

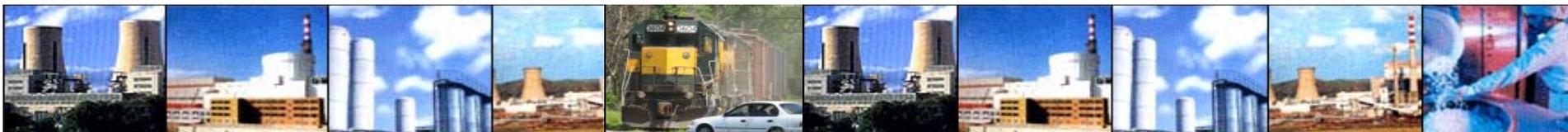


# HLS Systems International, Ltd.



The Leading Integrated Automation Control  
Systems Company in China





## Safe Harbor

This presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, about HLS Systems International, Ltd. ("HLS"), Chardan North China Acquisition Corp. ("Chardan North"), and the business after completion of the share exchange. Forward looking statements are statements that are not historical facts. Such forward-looking statements, based upon the current beliefs and expectations of the HLS management, are subject to risks and uncertainties, which could cause actual results to differ from the forward looking statements. The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: business conditions in China, changing interpretations of generally accepted accounting principles; outcomes of government reviews; continued compliance with government regulations; legislation or regulatory environments, requirements or changes adversely affecting the businesses in which HLS is engaged; fluctuations in customer demand; management of rapid growth; intensity of competition from other providers of automation control products; timing approval and market acceptance of new products introduction; general economic conditions; geopolitical events and regulatory changes, as well as other relevant risks will be detailed in future filings with the Securities and Exchange Commission. The information set forth herein should be read in light of such risks. Neither HLS nor Chardan North assume any obligation to update the information contained in this presentation.

A registration statement relating to these securities has been filed with the Securities and Exchange Commission but has not yet become effective. These securities may not be sold, nor may offers to buy be accepted, prior to the time the registration statement becomes effective. This presentation shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.



## Business Combination

- Chardan North China Acquisition Corp. (OTCBB: CNCA, CNCAW, CNCAU) will acquire a controlling interest in HollySys
- Transaction expected to close later this year
- CNCA will change its name to ***HLS Systems International, Limited (“HLS”)***, at closing
- Combined entity expects Nasdaq listing upon closing

\* Chardan North is a SPAC formed to acquire an operating business north of the Yangtze River in the People’s Republic of China (“China”)



## About HLS Systems International, Ltd.

- HLS is the **leading** domestic developer and provider of automation technology in China
  - ✓ Automation controls are systems that digitize and automate tasks
  - ✓ Used by utilities, oil and gas refineries, chemical factories, food and pharmaceutical processing plants, etc.
  
- HLS is one of the **fastest growing** automation system solution providers in the world
  
- Over 3,000 clients and 5,000 projects since 1996
  - ✓ Contracted for over 1,000 new projects in 2006 (~3 per day)
  
- Technology based
  - ✓ 44 patents issued with 16 more in process



## Financial Parameters

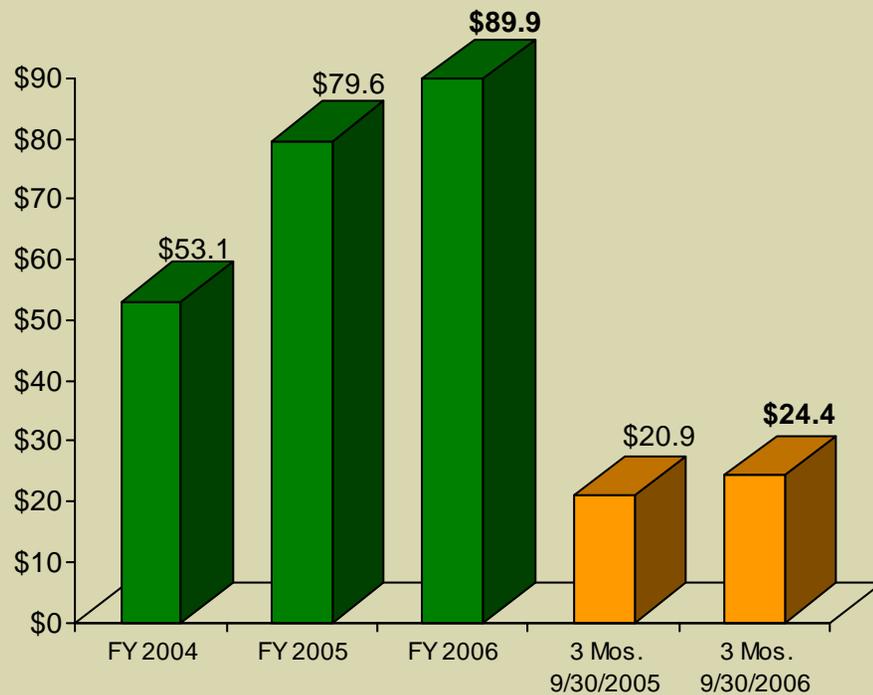
- Profitable and cash flow positive
- Dynamic organic growth
  - ✓ 35.7% compounded revenue growth FY 2003-2006
  - ✓ 100.9% compounded earnings growth FY 2003-2006
- Anticipate accelerating growth
  - ✓ China's increasing industrial automation coupled with expanding nuclear and rail initiatives
  - ✓ New International contracts
  - ✓ Potential acquisition candidates include synergistic competitors and sensor manufacturers to vertically integrate



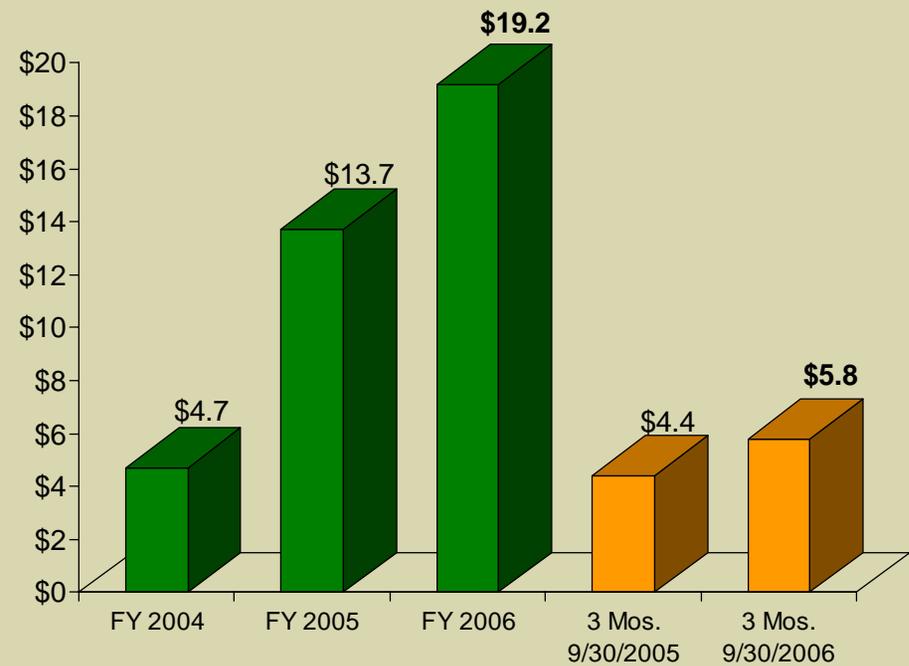
# HLS Revenue and Income Growth

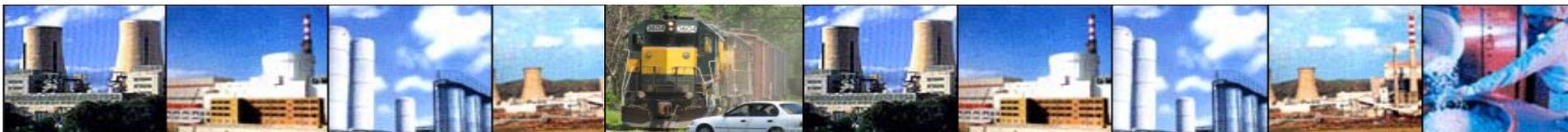
(US dollars, in Millions)  
(FY Ended June 30)

## Revenue



## Income





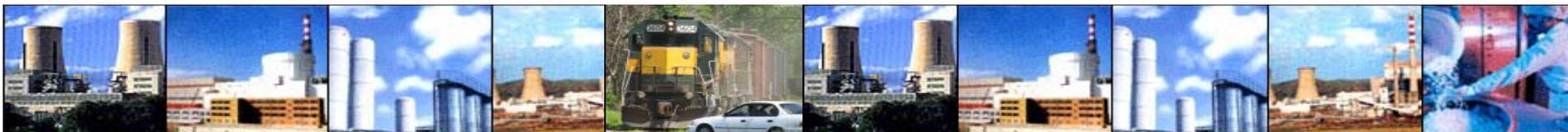
## Select Financial Comparables

**Years Ended June 30**  
**(USD \$ in Millions)**

	<u>2006</u>	<u>2005</u>	<u>% Change</u>
Total Revenues	\$89.9	\$79.6	+13%
Gross Profit	\$32.0	\$24.9	+29%
Comprehensive Income	\$19.2	\$13.7	+40%

**Three Months Ended September 30**  
**(USD \$ in Millions)**

	<u>2006</u>	<u>2005</u>	<u>% Change</u>
Total Revenues	\$24.4	\$20.9	+17%
Gross Profit	\$ 9.9	\$ 6.1	+62%
Comprehensive Income	\$ 5.8	\$ 4.4	+32%



## New Contracts

	For Fiscal years Ended June 30			For Three months Ended September 30	
	2004	2005	2006	2005	2006
<b>Number of new contracts won</b>	<b>599</b>	<b>702</b>	<b>927</b>	<b>195</b>	<b>275</b>
Total amount of new contracts (mm)	\$88.29	\$90.06	\$117.17	\$26.53	\$36.89
Average price per contract	\$147,398	\$128,286	\$126,397	\$136,083	\$134,152

**\$98 M in Backlog as of September 30, 2006**

✓ Up from \$86.8 million as of June 30, 2006

*Amounts in USD \$*



## Competitive Landscape

- Large multinationals (2005 rank in China)
  1. ABB
  2. **HLS (*organic growth in China*)**
  3. Siemens
  4. Emerson
  5. General Electric
  
- Large multinationals are being overtaken by HLS
  - Cost structure at HLS about 30%-50% that of competition
  - Equal or higher quality platform
  - ✓ BASF qualified HLS as a vendor after extensive due diligence
  - ✓ Use latest chip technology for each generation
  - ✓ No legacy systems
  - ✓ As newcomer, designed platforms to integrate other's devices
  - ✓ Open architecture permits quick turnaround



## Competitive Advantages

- **Impressive track record**
  - ✓ Success in market and close proximity to customers has created a **long-term, loyal customer base**
  - ✓ Experience in industries with safety concerns (rail and nuclear power) creates increased demand
  
- **Integrated, efficient & scalable automation solutions**
  - ✓ Only totally integrated producer based in China
    - ✓ Designs with proprietary software, manufactures, installs, services & maintains
  - ✓ Speed to develop/customize/integrate products is over 2x faster
    - ✓ Product is highly scalable
  
- **Low cost production**
  - ✓ HLS selling price with 35% gross margin is markedly < international price
  - ✓ Cost of R&D is <20% of international competitors' R&D cost



## Competitive Advantages

- **Technology based**
  - ✓ Has 44 patents and 15 proprietary software licenses
  - ✓ Technology meets or exceeds that of international competition
  - ✓ Expertise and technology is 3-5 years ahead of Chinese domestic competitors
  
- **High barriers to entry**
  - ✓ Highly regulated nuclear and rail industries
    - ✓ HLS is one of five approved suppliers to China's rail automation industry
    - ✓ HLS is the only domestic producer of automation controls that can supply the nuclear industry
  
- **HLS sets the standard**
  - ✓ As the early market entrant in China and as the largest local player, HLS has set de facto automation standards in a variety of industries including nuclear and rail
    - ✓ All competitors must modify products to HLS standard



# HLS Core Automation Control Products

HLS develops, produces and integrates innovative and cost-effective proprietary solutions:



## Industrial Automation Control Systems

Solutions that automate tasks

- ✓ heavy manufacturing (i.e., power generation, petrochemical, chemical, and steel)
- ✓ light manufacturing (i.e., pharmaceuticals, beverage, food processing)



## Rail Automation Systems

Train, Subway & Light Rail system controls

- ✓ creates safe, efficient and reliable operation of railway systems
- ✓ controls speed of trains, track changes, stoppages, and distances between other trains



## Nuclear Power Plant Automation Systems

Information control center of power plant

- ✓ monitors, controls, protects parts and equipment
- ✓ ensures safe, steady, economical operation



## Industrial Automation Control Market Size



- Global industrial automation market size
  - ✓ Estimated to grow to USD \$70 billion in 2008 from USD \$35 billion in 2001 (ARC Advisory Group)
  
- China's industrial automation market
  - ✓ Booming economy and infrastructure fueling growth in Industrial Automation Control Systems



## High Growth Sectors for Industrial Automation Systems



### ➤ Traditional Power Market

- ✓ CAGR historically >10% and to accelerate in future
- ✓ Large power supply issues (>15% disparity between supply and demand)
- ✓ 500,000 MW capacity (2005) to expand to a 680,000 MW (2010)
- ✓ Sub-industries will emerge
  - ✓ Gas desulphurization devices on power plants required by Kyoto Protocol over next 10 years will create a multi-billion dollar industry for industrial automation

### ➤ Petrochemical/Chemical Market

- ✓ CAGR historically 10% for petrochemical and 20% for chemical
- ✓ 190 new projects in China already funded with industrial automation portion estimated to be USD \$5.7 billion
- ✓ Substantial modernization to occur
  - ✓ 20% of systems in operation need to be upgraded



## China's Traditional Rail Market Need



- China currently has ~6% of the world's track for 25% of the world's cargo
  - ✓ Can only currently meet 1/3 of domestic demand for rail freight
  - ✓ Massive influx of new investment to account for disparity
  
- 2004 Government policy to expand and upgrade railways
  - ✓ By 2010, China will add 10,000 km of track and upgrade an additional 10,000 km of track (total investment of ~USD \$5.3 billion)
  - ✓ From 2011-2015, Government projects an investment of USD \$8.6 billion in signal equipment (including automation controls)



## Growth Potential in Urban Rail Market



- Significant investments Subway/Light Rail infrastructure from 2006-2010
  - ✓ Government expects to invest USD \$62.1 billion to construct 55 new subways or city rails
  - ✓ Covering 1,500 km in metropolitan areas such as Beijing, Shanghai, Guangzhou, Tianjin, etc.
  
- HLS is the leading player in both traditional rail and urban rail market
  - ✓ Very high barrier to entry
  - ✓ Safety a major concern and industry is regulated by China's railway ministry with HLS as lead player
  - ✓ Work is awarded primarily based on track record in China



## HLS Nuclear Market Position

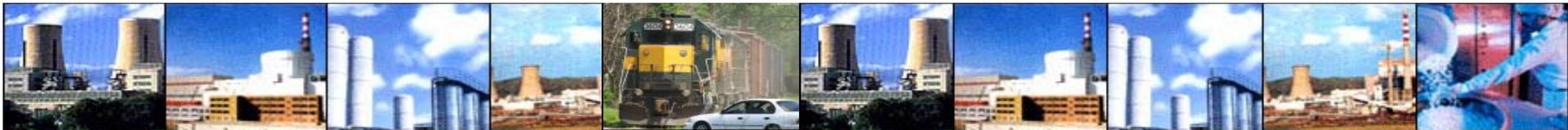


- HLS is the only domestic (Chinese) supplier
  - ✓ HLS has participated in the development of nuclear power plants built in China
  
- HLS has Joint Ventures with the main Nuclear Plant Developers in China
  
- Significant Growth Potential
  - ✓ **In China** – government expects to construct ~FORTY >1GW nuclear power plants in next 20 years
    - ✓ From 2008 to 2014, HLS will have substantial revenue from nuclear
  
  - ✓ **Internationally** – HLS will leverage its high-tech, low cost proven system in other countries worldwide
    - ✓ Over 200 existing units under operation that need to upgrade automation systems



## HLS PLC Position

- HLS recently launched its blockbuster LK series PLC
  - First large Chinese-designed and manufactured PLC product
  - Utilizes state-of-the-art technologies
  - World's best price performance ratio
  - The LK series merges modern PLC and advanced DCS together
    - meets the requirements of system integrators for both continuous and discrete applications
  - The PLC market in China is > USD \$5B, and growing at 15% per year.
  - The LK product should produce at least USD \$50m in revenue with 30% after tax profit in 5 years



通讯模块



CPUs



I/O 模块 ...

24VDC  
输入



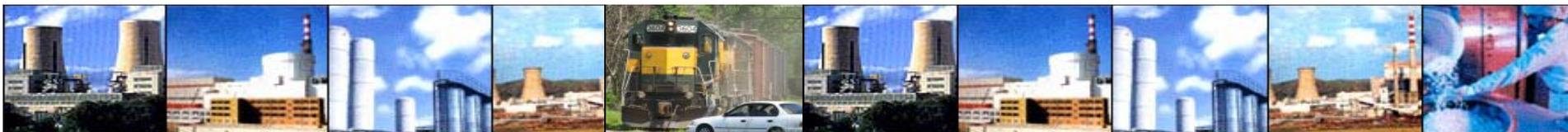
本地背板

DeviceNet/Modbus/.....

冗余Profibus-DP



远程背板



## International Expansion Opportunities

- HLS has historically focused on China
  - ✓ In next 5 years, international expansion will augment China
  - ✓ New products are ready to be introduced
- Strategic positioning
  - ✓ HLS to replicate its strategy as the low-cost/high quality producer in China to win contracts against foreign suppliers worldwide
- Western market expansion
  - ✓ Currently have multiple projects in India and Pakistan
  - ✓ Will partner with companies that have existing contracts/relationships in Western markets
    - ✓ BASF has chosen HLS as a vendor and is currently working together on a chemical plant project
    - ✓ In discussions with other large US and European-based companies



## Seasoned Senior Management

### **Dr. Wang Changli – *Vice Chairman & CEO***

- ✓ Pioneer in developing automation and control technology in China
- ✓ Over 17 years of experience in automation and controls industry
- ✓ Author of multiple publications on automation and control technologies
- ✓ Vice chairman of China's Automation Industry Association
- ✓ Bilingual in English and Mandarin
- ✓ Education
  - ✓ Ph.D. in Automation from Lancaster University in the UK (1988)
  - ✓ BSE from Tianjin University in 1984



## Seasoned Senior Management

### **John Sun- COO**

- CEO Forxboro (China) from 1997-2006
  - Expanded the business from USD \$21M to USD \$130M
- Worked for Emerson electric Company form 1993-1997
- Graduate of U.S. based university with MSc
- Recently joined HollySys as COO

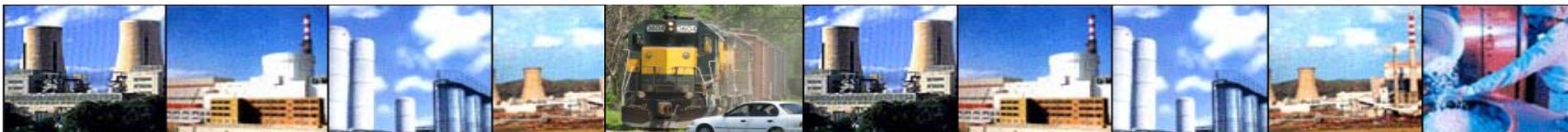
### **Qiao Li- Chairwoman**

- Director of Hi-Tech enterprise development department of Beijing Hi-Tech Park from 1988-1998
- Vice President of Beijing Hi-Tech Venture Capital from 1998-2003
- Master's degree in Business Administration from Capital University of Economics and Business



## Personnel

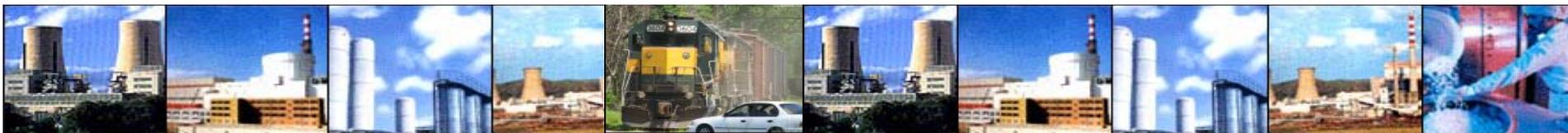
- Over 1,200 employees
- 150 R&D engineers
- High employee retention
  - ✓ In past 5 years, only less than 10% engineers have left company
- Two major manufacturing and design centers
  - ✓ Beijing
  - ✓ Hangzhou
- 7 Regional Sales Offices
  - ✓ Engineering know-how at the sales level
    - ✓ Permits knowledge based early input into design process



## Incentive-Based Compensation

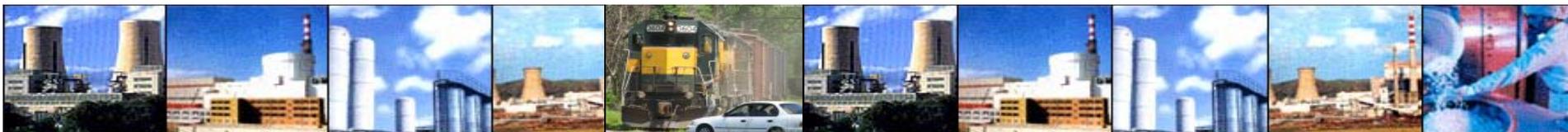
Owners of Gifted Time Holdings, on an all-or-none-basis each year, will be issued an aggregate 2.0 million additional shares of common stock if they achieve after-tax profits in the following amounts for the year ending December 31 2007, 2008, 2009, and 2010 and 3.0 million additional shares of common stock if they achieve after-tax profits in the following amount for the year ending December 31, 2011:

<u>Year Ending 12/31</u>	<u>After-Tax Profit (USD)</u>
2007	\$ 23,000,000
2008	\$ 32,000,000
2009	\$ 43,000,000
2010	\$ 61,000,000
2011	\$ 71,000,000



## \$30 Million Bridge Loan in December 2006

- Needed to move HLS to BVI's
- Terms
  - ✓ Loan to be repaid at closing of acquisition by CNCA with trust money
- NO CHANGE in number of shares outstanding in cap table
  - ✓ Total Number of shares to be paid out at closing remains 23,500,000



## Post Merger Capitalization Table

	Shares	Ownership Percentages	Investment (USD)
<b>Gifted Time Shareholders</b>	<b>22,200,000</b>	<b>52.9%</b>	
<b>Bridge Loan Investors</b>	<b>1,300,000</b>	<b>3.1%</b>	<b>(\$30,000,000)</b>
<b>SPAC Management</b>	<b>1,250,000</b>	<b>3.0%</b>	
<b>SPAC Investors</b>	<b>17,250,000</b>	<b>41.1%</b>	<b>\$92,000,000</b>
· SPAC Common Stock	· 5,750,000	· 13.7%	· \$34,500,000
· SPAC Warrants	· 11,500,000	· 27.4%	· \$57,500,000
<b>Totals</b>	<b>42,000,000</b>	<b>100.00%</b>	<b>\$62,000,000</b>



## Investment Conclusions

- Largest Automation & Control Company in China
- Track Record of Success
- Highly Profitable and Cash Flow Positive
- New Generations of Products Continuously Under Development
- Experienced & Motivated Management Team
- Impressive Projected Growth Rate
  - ✓ China- Strong growth in nuclear, rail and industrial manufacturing
  - ✓ International - myriad of opportunities

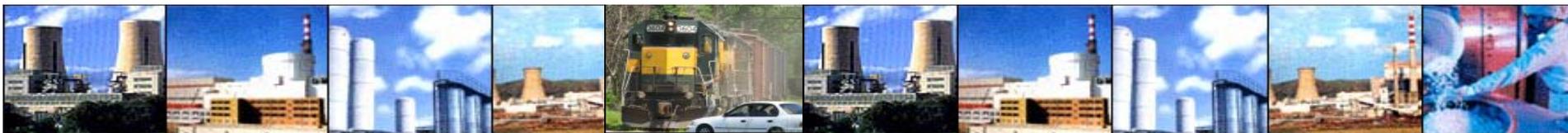


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Systems Company in China





In connection with the pending transaction, HLS Systems International Ltd. (“HLS Systems”) has filed with the SEC a Registration Statement on Form S-4 containing a Proxy Statement/Prospectus for the stockholders of Chardan North. The stockholders of Chardan North are urged to read the Registration Statement and the Proxy Statement/Prospectus, when it is available, as well as all other relevant documents filed or to be filed with the SEC, because they will contain important information about HollySys, HLS Systems, Chardan North and the proposed transaction. The final Proxy Statement/Prospectus will be mailed to stockholders of Chardan North after the Registration Statement is declared effective by the SEC. Chardan North stockholders will be able to obtain the Registration Statement, the Proxy Statement/Prospectus and any other relevant filed documents for free at the SEC’s website ([www.sec.gov](http://www.sec.gov)). These documents can also be obtained for free from Chardan North by directing a request to Lori Johnson c/o Chardan Capital, 625 Broadway, Suite 1111, San Diego, CA 92101.

HLS Systems, Chardan North and their respective directors and officers may be deemed to be participants in the solicitation of approvals from Chardan North stockholders in respect of the proposed transaction. Information regarding Chardan North’s participants will be available in the Proxy Statement /Prospectus. Additional information regarding the interests of such participants will be included in the Registration Statement containing the Proxy Statement / Prospectus.