, references in this annual report to:

“Hollysys” “we,” “us,” or “our,” and the “Company,” refer to the combined business of Hollysys Automation Technologies Ltd., a BVI company, and its consolidated subsidiaries, HI, HAP, HAIP, Bond, Concord, CSHK, CDME, Hollycon Italy, GTH, Clear Mind, World Hope, Helitong, Hollysys Group, Hangzhou Hollysys, Hangzhou System, Hollysys A&D, Beijing Hollysys, Hollysys Electronics, Hollycon, Xi’an Hollysys and Hollysys Investment;

“HI” refers to Hollysys International Pte. Limited, a Singapore company;

“HAP” refers to Hollysys (Asia Pacific) Pte. Limited, a Singapore company;

“HAIP” refers to Hollysys Automation India Private Limited, an India Company;

“Bond” refers to a group of our Southeastern Asia subsidiaries, including Bond Corporation Pte. Ltd., a Singapore company (“BCPL”), Bond M&E Pte. Ltd., a Singapore Company (“BMSG”), Bond M&E Sdn. Bhd., a Malaysia company (“BMJB”), and Bond M&E (K.L.) Sdn. Bhd., a Malaysia company (“BMKL”);

“Concord” refers to a group of our Singapore subsidiaries, including Concord Corporation Pte. Ltd. (“CCPL”), and CCPL’s subsidiaries, Concord Electrical Pte. Ltd. (“CEPL”), Concord Electrical Sdn. Bhd. (“CESB”) and Concord Corporation Pte. Ltd, Dubai Branch (“CCPL Dubai”);

“CSHK” refers to Concord Solutions (HK) Limited, a Hong Kong company;

“CMDE” refers to Concord M Design and Engineering Company Limited, a Macau company;

“Hollycon Italy” refers to Hollycon (Italy) Pte. Ltd, an Italy company;

“GTH” refers to Gifted Time Holdings Limited, a BVI company;

“Clear Mind” refers to Clear Mind Limited, a BVI company;

- “World Hope” refers to World Hope Enterprises Limited, a Hong Kong company;

- “Helitong” refers Beijing Helitong Science & Technology Exploration Co., Ltd.;

“Hollysys Group” refers to Hollysys Technology Group Co., Ltd., formerly known as Beijing Hollysys Science & Technology Co., Ltd, a PRC company;

- “Hangzhou Hollysys” refers to Hangzhou Hollysys Automation Co., Ltd., a PRC company;

- “Hangzhou System” refers to Hangzhou Hollysys System Engineering Co., Ltd., a PRC company;

- “Hollysys A&D” refers to Beijing Hollysys Automation & Drive Co., Ltd., a PRC company;

- “Beijing Hollysys” refers to Beijing Hollysys Co., Ltd., a PRC company;

- “Hollysys Electronics” refers to Beijing Hollysys Electronics Technology Co., Ltd., a PRC company;

- “Hollycon” refers to Beijing Hollycon Medicine & Technology. Co., Ltd., a PRC company;

“Xi’an Hollysys” refers to Xi’an Hollysys Co., Ltd, a PRC company;

“Hollysys Investment” refers to Hollysys (Beijing) Investment Co., Ltd., a PRC company;

“RMB”, “CNY”, refer to Renminbi, the legal currency of China; “SGD”, “S\$”, refer to the Singapore dollar, the legal currency of Singapore; “US dollar,” “\$” and “US\$” refer to the legal currency of the United States; “EUR”, “€” refer to the legal currency of the European Union; “MYR” refers to the Malaysian Ringgit, the legal currency of Malaysia; “AED” refers to the United Arab Emirates Dirham, the legal currency of United Arab Emirates; “HKD” refers to the Hong Kong dollar, the legal currency of Hong Kong; “MOP” refers to the Macau Pataca, the legal currency of Macau; and “INR” refers to the Indian Rupee, the legal currency of India;

“BVI” refers to the British Virgin Islands;

“China” and “PRC” refer to the People’s Republic of China;

“Hong Kong” and “Hong Kong SAR” refer to the Hong Kong Special Administrative Region of China;

“Macau” refers to the Macau Special Administrative Region of China;

“Exchange Act” refers to the Securities Exchange Act of 1934, as amended; and

“Securities Act” refers to the Securities Act of 1933, as amended.

## **FORWARD-LOOKING INFORMATION**

This annual report contains forward-looking statements and information relating to us that are based on the current beliefs, expectations, assumptions, estimates and projections of our management regarding our company and industry. When used in this annual report, the words “may”, “will”, “anticipate”, “believe”, “estimate”, “expect”, “intend”, “plan”, and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. These statements reflect management's current view of us concerning future events and are subject to certain risks, uncertainties and assumptions, including among many others: our potential inability to achieve similar growth in future periods as we did historically, a decrease in the availability of our raw materials, the emergence of additional competing technologies, changes in domestic and foreign laws, regulations and taxes, changes in economic conditions, uncertainties related to China’s legal system and economic, political and social events in China, the volatility of the securities markets, and other risks and uncertainties which are generally set forth under the heading, “Key information — Risk Factors” and elsewhere in this annual report. Should any of these risks or uncertainties materialize, or should the underlying assumptions about our business and the commercial markets in which we operate

prove incorrect, actual results may vary materially from those described as anticipated, estimated or expected in this annual report.

All forward-looking statements included herein attributable to us or other parties or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable laws and regulations, we undertake no obligations to update these forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events.

## **PART I**

### **ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

### **ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION****A. Selected Consolidated Financial Data**

The following table presents selected financial data regarding our business. It should be read in conjunction with our consolidated financial statements and related notes contained elsewhere in this annual report and the information under Item 5, “Operating and Financial Review and Prospects.” The selected consolidated statement of comprehensive income data for the fiscal years ended June 30, 2013, 2014 and 2015 and the consolidated balance sheet data as of June 30, 2014 and 2015 have been derived from the audited consolidated financial statements of Hollysys that are included in this annual report beginning on page F-1. The selected statement of comprehensive income data for the fiscal years ended June 30, 2011 and 2012, and balance sheet data as of June 30, 2011, 2012 and 2013 have been derived from our audited financial statements that are not included in this annual report.

The audited consolidated financial statements for the years ended June 30, 2013, 2014 and 2015 are prepared and presented in accordance with generally accepted accounting principles in the United States, or US GAAP. The selected financial data information is only a summary and should be read in conjunction with the historical consolidated financial statements and related notes of Hollysys contained elsewhere herein. The financial statements contained elsewhere fully represent our financial condition and operations; however, they are not indicative of our future performance.

Financial information in this report is reported in United States dollars, the reporting currency of the Company.

(In USD thousands, except share numbers and per share data)

	Years ended June 30,				
	2011	2012	2013	2014	2015
Statement of Comprehensive Income Data					
Revenue	262,842	321,704	349,055	521,332	531,379
Operating income	44,691	65,438	57,702	98,407	130,107
Income before income taxes	47,909	66,926	60,618	91,312	125,227
Net income attributable to Hollysys	41,470	56,222	51,994	69,620	96,527
Add: Share-based compensation costs	552	1,139	1,599	2,986	2,492
Amortization of acquired intangible assets	-	-	2,848	5,413	4,454
Acquisition-related consideration fair value adjustments	-	-	1,163	8,920	(166 )
Fair value adjustments of a bifurcated derivative	-	-	-	-	35
Non-GAAP net income attributable to Hollysys	42,022	57,361	57,605	86,939	103,342
Weighted average ordinary shares:					
Basic	54,564,842	55,659,765	56,167,592	57,926,333	58,612,596
Diluted	54,949,280	55,828,361	56,412,469	58,426,642	60,134,203

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Earnings per share:					
Basic	0.76	1.01	0.93	1.20	1.65
Diluted	0.75	1.01	0.92	1.19	1.61
Non-GAAP earnings per share:					
Basic	0.77	1.03	1.03	1.50	1.76
Diluted	0.76	1.03	1.02	1.49	1.72
Balance Sheet Data					
Total current assets	362,412	437,672	546,448	729,893	806,640
Total assets	458,584	552,755	744,633	926,695	983,686
Total current liabilities	161,039	188,829	268,452	398,891	374,596
Total liabilities	192,716	213,470	329,158	434,637	398,301
Net assets	265,869	339,285	415,475	492,058	585,385
Noncontrolling interests	811	1,184	1,747	3,583	6,285
Stockholders' equity	265,058	338,101	413,728	488,475	579,100

In evaluating our results, the non-GAAP measures of “Non-GAAP general and administrative expenses (“Non-GAAP G&A expenses”), “Non-GAAP cost of integrated contracts”, “Non-GAAP other expenses (income), net”, “Non-GAAP interest expenses”, “Non-GAAP net income attributable to Hollysys” and “Non-GAAP earnings per share” serve as additional indicators of our operating performance and not as a replacement for other measures in accordance with US GAAP. We believe these non-GAAP measures are useful to investors as they exclude: 1) share-based compensation expenses, 2) amortization of acquired intangible assets, 3) acquisition-related consideration adjustments and 4) fair value adjustments of a bifurcated derivative. All of above will not result in any cash inflows or outflows. We believe that using non-GAAP measures help our shareholders have a better understanding of our operating results and growth prospects. In addition, given the business nature of Hollysys, it has been a common practice for investors and analysts to use such non-GAAP measures to evaluate the Company. Specifically, the non-GAAP measures excluded the following items:

1) Share-based compensation expenses, which is calculated based on the number of shares or options granted and the fair value as of grant date.

2) Amortization of acquired intangible assets, which is a non-cash expense relating primarily to acquisitions. At the time of an acquisition, the identifiable definite-lived intangible assets of the acquired company, such as customer relationships and order backlog, are valued and amortized over their estimated lives. Value is also assigned to acquired indefinite-lived intangible assets, which comprise goodwill that are not subject to amortization.

3) Acquisition-related consideration adjustments are accounting adjustments to report contingent share consideration liabilities at fair value and cash consideration at present value. These adjustments can be highly variable and are excluded from our assessment of performance because they are considered non-operational in nature and, therefore, are not indicative of current or future performance or ongoing costs of doing business.

4) Fair value adjustments of a bifurcated derivative are accounting adjustments to report the change of fair value of the feature bifurcated as a derivative from the underlying host instrument of a convertible bond, and accounted for as a liability at its fair value.

The following table provides a reconciliation of U.S. GAAP measures to the non-GAAP measures for the periods indicated:

(In USD thousands, except share numbers and per share data)

	Years ended June 30,				
	2011	2012	2013	2014	2015
Cost of integrated contracts	165,354	189,153	218,586	330,039	300,332
Less: Amortization of acquired intangible assets	-	-	2,848	5,413	4,454
Non-GAAP cost of integrated contracts	165,354	189,153	215,738	324,626	295,878
G&A expenses	16,671	26,025	29,648	39,716	50,786
Less: Share-based compensation costs	552	1,139	1,599	2,986	2,492
Non-GAAP G&A expenses	16,119	24,886	28,049	36,730	48,294
Other (expenses) income, net	(208 )	793	879	(5,659 )	(4,164 )
Add: Acquisition-related incentive share contingent consideration fair value adjustments	-	-	855	7,989	(368 )
Add: Fair value adjustments of a bifurcated derivative	-	-	-	-	35
Non-GAAP other (expenses) income, net	(208 )	793	1,734	2,330	(4,497 )
Interest expenses	(2,680 )	(3,098 )	(2,170 )	(1,998 )	(1,821 )
Add: Acquisition-related cash consideration adjustments	-	-	308	931	202
Non-GAAP interest expenses	(2,680 )	(3,098 )	(1,862 )	(1,067 )	(1,619 )
Net income attributable to Hollysys	41,470	56,222	51,994	69,620	96,527
Add: Share-based compensation costs	552	1,139	1,599	2,986	2,492
Amortization of acquired intangible assets	-	-	2,848	5,413	4,454
Acquisition-related consideration adjustments	-	-	1,163	8,920	(166 )
Fair value adjustments of a bifurcated derivative	-	-	-	-	35
Non-GAAP net income attributable to Hollysys	42,022	57,361	57,605	86,939	103,342
Weighted average number of ordinary shares outstanding used in computation:					
Basic	54,564,842	55,659,765	56,167,592	57,926,333	58,612,596
Diluted	54,949,280	55,828,361	56,412,469	58,426,642	60,134,203
Non-GAAP earnings per share:					
Basic	0.77	1.03	1.03	1.50	1.76
Diluted	0.76	1.03	1.02	1.49	1.72

## Exchange Rate Information

A majority of our business is conducted in China. We also operate in Singapore, Malaysia and several other jurisdictions in Asia and Middle East through HAP, Concord, Bond, and operate in Europe through Hollycon Italy. We use US dollars as our reporting currency in our financial statements in this annual report. For entities whose functional currencies are not US dollars, balance sheet items are translated into US dollars at the balance sheet date rates; equity accounts are translated at historical exchange rates and revenues, expenses, gains and losses are translated using the average rate for the year as published by the International Monetary Fund. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of other comprehensive income in the consolidated statement of comprehensive income and changes in equity. Transactions and amounts in other parts of this annual report in foreign currencies recorded at the rates of exchange prevailing when the transactions occurred. With respect to amounts not recorded in our consolidated financial statements but included elsewhere in this annual report, all conversion between RMB and US dollars were made at a rate of RMB 6.1360 to \$1.00, and all conversion between Singapore dollars and US dollars were made at a rate of SGD 1.3134 to \$1.00, as set forth by the International Monetary Fund. We make no representation of any kind that RMB, Singapore dollar, US dollar or any other currency referenced in this report could have been, or could be, converted into the other stated currencies at the rates stated below, any particular rate, or at all. The Chinese government imposes control over its foreign-currency reserves through both direct regulation concerns conversion of RMB into foreign exchange and through restrictions on foreign trade. On September 18, 2015, the closing rate for using RMB and SGD to buy 1.00 USD was 6.3628 and 1.3960 respectively, as set forth by the Federal Reserve Board.

The following table sets forth information concerning exchange rates between the RMB, Singapore dollars and the US dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this annual report on Form 20-F or will use in the preparation of our periodic reports or any other information to be provided to you.

Exchange  
Rate  
between  
RMB and  
US\$