

HLS SYSTEMS INTERNATIONAL LTD
Form S-4/A
July 02, 2007

As filed with the Securities and Exchange Commission on July 2, 2007

Registration No. 333-132826

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**AMENDMENT NO. 5 TO
REGISTRATION STATEMENT
UNDER THE
SECURITIES ACT OF 1933
ON
FORM S-4**

HLS Systems International Ltd.
(Exact Name of Co-registrant as Specified in Its
Charter)

Chardan North China Acquisition Corporation
(Exact Name Of Co-registrant as Specified in Its
Charter)

British Virgin Islands
(State or Other Jurisdiction of Incorporation or
Organization)

Delaware
(State or Other Jurisdiction of Incorporation or
Organization)

6770
(Primary Standard Industrial Classification Code
Number)

6770
(Primary Standard Industrial Classification Code
Number)

Not Applicable
(I.R.S. Employer Identification No.)

20-2479743
(I.R.S. Employer Identification No.)

**625 Broadway, Suite 1111
San Diego, California 92101
(619) 795-4627**
(Address, including zip code, and telephone number, including area code, of registrant's principal executive
offices)

**Li Zhang, Chief Executive Officer
625 Broadway, Suite 1111
San Diego, California 92101
(619) 795-4627**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

**Douglas J. Rein
Marty B. Lorenzo
DLA Piper US LLP
4365 Executive Drive, Suite 1100
San Diego, California 92121-2133
Telephone: (858) 677-1400
Fax: (858) 677-1401**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective and all other conditions to the merger contemplated by the Agreement and Plan of Merger described in the enclosed proxy statement/prospectus have been satisfied or waived.

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If any of the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act., check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " _____

If this form is a post-effective amendment filed pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " _____

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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Chardan North China Acquisition Corporation
625 Broadway, Suite 1111
San Diego, CA 92101

To the Stockholders of Chardan North China Acquisition Corporation:

You are cordially invited to attend a special meeting of the stockholders of Chardan North China Acquisition Corporation (“Chardan”), relating to its proposed purchase of all of the issued and outstanding stock of Gifted Time Holdings, Limited (“Gifted Time Holdings”), a British Virgin Islands company that owns a controlling interest in operating companies in the People’s Republic of China, known collectively as “HollySys,” and related matters. The meeting will be held at _____ a.m., Pacific Time, on _____, 2007, at Chardan’s offices at 625 Broadway, Suite 1111, San Diego, California, 92101.

At this meeting, you will be asked to consider and vote upon the following proposals:

1. to approve a stock purchase agreement, dated as of February 2, 2006, as amended, between Chardan and Advance Pacific Holdings Limited, the holder of all the outstanding common stock of Gifted Time Holdings, (“Advance Pacific”) and the transactions contemplated thereby. Advance Pacific has already approved the stock purchase agreement;
2. to approve the merger of Chardan with and into a wholly owned subsidiary formed under the laws of the British Virgin Islands, with the name HLS Systems International Ltd. (“HLS”) for the purposes of redomestication of our company to the British Virgin Islands as part of the acquisition of Gifted Time Holdings; and
3. to approve the Chardan 2006 Equity Plan.

If these proposals are approved:

- we will acquire an operating business in China;
- we will change our corporate domicile from the State of Delaware to the British Virgin Islands, which means we will be governed by the laws of the British Virgin Islands;
- we will change our corporate name to “HLS Systems International Ltd.” as a result of the redomestication merger;
- the majority of our board of directors and officers following the closing of the stock purchase will initially be persons who were designated by Advance Pacific;
- the HLS Memorandum of Association and the Articles of Association will become the equivalent of our certificate of incorporation and by-laws, respectively;
- each share of common stock of Chardan will automatically convert into one share of common stock of HLS; and
- each outstanding warrant of Chardan will be assumed by HLS with the same terms, but exercisable for common stock of HLS.

HLS will continue as a reporting company under the Securities Exchange Act of 1934, as amended, and has applied to have its units, common stock and warrants traded on the Nasdaq Global Market concurrent with the consummation of the redomestication merger. HLS will be a foreign private issuer after the redomestication merger, which will exempt

HLS from certain requirements of the Securities and Exchange Commission, such that HLS stockholders will not be afforded the same protections or information generally available to investors holding shares in public companies organized in the United States.

We will not consummate the transactions described under proposal 1 unless the redomestication merger in proposal 2 is also approved. Similarly, the redomestication merger will not take place if the stock purchase agreement is not approved. The approval of the stock option plan in proposal 3 is not a condition to consummation for the stock purchase agreement and the redomestication merger.

Pursuant to the stock purchase agreement, Advance Pacific will be paid an aggregate of \$30,000,000 in cash and will receive an aggregate of 22,200,000 shares of HLS common stock as payment for all the outstanding common stock of Gifted Time Holdings. HLS will also offer to exchange 1,300,000 shares of its common stock for all of the outstanding preferred stock of Gifted Time Holdings. A variable portion of the cash payment (ranging from \$3,000,000 up to \$7,000,000), will be deferred until Gifted Time Holdings generates a net positive cash flow from the operations of HollySys or HLS receives additional financing as a result of exercise of warrants, the successful completion of a secondary offering or the private investment into HLS by a strategic investor. The amount of the cash consideration that is deferred will depend on the number of shares that are redeemed by shareholders who vote against approval of the stock purchase agreement.

The initial cash payment will be made with the funds from the trust account with the balance of the trust account to be used by HLS for operating capital.

As additional consideration, Advance Pacific will be issued up to an aggregate of 11,000,000 shares of common stock of HLS (2,000,000 per year for the first four years and 3,000,000 for the last year, with each year on an all-or-none basis) for each of the five fiscal years beginning with fiscal year 2007 if, on a consolidated basis, HLS generates after-tax profits (excluding after-tax operating profits from any subsequent acquisitions of securities that have a dilutive effect) of at least the following amounts:

Year ending December 31,	After-Tax Profit
2007	\$23,000,000
2008	\$32,000,000
2009	\$43,000,000
2010	\$61,000,000
2011	\$71,000,000

HLS currently operates on a June 30 fiscal year, but it will convert to the December 31 fiscal year used by Chardan and HLS following the business combination.

The affirmative vote of the holders of a majority of the outstanding shares of Chardan common stock is required to approve each of the stock purchase agreement and the redomestication merger. The approval of the stock purchase agreement is subject to an additional condition, that 20% or more of the shares issued in Chardan's initial public offering (the "Public Shares") do not both vote against the approval of the stock purchase agreement and are not redeemed for their pro rata share of the trust fund, as described in the next paragraph. The affirmative vote of holders of a majority of the shares represented and entitled to vote at the meeting is required for approval of the stock option plan.

Each Chardan stockholder who holds shares of common stock issued in Chardan's initial public offering has the right to vote against the stock purchase proposal, and any who vote against it may also demand that Chardan redeem such stockholder's shares for cash equal to a pro rata portion of the funds held in the trust account into which a substantial portion of the net proceeds of Chardan's initial public offering was deposited. These shares will be redeemed only if the stock purchase agreement is consummated. However, if the holders of 1,150,000 or more shares of common stock issued in Chardan's initial public offering both vote against the stock purchase proposal and demand conversion of their shares, then Chardan will not consummate the stock purchase agreement. Chardan's initial stockholders, who purchased their shares of common stock prior to its initial public offering and presently own an aggregate of approximately 17.8% of the outstanding shares of Chardan common stock, have agreed to vote all of their shares on the stock purchase agreement and redomestication merger proposals as the majority of the Public Shares are voted. Chardan's initial stockholders do not have the right to redeem their stock.

Immediately after consummation of the stock purchase agreement (and assuming that all shares of preferred stock of Gifted Time Holdings are exchanged for shares of HLS), if no holder of Public Shares demands that Chardan convert that holder's shares into a pro rata portion of the trust account, Chardan stockholders will own approximately 23% of HLS's issued and outstanding shares of common stock. If one or more holders of the Public Shares vote against the stock purchase proposal and demand that Chardan convert their shares into a pro rata portion of the trust account, then Chardan's stockholders will own less than approximately 23% of HLS's issued and outstanding shares of common stock. If HLS hits its after-tax profits for each of the fiscal years ending December 31, 2007 through 2011, an additional 11,000,000 shares will be issued to Advance Pacific, which assuming there are no other issuances of stock or exercise of outstanding warrants, would reduce the percentage of HLS held by Chardan's current stockholders to approximately 18%.

Chardan's shares of common stock, warrants and units currently are listed on the Over-the-Counter Bulletin Board under the symbols CNCA, CNCAW and CNCAU, respectively. HLS has applied for listing on the Nasdaq Global Market effective on the consummation of the redomestication merger under the proposed symbols HLSS, HLSSW and HLSSU. If the securities are not listed on Nasdaq, they will continue to trade on the OTCBB.

After careful consideration of the terms and conditions of the proposed stock purchase agreement, the redomestication merger and the stock option plan, the board of directors of Chardan has determined that the stock purchase agreement and the transactions contemplated thereby, the redomestication merger and the stock option plan are fair to and in the best interests of Chardan and its stockholders. The board of directors of Chardan did not obtain a fairness opinion on which to base this assessment. The board of directors of Chardan unanimously recommends that you vote or give instruction to vote "FOR" the approval of the stock purchase agreement, the redomestication merger and the stock option plan.

Enclosed is a notice of special meeting and proxy statement containing detailed information concerning the stock purchase agreement and the transactions contemplated thereby, the redomestication merger and the stock option plan. Whether or not you plan to attend the special meeting, we urge you to read this material carefully.

Your vote is important. Whether you plan to attend the special meeting or not, please indicate your votes, sign, date and return the enclosed proxy card as soon as possible in the envelope provided.

I look forward to seeing you at the meeting.

Sincerely,

Richard D. Propper, MD
Chairman of the Board

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Chardan North China Acquisition Corporation
625 Broadway, Suite 1111
San Diego, CA 92101

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON _____, 2007

TO ALL THE STOCKHOLDERS OF CHARDAN NORTH CHINA ACQUISITION CORPORATION

NOTICE IS HEREBY GIVEN that a special meeting of stockholders, including any adjournments or postponements thereof, of Chardan North China Acquisition Corporation (“Chardan”), a Delaware corporation, will be held _____ a.m. Pacific time, on _____, 2007, at Chardan’s offices at 625 Broadway, Suite 1111, San Diego, California, 92101 for the following purposes:

- To consider and vote upon a proposal to adopt the stock purchase agreement, dated as of February 2, 2006, as amended, among Chardan, and the holders of common stock of a holding company known as Gifted Time Holdings Limited (“Gifted Time Holdings”), a British Virgin Islands company that owns or controls operating companies in the People’s Republic of China collectively known as the “HollySys”, and the transactions contemplated thereby;
- To consider and vote upon the merger of Chardan into its wholly owned subsidiary HLS Systems International Ltd. (“HLS”), formed under the laws of the British Virgin Islands, for the purposes of reincorporation and redomestication of Chardan to the British Virgin Islands; and
- To consider and vote upon a proposal to adopt the Chardan 2006 Equity Plan.

The board of directors has fixed the close of business on _____, 2007 as the record date for which Chardan stockholders are entitled to receive notice of, and to vote at, the Chardan special meeting and any adjournments thereof. Only the holders of record of Chardan common stock on that date are entitled to have their votes counted at the Chardan special meeting and any adjournments or postponements of that meeting.

Chardan will not transact any other business at the special meeting, except for business properly brought before the special meeting (or any adjournment or postponement of the meeting) by Chardan’s board of directors.

Your vote is important. Please indicate your votes on, sign, date and return your proxy card as soon as possible to make sure that your shares are represented at the special meeting. If you are a stockholder of record of Chardan common stock, you may also cast your vote in person at the special meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct your broker or bank on how to vote your shares. If you do not vote or do not instruct your broker or bank how to vote, it will have the same effect as voting against the stock purchase agreement and the redomestication merger.

The board of directors of Chardan unanimously recommends that you vote “FOR” the approval of the stock purchase agreement, the redomestication merger and the stock option plan.

By Order of the Board of Directors,

Richard D. Propper, MD
Chairman of the Board

_____, 2007

[Alternate cover page for exchange offer to holders of preferred stock of Gifted Time Holdings.]

THE INFORMATION CONTAINED IN THIS PROSPECTUS MAY BE CHANGED. HLS MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND HLS IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

Offer to Exchange
Each Outstanding Share of Preferred Stock
of
GIFTED TIME HOLDINGS LIMITED
for One Share of Common Stock of
HLS Systems International Ltd.

THE OFFER AND THE WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON _____, 2007 UNLESS EXTENDED, REFERRED TO AS THE “EXPIRATION DATE.” SECURITIES TENDERED PURSUANT TO THE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION DATE.

HLS Systems International Ltd., which is referred to in this prospectus and offer to exchange as HLS, is a wholly-owned subsidiary of Chardan North China Acquisition Corporation, which is referred to in this prospectus and offer to exchange as Chardan. HLS is offering to exchange one share of its common stock for each outstanding share of preferred stock of Gifted Time Holdings Limited, which is referred to in this prospectus and offer to exchange as Gifted Time Holdings. This offer to exchange is on the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal.

The purpose of the offer is for HLS to acquire control of the remaining equity interests of Gifted Time Holdings. This exchange offer is the final step in HLS’s plan to acquire all of the outstanding shares of Gifted Time Holdings. HLS has already agreed to acquire all of the common stock of Gifted Time Holdings, which constitutes approximately 94.5% of the outstanding equity interests of Gifted Time Holdings.

HLS’s obligation to exchange shares of HLS common stock for Gifted Time Holdings preferred is subject to certain conditions that are more fully described in the section captioned “The Exchange Offer—Conditions of the Offer.”

HLS has applied for listing on the Nasdaq Global Market effective on the consummation of its acquisition of the common stock of Gifted Time Holdings and the concurrent redomestication merger by which Chardan will be merged into HLS.

FOR A DISCUSSION OF CERTAIN FACTORS THAT YOU SHOULD CONSIDER IN CONNECTION WITH THE OFFER, PLEASE CAREFULLY READ THE SECTION CAPTIONED “RISK FACTORS” BEGINNING ON PAGE 43.

HLS has not authorized any person to provide any information or to make any representation in connection with the offer other than the information contained or incorporated by reference in this prospectus, and if any person provides any of this information or makes any representation of this kind, that information or representation must not be relied upon as having been authorized by HLS.

HLS IS NOT ASKING HOLDERS OF GIFTED TIME HOLDINGS PREFERRED STOCK FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND HLS A PROXY FOR ANY ANNUAL OR SPECIAL MEETING OF

CHARDAN.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus and offer to exchange. Any representation to the contrary is a criminal offense.

The date of this prospectus and offer to exchange is _____, 2007.

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**PROXY STATEMENT FOR SPECIAL MEETING OF STOCKHOLDERS OF
CHARDAN NORTH CHINA ACQUISITION CORPORATION**

PROSPECTUS FOR UP TO 6,000,000 UNITS, 20,550,000 SHARES OF COMMON STOCK, AND
12,000,000 WARRANTS OF HLS AND ONE REPRESENTATIVE UNIT PURCHASE OPTION

The board of directors of Chardan North China Acquisition Corporation (“Chardan”) and its wholly-owned subsidiary, HLS Systems International Ltd. (“HLS”) have unanimously approved the acquisition of the shares of Gifted Time Holdings Limited, a holding company (“Gifted Time Holdings”) that owns or controls operating companies (known as “HollySys”) in the People’s Republic of China, pursuant to a stock purchase agreement whereby Chardan will purchase all of the outstanding shares of common stock of Gifted Time Holdings held by the stockholders (the “Gifted Time Stockholders”) and an exchange offer to acquire all of the shares of preferred stock of Gifted Time Holdings. The board of directors of Chardan also has unanimously approved the simultaneous reincorporation of Chardan from the State of Delaware to the British Virgin Islands, through a redomestication merger with HLS.

In the redomestication merger, HLS will issue its securities in exchange for the outstanding securities of Chardan. This prospectus covers an aggregate of 6,000,000 units, 19,250,000 shares of common stock, 12,000,000 warrants and one representative unit purchase option. The common stock and warrants issuable upon exercise of the aforementioned securities are included in the aggregate amounts stated above. HLS will issue its securities on the same terms as the equivalent securities had been issued by Chardan. This prospectus also covers the 1,300,000 shares of common stock issuable in the exchange offer.

Chardan was organized to serve as a vehicle for the acquisition of an operating business that has its primary operating facilities based in the Peoples Republic of China in any city or province north of the Yangtze River. Gifted Time Holdings, through its Chinese operating companies, is a leader in the automation and controls industry in China.

Chardan’s common stock, warrants and units are currently listed on the Over-the-Counter Bulletin Board under the symbols CNCA, CNCAW and CNCAU, respectively. HLS has applied to have its securities listed on the Nasdaq Global Market effective at the time of the redomestication merger. The proposed symbols are HLSS, HLSSW and HLSSU.

This proxy statement/prospectus provides you with detailed information about the acquisition of Gifted Time Holdings, the redomestication merger and the special meeting of stockholders. It also provides information about the exchange offer being made to the holders of preferred stock of Gifted Time Holdings. We encourage you to read this entire document and the documents incorporated by reference carefully. **YOU SHOULD ALSO CAREFULLY CONSIDER THE RISK FACTORS BEGINNING ON PAGE 43.**

The acquisition of Gifted Time Holdings and the redomestication merger will be completed upon approval of at least a majority of the shares of common stock outstanding present in person or by proxy and entitled to vote at the special meeting on _____, 2007.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROXY STATEMENT/PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS PROXY STATEMENT/PROSPECTUS IS DATED _____, 2007, AND IS FIRST BEING MAILED TO CHARDAN STOCKHOLDERS ON OR ABOUT _____, 2007.

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ANNEXES

- A—Amended and Restated Stock Purchase Agreement
- B—Form of HLS Memorandum of Association, including all amendments
- C—Form of HLS Articles of Association
- D—The Chardan 2006 Equity Plan
- E—HLS Audit Committee Charter
- F—HLS Nominating Committee Charter
- G—HLS Code of Ethics
- H—Section 262 of the Delaware General Business Law

This proxy statement/prospectus incorporates important business and financial information about Chardan, Gifted Time Holdings and HollySys that is not included in or delivered with the document. This information is available without charge to security holders upon written or oral request. The request should be sent to:

**Dr. Richard Propper
c/o Chardan North China Acquisition Corporation
625 Broadway, Suite 1111
San Diego, California 92101
(619) 795-4627**

To obtain timely delivery of requested materials, security holders must request the information no later than five business days before the date they submit their proxies or attend the special meeting. The latest date to request the information to be received timely is _____, 2007.

The financial statements of Gifted Time Holdings are prepared using Renminbi, the currency of the Peoples Republic of China ("PRC"). For convenience, the Renminbi amounts have been converted throughout the text of the proxy statement/prospectus into United States dollars. Until recently, the Renminbi was a controlled currency, and the exchange rate maintained by the PRC was approximately 8.11 Renminbi to one United States dollar. The Chinese government has recently altered its policy toward the rate of exchange of the Renminbi versus the US dollar. Changing from a previously fixed rate policy regarding the dollar, the Renminbi has recently been permitted to float within a fixed range against a basket of currencies, including the US dollar, Japanese Yen and European Euro, which has resulted in the Renminbi being allowed to appreciate 2% +/- 0.3% vs. the dollar. Since the company's business is presently 100 percent domestic within PRC, this change will have no effect on the company's business, but may result in a concomitant increase in its after-tax earnings when stated in dollar terms. In the future, the company's earnings stated in US dollars will fluctuate in accordance with the change in exchange rate.

Under the law of the British Virgin Islands, HLS is authorized to issue "ordinary shares" and holders of ordinary shares are "members." References to ordinary shares and members have been translated to common stock and stockholders, which are terms more familiar to United States persons, whom Chardan believes are the majority of its stockholders.

QUESTIONS AND ANSWERS ABOUT THE MEETING

- Q. Why is Chardan proposing the stock purchase?
- A. Chardan was organized to effect a business combination with an operating business that has its primary operating facilities located in the People's Republic of China in any city or province north of the Yangtze River. The operating companies of Gifted Time Holdings, after the consummation of the stock purchase will be Beijing HollySys Co., Ltd., Hangzhou HollySys Automation Co., Ltd., and Beijing HollySys Haotong Science & Technology Development Co., Ltd. (these three companies are referred to as "HollySys"). Together they are one of the leading automation and control systems companies in China. The HollySys companies have, collectively, demonstrated significant growth since commencing operations in 1996. Chardan believes that HollySys is in a position to expand their business through the development of additional products and the expansion of their customer base, including entry into the international market. As a result, Chardan believes that a business combination with Gifted Time Holdings will provide Chardan stockholders with an opportunity to participate in a combined company with significant growth potential.

Q. A.

Why is Chardan proposing the redomestication merger?

Chardan is proposing the reincorporation of itself into a company formed under the laws of the British Virgin Islands to align its income tax liabilities with the location of its activities to reduce the overall impact of corporate income tax on the surviving company and its stockholders. Because the future operations will be outside the United States, the redomestication merger is intended to reduce or entirely eliminate the income tax liability of the company in the United States and permit greater flexibility in structuring acquisitions or creating subsidiaries in China and other countries as the business of Gifted Time Holdings expands as well as with regard to declaring dividends, should the company wish to do so in the future. By becoming a non-United States company, Chardan believes that the successor company will only be taxed on its operations by the jurisdiction in which they are located and undertaken, and will not be subject to additional income taxes merely by virtue of the location of its place of incorporation.

Q. Why is Chardan proposing the stock option plan?

A. Chardan is proposing the stock option plan to enable the company to attract, retain and reward its directors, officers, employees and consultants using equity-based incentives.

Q. What is being voted on?

A. There are three proposals that you are being asked to vote on. The first proposal is to adopt the stock purchase agreement, dated February 2, 2006, as amended, and the transactions contemplated thereby (including the exchange offer). We refer to this proposal as the stock purchase proposal.

The second proposal is to approve the merger of Chardan with and into HLS for purposes of redomestication to the British Virgin Islands. We refer to this proposal as the redomestication merger proposal.

The third proposal is to adopt Chardan's 2006 Equity Plan. We refer to this proposal as the stock option plan proposal.

Q. What vote is required in order to adopt the stock purchase proposal?

A. The approval of the stock purchase will require the affirmative vote of a majority of the outstanding shares of Chardan's common stock. If the holders of 1,150,000 or more shares of common stock issued in Chardan's initial public offering vote against the stock purchase and demand that Chardan convert their shares into a pro rata portion of the trust account as of the record date, then the stock purchase will not be consummated. No vote of the holders of Chardan's warrants is necessary to adopt the stock purchase proposal or other proposals, and Chardan is not asking the warrant holders to vote on the stock purchase proposal or the other proposals. Chardan will not consummate the transaction described in the stock purchase proposal unless the redomestication merger is also approved. Similarly, the redomestication merger will not be consummated if the stock purchase proposal is not approved. The approval of the stock option plan proposal is not a condition to the consummation of the stock purchase or redomestication merger proposals.

Q. What vote is required in order to adopt the redomestication merger?

The affirmative vote of the holders of a majority of the outstanding shares of Chardan common stock is required to approve the redomestication merger proposal.

Q. What vote is required in order to adopt the stock option plan?

A. The approval of the stock option plan will require the affirmative vote of a majority of the shares represented and entitled to vote at the meeting. The approval of the stock option plan is not a condition to the approval of the stock purchase or the redomestication merger proposals.

Q. How do the Chardan insiders intend to vote their shares?

A. All of the insiders who purchased their shares prior to the initial public offering (including the officers and directors of Chardan) have agreed to vote the shares held by them on the stock purchase and redomestication merger proposals in accordance with the vote of the majority of the shares of common stock issued in Chardan's initial public offering. They have indicated that they also will vote in favor of the stock option plan proposal.

Q. What will I receive in the redomestication merger?

A. Chardan security holders will receive an equal number of shares of common stock of HLS in exchange for their Chardan common stock, and HLS will assume the outstanding Chardan warrants, the terms and conditions of which will not change, except that on exercise, they will receive HLS common stock. However, as a result of the issuance of HLS shares in the stock purchase, the ownership interests of Chardan stockholders will be diluted so that they will only own approximately 23% of HLS. If additional shares are issued to Advance Pacific as additional consideration, or if the outstanding warrants are exercised, the current Chardan stockholders will experience further dilution in their ownership of the company. We have also agreed to issue up to 11,000,000 additional shares to Advance Pacific if HollySys's earnings for fiscal years 2007 through 2011 reach certain targets. Also, there are outstanding warrants to purchase 12,000,000 additional

shares of Chardan stock. If some or all of the incentive shares are issued, or if some or all of the warrants are exercised, then the percentage of HLS that Chardan's current shareholders will own will be less than 23%.

- Q. How will the redomestication merger be accomplished?
- A. Chardan will merge into HLS, Chardan's wholly owned subsidiary that is incorporated as a British Virgin Islands company. As a result of the redomestication merger, each currently issued outstanding share of common stock of Chardan will automatically convert into a share of common stock of HLS. This procedure will result in your becoming a stockholder in HLS instead of Chardan.
- Q. Will the Chardan stockholders be taxed as a result of the redomestication merger?
- A. Generally for United States federal income tax purposes, stockholders who are United States holders should not recognize any gain or loss as a result of the redomestication merger. We urge you to consult your own tax advisors with regard to your particular tax consequences of the redomestication merger.

- Q. Will Chardan be taxed on the redomestication merger?
- A. Chardan will recognize gain, but not loss, as a result of the redomestication merger equal to the difference, if any, between the adjusted tax basis of any Chardan asset and such asset's fair market value at the effective time of the redomestication merger.
- Q. How much of the surviving company will existing Chardan stockholders own?
- A. Advance Pacific initially will receive 22,200,000 shares of common stock of HLS, representing 73% of the issued and outstanding shares immediately after the acquisition. After the stock purchase and if all the Gifted Time Holdings preferred stockholders participate in the exchange offer described below, if no Chardan stockholders demand that Chardan convert their shares into a pro rata portion of the trust account and no Chardan stockholder exercises its appraisal rights, then Chardan's stockholders who own shares immediately prior to the stock purchase will own approximately 23% of the outstanding common stock of HLS. Existing Chardan stockholders could own less than approximately 23% if one or more Chardan stockholders vote against the stock purchase proposal and demand conversion of their shares into a pro rata portion of the trust account or if they exercise appraisal rights. Similarly, existing Chardan stockholders will own less than 23% of HLS, if HLS issues (as additional consideration) the additional shares to Advance Pacific by reason of HLS achieving the after-tax profit targets specified in the stock purchase agreement for one or more of the five fiscal years beginning with fiscal year 2007. If HLS issues the additional shares as additional consideration to Advance Pacific, then the current stockholders of Gifted Time Holdings will own approximately 82% of the issued and outstanding common stock of HLS, and existing Chardan stockholders will own approximately 18% of the issued outstanding common stock of HLS. The foregoing discussion assumes that none of the outstanding warrants to acquire common stock of Chardan will be exercised and that all of the shares of Gifted Time Holdings preferred stock are exchanged for shares of common stock of HLS. If some or all of the warrants are exercised, then the current Chardan stockholders will be diluted further.
- Q. How much dilution will I experience?
- A. Currently there are 7,000,000 shares of common stock of Chardan outstanding. At least 22,200,000 additional shares will be issued for acquisition of Gifted Time Holdings and 1,300,000 additional shares will be issued for an exchange offer for all of the outstanding preferred stock of Gifted Time Holdings, as more particularly described below. Therefore, current shareholders will own approximately 23% of the company, which is a dilution of absolute ownership of 77%. To the extent shares representing additional consideration are issued to Advance Pacific upon achieving one or more of the after-tax profit targets or outstanding warrants are exercised, the current stockholders will experience further dilution of their ownership interest in the company.
- Q. What will the name of the surviving company be after the stock purchase?
- A. The name of the surviving company following completion of the stock purchase and redomestication merger will be "HLS Systems International Ltd."
- Q. Do I have conversion rights?
- A. If you hold shares of common stock issued in Chardan's initial public offering, then you have the right to vote against the stock purchase proposal and demand that Chardan convert these shares into a pro rata portion of the trust account in which a substantial portion of the net proceeds of Chardan's initial public offering are held.

We sometimes refer to these rights to vote against the stock purchase and demand conversion of the shares into a pro rata portion of the trust account as conversion rights. Holders of warrants issued by Chardan do not have any conversion rights.

Q.If I have conversion rights, how do I exercise them?

A. If you wish to exercise your conversion rights, you must vote against the stock purchase proposal and at the same time demand that Chardan convert your shares into cash. If, notwithstanding your vote, the stock purchase is completed, then you will be entitled to receive a pro rata portion of the trust account, including any interest earned thereon through the record date. You will be entitled to convert each share of common stock that you hold into approximately \$_____. If you exercise your conversion rights, then you will be exchanging your shares of Chardan common stock for cash and will no longer own these shares. You will be entitled to receive cash for these shares only if you continue to hold these shares through the closing of the stock purchase and then tender your stock certificate. If you do not make a demand to exercise your conversion rights at the time you vote against the stock purchase proposal (or if you do not vote against the stock purchase proposal), you will lose your conversion rights, and that loss cannot be remedied. If the stock purchase is not completed, then your shares will be automatically converted to cash.

- Q. What happens to the funds deposited in the trust account after consummation of the stock purchase?
- A. Upon consummation of the stock purchase:
- the stockholders electing to exercise their conversion rights will receive their pro rata portion of the funds in the trust account;
 - up to \$27,000,000 of the funds in the trust account will be paid to Advance Pacific as part of the stock purchase consideration; and
 - any balance of the funds in the trust account will be retained by HLS for operating capital subsequent to the closing of the business combination.
- Q. Under the stock purchase agreement, what obligations will be owed to Advance Pacific following the consummation of the stock purchase?
- A. HLS will be obligated to pay Advance Pacific the deferred purchase price (at least \$3 million, and possibly as much as \$7 million, depending on the amount of funds remaining in the trust account in the event that any of Chardan's stockholders exercises their conversion rights) and the additional stock consideration based on the after-tax profits of HLS. The deferred cash purchase price will not be payable until HLS receives at least \$60 million in subsequent financing or HLS generates positive after-tax cash flow from HollySys.
- Q. Who will manage the surviving company?
- A. The surviving company will be managed by the current management of HollySys. Dr. Wang Changli, who is currently the chief executive officer of HollySys, will become the chief executive officer and a director of HLS. Madame Qiao Li, who is currently the Chairman of HollySys, will be a director and chairman of the HLS board of directors. Kerry S. Propper, who is currently the chief financial officer, secretary, and a director of Chardan, will also become a director of HLS. The four additional directors will be Jerry Zhang, Youxian Sun, Lewis Solomon and Leonard Hafetz.
- Q. Who will manage the subsidiaries of the surviving company following the consummation of the stock purchase?
- A. Upon the closing of the business combination, Dr. Wang Changli will enter into a three-year employment agreement to serve as the CEO of Gifted Time Holdings and Beijing HollySys and Madame Qiao Li will enter into a three-year employment agreement to serve as Chairman of Gifted Time Holdings. HLS (through its Board of Directors) will appoint, or arrange for the appointment of, the other directors and managers of the subsidiaries of the surviving company, including Gifted Time Holdings and HollySys, with a goal of maintaining appropriate controls while promoting effective and efficient operations.
- Q. Do I have dissenter or appraisal rights?
- A. In connection with the redomestication merger, the Chardan stockholders have appraisal rights under Delaware corporate law.
- Q. How do I secure my dissenter or appraisal rights?
- A. To secure your dissenter or appraisal rights, you must vote against the redomestication merger and file a demand for appraisal rights with Chardan before the vote on the redomestication merger. Details about the required contents of the appraisal demand, the deadlines for exercising rights and the process for determining the value of the shares are contained in the section "Chardan Redomestication Merger - Appraisal Rights."
- Q. What happens if the stock purchase is not consummated?
- A. If the stock purchase is not consummated, Chardan will be liquidated. In any liquidation, the funds held in the trust account, plus any interest earned thereon, together with any remaining net assets outside of the trust, will be distributed pro rata to Chardan's common stockholders, excluding the Chardan initial stockholders, each of whom has waived any right to any liquidation distribution.

- Q. When do you expect the stock purchase to be completed? A. Pending receipt of the required stockholder approvals, it is currently anticipated that the stock purchase will be completed promptly following the Chardan special meeting on _____, 2007.
- Q. If I am not going to attend the Chardan special meeting in person, should I return my proxy card instead? A. Yes. After carefully reading and considering the information contained in this proxy statement/prospectus, please fill out and sign your proxy card. Then return the enclosed proxy card in the return envelope as soon as possible, so that your shares may be represented at the Chardan special meeting.
- Q. What will happen if I abstain from voting or fail to vote? A. An abstention or failure to vote will have the same effect as a vote against the stock purchase proposal, but will not have the effect of converting your shares into a pro rata portion of the trust account. An abstention or failure to vote will also have the effect of voting against the redomestication merger, but will have no effect on the approval of the stock option plan.
- Q. What do I do if I want to change my vote? A. Send a later-dated, signed proxy card to Chardan's secretary prior to the date of the special meeting or attend the special meeting in person and vote. You also may revoke your proxy by sending a notice of revocation to Chardan's secretary at the address of Chardan's corporate headquarters.

- Q.If my shares are held in A. No. Your broker can vote your shares only if you provide instructions on how to
“street name” by my vote. You should instruct your broker to vote your shares, following the directions
broker, will my broker provided by your broker.
vote my shares for me?
- Q.Do I need to turn in my A. No. If you hold your securities in Chardan in certificate form, as opposed to
old certificates? holding them through your broker, you do not need to exchange them for
certificates issued by HLS. Your current certificates will represent your rights in
HLS. You may exchange them by contacting the transfer agent, Continental Stock
Transfer & Trust Company, Reorganization Department, and following their
requirements for reissuance. If you elect conversion or appraisal, you will need to
deliver your old certificate to Chardan.
- Q. Who can help answer A. If you have questions about the stock purchase, you may write or call Chardan
my questions? North China Acquisition Corporation, 625 Broadway, Suite 1111, San Diego, CA
92101. The phone number is (619) 795-4627.

QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER

The following are some of the questions that a holder of preferred stock of Gifted Time Holdings (“Gifted Time Preferred”) may have regarding the exchange offer and answers to those questions. The answers to these questions do not contain all information relevant to the decision whether to tender shares of Gifted Time Preferred for exchange and HLS urges you to carefully read the remainder of this prospectus and offer to exchange and the letter of transmittal.

- Q. What is HLS’s proposed transaction?
- A. HLS is offering to acquire all of the outstanding shares of Gifted Time Preferred in exchange for shares of HLS common stock. Pursuant to a stock purchase agreement, subject to receipt of approval by the Chardan stockholders and other conditions, HLS will acquire all of the outstanding common stock of Gifted Time Holdings (representing approximately 94.5% of the outstanding equity interests of Gifted Time Holdings). The exchange offer is the final step in HLS’s plan to acquire all of the outstanding shares of Gifted Time.
- Q. What will I receive in exchange for my Gifted Time Preferred?
- A. In exchange for each share of Gifted Time Preferred you validly tender and do not properly withdraw before the expiration date, you will receive of one share of HLS common stock.
- Q. Can HLS increase the consideration being offered in the offer for the Gifted Time Preferred?
- A. HLS, in its sole discretion, may choose to amend the offer to change the number of shares of HLS common stock to be exchanged by HLS for each share of Gifted Time Preferred. However, HLS is under no obligation to increase the amount of consideration it is offering for shares of Gifted Time Preferred and has no intention of doing so. In the event that HLS were to choose to increase the consideration, HLS would extend the offer, if and as required by applicable U.S. securities laws.
- Q. What are the conditions of the offer?
- A. HLS’s obligation to exchange shares of HLS common stock for shares of Gifted Time Preferred pursuant to the exchange offer is subject to several conditions referred to below under the section captioned “The Exchange Offer—Conditions of the Offer ,” including the following:
- The “stock purchase condition”—HLS must have acquired the outstanding shares of common stock of Gifted Time Holdings.
 - The “stockholder approval condition”—The Chardan stockholders must have approved the stock purchase and the redomestication merger.
 - The “registration statement condition”—the registration statement of which this prospectus is a part shall have become effective, no stop order suspending the effectiveness of the registration statement shall have been issued and no proceedings for that purpose shall have been initiated or threatened by the SEC, and HLS shall have received all necessary state securities law or “blue sky” authorizations.

The satisfaction of any of the conditions to the exchange offer, including those set forth above, will be determined by HLS in its good faith discretion. In its sole discretion, HLS may waive any and all conditions to the exchange offer, including those set forth above, to the extent legally permissible.

- Q. Will I be taxed on the HLS common stock and cash I receive?
- A. In the opinion of DLA Piper US LLP, HLS's counsel, the exchange will be treated as a sale of shares of Gifted Time Preferred and will subject the holder to tax. This opinion is given in reliance on customary representations and assumptions as to certain factual matters. See the section captioned "The Exchange Offer—Material U.S. Federal Income Tax Consequences."

BECAUSE TAX MATTERS ARE COMPLICATED, HLS URGES YOU TO CONTACT YOUR OWN TAX ADVISOR TO DETERMINE THE PARTICULAR TAX CONSEQUENCES TO YOU OF THE OFFER.

- Q. What percentage of HLS's common stock will former holders of Gifted Time Preferred own after the exchange offer?
- A. HLS estimates that if all shares of Gifted Time Preferred are exchanged pursuant to the exchange offer, former holders of Gifted Time Preferred would own, in the aggregate, approximately 4% of the total outstanding shares of HLS common stock (prior to any issuances of shares of HLS based on after-tax profit goals or upon exercise of any warrants).

- Q. How long do I have to decide whether to tender my shares in the exchange offer?
- A. Unless HLS extends the period of time during which the exchange offer is open, you have until 12:00 Midnight, New York City time, on _____, 2007, to decide whether to tender your shares of Gifted Time Preferred in the exchange offer. When HLS makes reference to the "expiration date" or the "expiration of the exchange offer" anywhere in this prospectus and offer to exchange, this is the time to which HLS is referring, including, when applicable, any extension period that may apply. The expiration date is 30 days after the date of the Chardan meeting, which is after the date that Chardan expects to have completed the acquisition of the common stock of Gifted Time Holdings (assuming that the Chardan stockholders approve the acquisition transaction at the Chardan meeting).

- Q. Can the exchange offer be extended and under what circumstances? A. HLS may, in its sole discretion, extend the exchange offer at any time or from time to time. For instance, the exchange offer may be extended if any of the conditions specified in the section captioned “The Exchange Offer—Conditions of the Offer ” are not satisfied prior to the scheduled expiration date of the exchange offer. However, HLS will not extend the exchange offer for more than 30 days beyond the currently scheduled expiration date.
- Q. How will I be notified if the exchange offer is extended? A. If HLS decides to extend the exchange offer, it will inform the holders of Gifted Time Preferred of that fact and will make a public announcement of the extension, not later than 9:00 a.m., New York City time, on the business day after the day on which the exchange offer was otherwise scheduled to expire.
- Q. How do I tender my shares of Gifted Time Preferred? A. To tender shares of Gifted Time Preferred, you must deliver the certificates representing your shares of Gifted Time Preferred, together with a completed letter of transmittal and any other required documents to HLS not later than the time the exchange offer expires. For a complete discussion on the procedures for tendering your shares of Gifted Time Preferred, see the section captioned “The Exchange Offer—Procedure for Tendering.”
- Q. Until what time can I withdraw tendered shares of Gifted Time Preferred? A. You can withdraw tendered shares of Gifted Time Preferred at any time until the expiration of the exchange offer and, if HLS has not agreed to accept your shares of Gifted Time Preferred for exchange pursuant to the exchange offer, you can withdraw them at any time after _____, 2007. Once HLS accepts shares of Gifted Time Preferred for exchange pursuant to the exchange offer all tenders not previously withdrawn become irrevocable. For a complete discussion on the procedures for withdrawing your shares of Gifted Time Preferred, see the section captioned “The Exchange Offer—Withdrawal Rights.”
- Q. How do I withdraw tendered shares of Gifted Time Preferred? A. To withdraw shares of Gifted Time Preferred, you must deliver a written notice of withdrawal, or a facsimile of one, with the required information to HLS, during the period of time that you have the right to withdraw the shares of Gifted Time Preferred. For a complete discussion on the procedures for withdrawing your shares of Gifted Time Preferred, see the section captioned “The Exchange Offer—Withdrawal Rights.”
- Q. When and how will I receive shares of HLS in exchange for my tendered shares of Gifted Time Preferred? A. HLS will exchange all validly tendered and not properly withdrawn shares of Gifted Time Preferred promptly after the expiration date of the exchange offer, subject to the terms of the exchange offer and the satisfaction or waiver of the conditions to the exchange offer, as set forth in the section captioned “The Exchange Offer—Conditions of the Offer.” HLS will pay for your validly tendered and not properly withdrawn shares of Gifted Time Preferred by promptly issuing shares of HLS after the expiration date. In all cases, issuance of shares of HLS in exchange for tendered shares of Gifted Time Preferred will be made only after timely receipt by HLS of certificates for such shares of Gifted Time Preferred and a properly completed and duly executed letter of transmittal and any other required documents.
- Q. If I decide not to tender, how will the offer affect my shares A. You will remain a holder of preferred stock of Gifted Time Holdings. If the stock purchase is consummated, Gifted Time Holdings will become a subsidiary of HLS and you would hold minority interests in that subsidiary, with no assurance

of Gifted Time Preferred? of any future liquidity.

- Q. Are dissenters' rights available in the exchange offer? A. Dissenters' rights are the rights of shareholders, in certain cases, to receive "fair value" for their shares, as determined by a judicial appraisal process. Dissenters' rights are not available in the exchange offer. See the section captioned "The Exchange Offer—Purpose of the Offer; Dissenters' Rights ."
- Q. Where can I find more information on HLS and Chardan? A. You can find more information about HLS and Chardan from various sources described in the section captioned "Where You Can Find More Information."
- Q. Who can I talk to if I have questions about the offer? A. If you are a holder of Gifted Time Preferred, you may call Lori Johnson at (619) 795-4627.

IMPORTANT

Any shareholder desiring to tender all or any portion of such shareholder's Gifted Time Preferred should complete and sign the accompanying letter of transmittal, or a manually signed facsimile thereof, in accordance with the instructions in the letter of transmittal and mail or deliver it together with the certificate(s) evidencing tendered shares of Gifted Time Preferred, and any other required documents, to HLS.

Questions or requests for assistance may be directed to HLS at its address and telephone numbers as set forth below and on the back cover of this prospectus and offer to exchange. Requests for additional copies of this prospectus and offer to exchange, and the accompanying letter of transmittal may be directed to HLS, and copies will be furnished promptly at the expense of HLS.

THE OFFER TO PURCHASE AND THE ACCOMPANYING LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION, AND YOU SHOULD READ BOTH CAREFULLY AND IN THEIR ENTIRETY BEFORE MAKING A DECISION WITH RESPECT TO THE EXCHANGE OFFER.

Enforceability of Civil Liabilities Against Foreign Persons

Gifted Time Holdings is incorporated under the laws of the British Virgin Islands, and its operating companies are incorporated under the laws of the PRC and operate only in the PRC. Substantially all of the assets of Gifted Times Holdings' subsidiaries, the three companies that make up HollySys, will be located in the PRC, and the majority of its officers and directors and the experts named in this joint proxy/prospectus are outside the United States. Although China and the United States are signatories to the 1965 Hague Convention on the Service Abroad of Judicial and Extra Judicial Documents in Civil and Commercial Matters, service under this treaty is cumbersome and time consuming and may not result in adequate notice, such that any judgment based on service thereunder may be reopened, relitigated and overturned. Therefore, an investor should understand it is not likely that service of process upon the company or its subsidiaries, its officers and directors, its assets and experts will be obtainable within the United States or for actions originating in the United States.

It will be difficult for investors to enforce outside the United States a judgment against HLS or its Chinese operating companies or its assets obtained in the United States in any actions, including actions predicated upon the civil liability provisions of the federal securities laws of the United States or of the securities laws of any State of the United States. In addition, the directors and executive officers and certain of the experts named in this joint proxy/prospectus are resident outside the United States, and all or a substantial portion of the assets of these persons are or may be located outside the United States. Therefore, it may not be possible for investors to effect service of process within the United States upon them, or to enforce against them any judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States or of the securities laws of any state of the United States.

The difficulty of enforcing a judgment of a United States court in the PRC where most of the assets of the company are located and which is the residence of most of the directors and officers of the company, stems from the lack of any official arrangement providing for judicial assistance to the enforcement of judgments of courts of the United States in the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts within the United States. In the absence of such a treaty, judgments of United States courts will not be enforced in the PRC without review of the merits of the claims and the claims brought in the original action in the United States court will have to be re-litigated on their merits.

Likewise, administrative actions brought by regulatory authorities, such as the SEC, and other actions that result in foreign court judgments, could (assuming such actions are not required by PRC law to be arbitrated) only be enforced in the PRC if such judgments or rulings do not violate the basic principles of the law of the PRC or the sovereignty,

security and public interest of the society of China, as determined by a People's Court of China that has jurisdiction for recognition and enforcement of judgments.

We have been advised that there is doubt as to the enforceability in the PRC of any actions to enforce judgments of United States or British Virgin Islands courts arising out of or based on the ownership of the securities of HLS, including judgments arising out of or based on the civil liability provisions of United States federal or state securities laws, and as to whether PRC courts would enforce, in original actions, judgments against HLS, its directors and officers and assets in the PRC predicated solely upon the federal securities laws of the United States. An original action may be brought in the PRC against HLS or its subsidiaries or its directors and officers and experts named in this prospectus/proxy statement only if the actions are not required to be arbitrated by PRC law and only if the facts alleged in the complaint give rise to a cause of action under PRC law. In connection with such an original action, a PRC court may award civil liability, including monetary damages.

SUMMARY

Summary

This section summarizes material items related to the proposals to be voted on. These items are described in greater detail elsewhere in this proxy statement/prospectus. You should carefully read this proxy statement/prospectus and the other documents to which this proxy statement/prospectus refers you. See “Where You Can Find More Information.”

The Companies

Chardan

Chardan is a blank check company organized as a corporation under the laws of the State of Delaware on March 10, 2005. Chardan was formed to effect a business combination with an unidentified operating business that has its primary operating facilities located in the People’s Republic of China in any city or province north of Yangtze River. In August 2005, Chardan successfully consummated an initial public offering of its equity securities from which it derived net proceeds of approximately \$30.9 million. The prices of Chardan’s common stock, warrants to purchase common stock and units (each unit consisting of one share of common stock and two warrants to purchase common stock) are quoted on the Over-the-Counter Bulletin Board under the symbols CNCA for the common stock, CNCAW for the warrants and CNCAU for the units. Approximately \$29.8 million of the net proceeds of the initial public offering was placed in a trust account and will be released to Chardan upon consummation of the stock purchase, subject to the exercise of conversion rights by holders of less than 20% of the Chardan stock issued in the initial public offering. The balance of the net proceeds from the initial public offering of approximately \$1.1 million has been used by Chardan to pay the expenses incurred in its pursuit of a business combination. Through March 31, 2007, Chardan had incurred a total of approximately \$1,553,000 in expenses. The most significant expenses incurred to date include approximately \$66,700 for consultants to Chardan who have assisted with due diligence reviews of business combination targets, approximately \$342,000 in travel expenses, office expenses of \$127,500 payable to Chardan Capital LLC, approximately \$671,000 in professional fees and premiums for general and officer and director insurance of approximately \$92,487. Other than its initial public offering and the pursuit of a business combination, Chardan has not engaged in any business to date. If Chardan does not consummate a business combination by August 10, 2007, then, pursuant to its certificate of incorporation, Chardan’s officers must take all actions necessary to dissolve and liquidate Chardan within 60 days.

The mailing address of Chardan’s principal executive office is Chardan North China Acquisition Corporation, 625 Broadway, Suite 1111, San Diego, California 92101, and its telephone number is (619) 795-4627.

Gifted Time Holdings

Business Operations

Gifted Time Holdings was formed to act as a holding company to hold the equity interests in HollySys held directly or indirectly by certain stockholders of HollySys. HollySys is one of the leading Chinese automation and control system companies. In 2005, HollySys ranked first among domestic Chinese companies and second overall in sales of distributed control systems, an important market segment, behind only ABB and ahead of large multinational competitors such as Honeywell International, Siemens and Mitsubishi. HollySys also is the only Chinese automation company that is qualified to design and produce controls for nuclear power plants and one of just five Chinese companies qualified to design and produce railway control systems. The three HollySys operating companies are Beijing HollySys Co., Ltd., Hangzhou HollySys Automation Co., Ltd. and Beijing HollySys Haotong Science & Technology Development Co., Ltd. (“Haotong”). The three HollySys operating companies are organized and exist under the laws of the PRC. HollySys develops, sells, and services automation and control systems and components in China.

The businesses of the HollySys operating companies began in 1996.

For the years ended June 30, 2005 and 2006, HollySys generated approximately \$79.6 million and approximately \$90 million in revenue, respectively, principally from its sales of automation systems and equipment to Chinese customers in the power generation and heavy industry sectors.

HollySys introduced HOLLiAS, its new platform technology, in 2004. This platform consists of several modules, each of which can deliver a range of functions independently or can be integrated into an enterprise wide automation and control system. The components of the system were designed to enable HollySys to participate effectively in the most actively growing sectors of the Chinese economy, including general industrial activity, nuclear and fossil fuel power generation, rail transportation and emerging Chinese industries, such as pharmaceutical manufacture and food processing. HollySys also anticipates entering international markets, based on what it perceives to be products that are comparable to those of other automation companies but selling at prices that will give it a competitive advantage.

The current management of HollySys is led by Dr. Wang Changli, who will become the chief executive officer of HLS and will continue to operate HollySys. Dr. Wang and Madame Qiao Li, the current chairman of HollySys, will become two of the seven-person board of directors of HLS. Kerry Propper, a current director and officer of Chardan, will also be on the board of directors of HLS.

The mailing address of HollySys' principal executive offices is 19 Jiancaicheng Middle Road, Xisangi, Haidian District, Beijing China 100096, and its telephone number is (86) 10-82922200.

HollySys Reorganization and Ownership

Gifted Time Holdings itself does not engage in any operations. Gifted Time Holdings was established under the laws of the British Virgin Islands on September 21, 2005. On September 20, 2005, the parties who would become the initial beneficial owners of Gifted Time Holdings entered into a reorganization agreement to exchange the equity interests which they held in Beijing HollySys and Hangzhou HollySys for equity in Gifted Time Holdings, effective June 30, 2005. On October 12, 2005, Gifted Time Holdings issued one share to Madame Li Qiao as part of the consideration for transferring 30% equity interests in Hangzhou HollySys to OSCAF International Co. Limited ("OSCAF") after reorganization. On December 30, 2005 Gifted Time Holdings issued 49,999 shares to the British Virgin Islands companies designated by the stockholders of Beijing HollySys and Hangzhou HollySys as described below. Subsequently, the stockholders of Gifted Time Holdings amended the reorganization agreement on December 30, 2005 due to the withdrawal of one investor in Beijing HollySys, Shanghai Jinqiaotong Industrial Development Co. Ltd. ("Shanghai Jinqiaotong"), which originally intended to acquire an additional 20% interest in Hangzhou HollySys but was not able to consummate this transaction. Shanghai Jinqiaotong decided not to purchase the additional 20% interest in Hangzhou HollySys because of a change in its investment strategy. Shanghai Jinqiaotong's 20% interest in Beijing HollySys remained subject to the reorganization agreement. Guantao Law Firm, counsel to Gifted Time Holdings and HollySys, has opined that the reorganization agreement, as amended, is valid and enforceable under PRC laws. A copy of Guantao's opinion is filed as an exhibit to the Registration Statement of which this joint proxy/prospectus forms a part. Upon completion of the amended reorganization agreement, Gifted Time Holdings holds 74.11% of the equity interest in Beijing HollySys and 60% of the equity interest in Hangzhou HollySys. Gifted Time Holdings also indirectly owns another 29.64% of Hangzhou HollySys by virtue of the fact that Beijing HollySys (of which Gifted Time Holdings owns 74.11%,) owns 40% of Hangzhou HollySys.

The stockholders collectively representing 74.11% of the equity interests of Beijing HollySys each formed a separate British Virgin Islands company, and these stockholders consigned their equity interest in Beijing HollySys to their British Virgin Islands companies. Gifted Time Holdings in turn entered into consignment agreements with these British Virgin Islands companies to obtain the stockholders' 74.11% equity interest in Beijing HollySys. Gifted Time Holdings also entered into share transfer agreements with two foreign investors in Hangzhou HollySys, Team Spirit Industrial Limited ("Team Spirit") and OSCAF to obtain their equity interests in Hangzhou HollySys. Team Spirit is owned and controlled by Wang Changli, and OSCAF is owned and controlled by Qiao Li. Team Spirit and OSCAF each owned 30% of the total number of outstanding shares of Hangzhou HollySys. Team Spirit and OSCAF exchanged their entire ownership interests in Hangzhou HollySys for shares in Gifted Time Holdings pursuant to the stock transfer agreements. As consideration for that transfer, Sure Grow Profits Limited and Faith Best Profits Limited, the BVI companies appointed by Team Spirit and OSCAF, each received 7,966 shares of Gifted Time Holdings' common stock, representing 15.932% each of the total outstanding common stock of Gifted Time Holdings. Guantao Law Firm has opined that the stock transfer agreements are valid and enforceable under PRC laws, and all relevant Chinese governmental authorities have approved the stock transfer. A copy of Guantao's opinion is filed as an exhibit to the Registration Statement of which this joint proxy/prospectus forms a part. Hangzhou HollySys is a limited liability company, and under PRC law the transfer restrictions applicable to Beijing HollySys that led to the use of consignment agreements to transfer ownership rights in it do not apply to limited liability companies such as Hangzhou HollySys. The tables below identify the stockholders of Gifted Time Holdings who sold all their shares to Advance Pacific Holdings Limited, the stockholders of Beijing HollySys and the stockholders of Hangzhou HollySys, and provides the names of the various British Virgin Islands companies formed by such stockholders for the purpose of holding their stock in those entities.

Gifted Time Holdings Stockholders

Beneficial Owner	BVI Company	Percentage of ownership of Gifted Time Holdings
Mei Qinglin	Pioneer Sum Investments Limited	5.516%
Wang Changli	Ace Lead Profits Limited	13.083%
Luo An	Plus View Investments Limited	9.084%
Xu Shengheng	Acclaimed Insight Investments Limited	22.066%
Song Xuesong (legal representative and beneficial owner of Shanghai Jinqiaotong)	Allied Earn Investments Limited	18.388%
Wang Changli	Sure Grow Profits Limited	15.932%
Qiao Li	Faith Best Profits Limited	15.932%
Total		100%

Beijing HollySys Stockholders

Stockholder	Percentage of ownership of Beijing HollySys
Beijing No. 6 Institute Huasheng High-Tech Co., Ltd.*	24.11%
Beijing New Technology Industry Development and Services Center*	1.78%
Shanghai Jinqiaotong Industrial Development Co., Ltd. (beneficially owned by Song Xuesong and Qiao Yu)	20%
Wang Changli	14.23%
Cheng Wusi (holding stock on behalf of Xu Shengheng, who owns 24% of the shares of Beijing HollySys, and Mei Qinglin, who owns 6% of the shares of Beijing HollySys)	30%
Lou An	9.88%
Total	100%

* not a party to the reorganization agreement; shares will not be acquired by Gifted Time Holdings.

Hangzhou HollySys Stockholders

Stockholder	Percentage of ownership of Hangzhou HollySys
Beijing HollySys Co., Ltd.	40%
Gifted Time Holdings (pursuant to stock transfer agreements entered into with Team Spirit and OSCAF)	60%
Total	100%

In December 2006, the shareholders of Gifted Time Holdings sold their shares to Advance Pacific Holdings Limited (“Advance Pacific”), a British Virgin Islands Company that is owned and controlled by Ka Wa Cheng, a resident of Canada, for promissory notes with an aggregate principal value of \$230 million. This transaction was part of a series of transactions discussed in greater detail in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section under the heading “Recent Significant Transactions.” Neither Advance Pacific nor Mr. Cheng had any previous affiliation with HollySys or Gifted Time Holdings. The table below identifies the stockholder of Advance Pacific.

Advance Pacific Stockholder

Stockholder	Percentage of ownership of Advance Pacific
Mr. Ka Wa Cheng	100%
Total	100%

Also in December 2006, Gifted Time Holdings reorganized its capital structure and issued 1.3 million shares of preferred stock for a total purchase price of \$13,000 to 15 purchasers, none of whom had any previous affiliation with Gifted Time Holdings or HollySys. The 15 purchasers include Atlas Master Fund; Sherliegh Associates Profit Sharing Plan; El Equities; Wolfson Equities; Aaron Wolfson; JLF Partners I LP; JLF Partners II LP, JLF Offshore Fund Ltd.; Platinum Partners Value Arbitrage Fund LP; Meyers Ventrue Partners; Orion AKDK Partners; Longview Fund LP; Kenneth Greif; Larry Horn; and William Kohone. The stock purchase agreement was amended in certain respects as a result of these transactions. A more detailed discussion of these transactions is provided in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section under the heading “Recent

Significant Transactions.”

Under the stock purchase agreement as amended, Advance Pacific will receive all of the \$30 million cash consideration, 22.2 million of the 23.5 million shares of HLS (representing approximately 73% of the outstanding shares of HLS upon consummation of the redomestication merger and the stock purchase) and any incentive shares issued on achieving the after-tax profit targets. As part of the exchange offer contemplated by this prospectus, HLS will offer the preferred stockholders of Gifted Time Holdings the opportunity to exchange their shares for a total of 1.3 million shares of HLS (representing approximately 4% of the outstanding shares of HLS upon consummation of the redomestication merger and the stock purchase).

Beijing HollySys owns 70% of the equity interests in Haotong. Haotong is a privately owned company that focuses on railway signal automated controls. Beijing HollySys first acquired a 40% interest in Haotong on May 15, 2002, and subsequently acquired an additional 30% interest in Haotong on December 13, 2002. Since Beijing HollySys holds 70% of the ownership interests in Haotong, when 74.11% of the equity interest in Beijing HollySys was consigned to Gifted Time Holdings pursuant to the consignment agreements, Gifted Time Holdings acquired an indirect equity interest in Haotong as well.

The diagram below shows the corporate structure of Gifted Time Holdings, Beijing HollySys and Hangzhou HollySys. The following abbreviations are used in the below diagram:

APH	Advance Pacific Holdings Limited
BJ HLS	Beijing HollySys
HZ HLS	Hangzhou HollySys
Huasheng	Beijing No. 6 Institute Huasheng High-Tech Co., Ltd.
NT Center	Beijing New Technology Industry Development and Services Center
Haotong	Beijing HollySys Haotong Science & Technology Development Co., Ltd.
Huake	Beijing Huake Electronics Co., Ltd.
Electric	Beijing HollySys Electric Tech. Co., Ltd.
Hollyinfo	Beijing Hollyinfo Technology Co., Ltd.
Zhonghao	Beijing HollySys Zhonghao Automation Engineering Technology Co., Ltd.
Hengye	Beijing HollySys Hengye Science & Technology Co., Ltd.

Gifted Time Holdings is the beneficial owner of 74.11% of the equity interests in Beijing HollySys. Of the remaining 25.89% equity interests, Beijing No. 6 Institute Huasheng Technology Co. Ltd. (“Huasheng”) holds 24.11%, and Beijing New Technology Industry Development and Services Center (“NT Center”) holds the remaining 1.78%. Because Beijing HollySys owns 40% of the equity interests in Hangzhou HollySys, Huasheng has an indirect beneficial ownership of 9.644% of the equity interests of Hangzhou HollySys and NT Center has an indirect beneficial ownership of 0.712% of the equity interests of Hangzhou HollySys. Gifted Time Holdings has not sought and does not intend to seek control of these minority interests, although it would consider a purchase if either stockholder desired to sell its interest following the closing of the stock purchase. After the consummation of the stock purchase transaction under the stock purchase agreement between Advance Pacific and Chardan, the exchange offer and the redomestication merger in which Chardan will merge with and into HLS, HLS will acquire all of the beneficial ownership interests held by Gifted Time Holdings in HollySys, as indicated in the diagram above.

The Chinese corporation law was amended, effective January 1, 2006, to prohibit directors or corporate officers of a joint stock company (such as Beijing HollySys) from transferring annually more than 25% of the shares they own during their incumbency. However, it is permissible for record owners of a Chinese corporation, who are subject to that restriction on transfer of their stock, to consign to another all the equity interests and control of their stock while retaining only title (i.e., under Chinese law, remaining the registered owner of record). This includes the consignment of the record owner’s voting, dispositive, dividend, meeting calling, proposal submission and other rights, so that the consignee is for all intents and purposes the functional owner, except for record ownership.

As the deputy chairman of the board and CEO of Beijing HollySys, Dr. Wang Changli consigned his equity interests in Beijing HollySys stock to Gifted Time Holdings through a BVI company. The other stockholders in Beijing HollySys, who had previously entered into voting-together agreements with Dr. Wang, also consigned their equity interests in Beijing HollySys stock to Gifted Time Holdings through their respective BVI companies. The parties to the voting-together agreements are Mr. Cheng Wusi, Dr. Wang Changli, Mr. Luo An, Shanghai Jinqiaotong Industrial Development Co., Ltd., Team Spirit and OSCAF. These parties are the various individuals and companies that collectively own 74.11% of the equity interests in Beijing HollySys and 89.64% of the equity interests in Hangzhou HollySys, 60% directly and 29.64% indirectly through Beijing HollySys. The parties to the voting-together agreements believed that they needed to vote together for important issues related to Beijing HollySys' growth, capital raising matters, and important daily operational decisions in order to promote its greater success. The parties believed that the best representative of their interests would be the person with the best skill set and most familiar with the company's requirements and capabilities, the current CEO, Dr. Wang Changli. Dr. Wang received an education in England with a Ph. D degree in automation control, demonstrated his leadership skills with more than seventeen years' working experience in the automation industry and has a strong network in the Beijing marketplace. Therefore, all of the above parties entered into a voting-together agreement giving Dr. Wang the right to vote their ownership interests, replacing the earlier voting-together agreements.

After the reorganization, which was effective June 30, 2005, Gifted Time Holdings held a 74.11% equity interest in Beijing HollySys and an 89.64% ownership interest in Hangzhou HollySys, 60% directly and 29.84% through Beijing HollySys. Since the Chinese corporation law has no restriction on transferring ownership of the shares held by directors and corporate officers of a limited liability company, the restriction on the transfer of the equity interest held by Dr. Wang in Beijing HollySys will expire once Beijing HollySys has been changed from a joint stock company to a limited liability company. HollySys expects that the process of changing from a joint stock company to a limited liability company will be initiated by the stockholders of Beijing HollySys shortly after the closing of this stock purchase transaction. In order to change from a joint stock company to a limited liability company, Beijing HollySys will have to apply to the Beijing Administration of Industry and Commerce to change its registration. Beijing HollySys also will be changing from a PRC domestic enterprise to a foreign invested enterprise ("FIE") after the closing of the stock purchase transaction. In order to become an FIE, Beijing HollySys will have to obtain approval from the Ministry of Commerce (MOFCOM) or its local counterparts (the "Commerce Authority"), obtain foreign investment exchange registration with SAFE and file a foreign invested enterprise registration with the Beijing Administration of Industry and Commerce. The required administrative proceedings to effect these changes are expected to take approximately six months. See "Regulatory Matters," below, for further discussion of the processes by which these changes will take place.

Guantao Law Firm, counsel for Gifted Time Holdings and HollySys, has opined that the consignment agreements are valid and enforceable under the laws of the PRC. As a result, Gifted Time Holdings is the beneficial owner of the 74.11% equity interests of Beijing HollySys, although not the owner of record. A copy of Guantao's opinion is filed as an exhibit to the Registration Statement of which this joint proxy/prospectus forms a part.

The Business Combination

The stock purchase agreement provides for Chardan to form a wholly owned subsidiary under the laws of the British Virgin Islands, under the name "HLS Systems International Limited" ("HLS"). At the time of closing of the stock purchase agreement, Chardan will merge with and into HLS for the purpose of redomestication out of the United States to secure future tax benefits and greater corporate flexibility to structure the business of Gifted Time Holdings within China and effect acquisitions and reorganizations under Chinese law. Simultaneously with the redomestication merger, HLS will acquire all of the issued and outstanding common stock of Gifted Time Holdings, gaining control of the three HollySys operating companies pursuant to existing stock consignment agreements dated December 30, 2005, and share transfer agreements dated January 12, 2006 between Gifted Time Holdings and the stockholders of HollySys. Following consummation of the stock purchase agreement, the exchange offer and the redomestication

merger, Gifted Time Holdings will continue as a wholly-owned subsidiary of HLS and owner of the stated interests in HollySys. Pursuant to the redomestication merger, all of the Chardan common stock held by Chardan's stockholders will be converted into common stock in HLS on a one-to-one basis and the outstanding warrants issued by Chardan will be assumed by HLS.

Under the stock purchase agreement, Advance Pacific will be paid an aggregate of \$30,000,000 in cash and will receive 22,200,000 shares of HLS common stock for all the outstanding common stock of Gifted Time Holdings. Chardan will defer paying a portion of the cash payment (at least \$3 million, and possibly as much as \$7 million, depending on the amount of funds remaining in the trust account in the event that any of Chardan's stockholders exercise their conversion rights). The amount of the cash payment that will be deferred will be determined at closing and will equal the sum of \$3,000,000 plus two-thirds of the difference between the funds in the trust account (following the exercise of any conversion rights by Chardan stockholders) and \$30,000,000. The deferred portion of the cash purchase price is not payable until HLS receives at least \$60 million of additional financing as a result of the exercise of warrants, the successful completion of a secondary offering or the private investment into HLS by a strategic investor. HLS has not approached any investors regarding additional financing. Alternatively, the deferred portion of the purchase price is payable to the extent of 50% of net positive cash flow generated by Gifted Time Holdings in any fiscal year ending after the closing of the stock purchase.

As additional consideration, Advance Pacific will be issued up to an aggregate of 11,000,000 shares of HLS common stock (2,000,000 per year for the first four years and 3,000,000 for the final year, each year on an all-or-none basis) for each of the next five years beginning with fiscal 2007 if, on a consolidated basis, HLS generates after-tax profits (excluding after-tax operating profits from any subsequent acquisitions of securities that have a dilutive effect) of at least the following amounts:

<u>Year ending December 31,</u>	<u>After-Tax Profit</u>
2007	\$23,000,000
2008	\$32,000,000
2009	\$43,000,000
2010	\$61,000,000
2011	\$71,000,000

The above contemplates that HollySys, which is currently on a June 30 fiscal year, will adopt a calendar year fiscal year following the completion of the stock purchase.

Chardan and Advance Pacific plan to complete the stock purchase promptly after the Chardan special meeting, provided that:

- Chardan’s stockholders have approved the stock purchase agreement and the redomestication merger proposals;
- holders of 20% or more of the shares of common stock issued in Chardan’s initial public offering do not both vote against the stock purchase proposal and demand conversion of their shares into cash; and
- the other conditions specified in the stock purchase agreement have been satisfied or waived.

The Stock Purchase Agreement

The stock purchase agreement, as amended, is included as an annex to this proxy statement/prospectus. The parties have entered into four amendments to the stock purchase agreement, which have been incorporated into the amended and restated stock purchase agreement which is discussed in more detail under the heading “The Stock Purchase Agreement.” We encourage you to read the stock purchase agreement. It is the legal document that governs the stock purchase and the other transactions contemplated by the stock purchase agreement. It is also described in detail elsewhere in this proxy statement/prospectus.

The Chardan Stock Option Plan

The stock option plan reserves 3,000,000 shares of Chardan common stock for issuance in accordance with the plan’s terms. Chardan does not intend to grant any options or other awards under this plan; instead, the plan will be available for use by the Board of Directors of HLS following the redomestication merger. The purpose of the stock option plan is to enable Chardan (or HLS following the redomestication merger) to offer its employees, officers, directors and consultants whose past, present and/or potential contributions have been, are or will be important to the success of the company, an opportunity to acquire a proprietary interest in Chardan (or HLS). The various types of awards that may be provided under the stock option plan will enable Chardan to respond to changes in compensation practices, tax laws, accounting regulations and the size and diversity of its business. Upon the redomestication merger, HLS will assume the plan and it will be administered by the board of directors of HLS using the common stock of HLS instead of Chardan common stock.

The stock option plan is included as an annex to this proxy statement/prospectus. We encourage you to read the stock option plan in its entirety.

Management

After the consummation of the stock purchase and of the redomestication merger, the board of directors of the surviving corporation will be Dr. Wang Changli, Madame Qiao Li, Kerry S. Propper, Jerry Zhang, Youxian Sun, Lewis Solomon and Leonard Hafetz.

Each of Madame Qiao Li and Dr. Wang Changli will enter into a three-year employment agreement with Gifted Time Holdings. Madame Qiao Li will be employed as Chairman, and Dr. Wang will be chief executive officer. Dr. Wang will also enter into an employment agreement with Beijing HollySys.

Special Meeting of Chardan 's Stockholders

The special meeting of the stockholders of Chardan will be held at _____ a.m., Pacific Time, on _____, 2007, at Chardan's offices at 625 Broadway, Suite 1111, San Diego, California, 92101 to approve the stock purchase, the redomestication merger and the stock option plan proposals.

Approval of Advance Pacific

Advance Pacific has approved the stock purchase proposal and the transactions contemplated thereby by virtue of the execution of the stock purchase agreement.

Voting Power; Record Date

You will be entitled to vote or direct votes to be cast at the special meeting if you owned shares of Chardan common stock at the close of business on _____, 2007, which is the record date for the special meeting. You will have one vote for each share of Chardan common stock you owned at the close of business on the record date. Chardan warrants do not have voting rights. On the record date, there were _____ outstanding shares of Chardan common stock.

Vote Required to Approve the Proposals

The approval of the stock purchase agreement proposal will require the affirmative vote of the holders of a majority of the outstanding shares of Chardan common stock on the record date.

The approval of the redomestication merger proposal will require the affirmative vote of the holders of a majority of the outstanding shares of Chardan common stock on the record date and the holders of a majority of the shares of Chardan common stock issued in its initial public offering in August 2005.

The approval of the stock option plan proposal will require the affirmative vote of the holders of a majority of the shares represented and entitled to vote at the meeting.

Relation of Proposals

The stock purchase will not be consummated unless the redomestication merger proposal is approved, and the redomestication merger will not be consummated unless the stock purchase proposal is approved. The approval of the stock option plan is not a condition to consummation of either the stock purchase or the redomestication merger proposals.

Conversion Rights

Pursuant to Chardan's Certificate of Incorporation, a holder of shares of Chardan's common stock issued in its initial public offering may, if the stockholder votes against the stock purchase, demand that Chardan convert such shares into cash. This demand must be made in writing at the same time that the stockholder votes against the stock purchase proposal. If so demanded, Chardan will convert each share of common stock into a pro rata portion of the trust account as of the record date. If you exercise your conversion rights, then you will be exchanging your shares of Chardan common stock for cash and will no longer own these shares. You will be entitled to receive cash for these shares only if you continue to hold these shares through the effective time of the stock purchase and then tender your stock certificate to the combined company. If the stock purchase is not completed, then these shares will not be converted into cash at that time.

The stock purchase will not be consummated if the holders of 20% or more of common stock issued in Chardan's initial public offering (1,150,000 shares or more) exercise their conversion rights.

Appraisal Rights

Appraisal rights are available under the Delaware General Corporation Law for the stockholders of Chardan in connection with the redomestication merger proposal. The procedure to exercise appraisal rights is described more fully under the heading “Chardan Redomestication Merger - Appraisal Rights.”

Proxies

Proxies may be solicited by mail, telephone or in person. If you grant a proxy, you may still vote your shares in person if you revoke your proxy at or before the special meeting. The cost of soliciting proxies will be borne by Chardan. Chardan will solicit stockholders by mail through its regular employees, and may request banks and brokers, and other custodians, nominees and fiduciaries, to solicit their customers who have stock of Chardan registered in the names of such persons and will reimburse them for their reasonable, out-of-pocket costs. Chardan may use the services of its officers, directors, and others to solicit proxies, personally or by telephone, without additional compensation.

Stock Ownership

On the record date, directors and executive officers of Chardan and their affiliates beneficially owned and were entitled to vote 1,250,000 shares of Chardan's common stock, representing approximately 17% of the currently issued and outstanding shares of Chardan common stock. In connection with its initial public offering, Chardan and EarlyBird Capital, Inc. entered into agreements with each of the management shareholders, pursuant to which each management shareholder agreed to vote his shares of Chardan common stock (other than shares purchased in the open market) on the business combination in accordance with the majority of the votes cast by the holders of shares issued in connection with the initial public offering. All 1,250,000 shares of Chardan common stock held by the management shareholders are subject to Stock Escrow Agreements restricting the stockholder's ability to transfer those shares until August 2, 2008. These shares will be automatically converted into shares of HLS upon consummation of the redomestication merger. The HLS shares issuable to the management shareholders as a result of the redomestication merger will be subject to the terms of the Stock Escrow Agreements to the same extent as the shares of Chardan common stock are subject to the escrow immediately prior to the redomestication merger.

Chardan's Board of Directors' Recommendation

After careful consideration, Chardan's board of directors has determined unanimously that the stock purchase plan proposal, the redomestication merger proposal, and the stock option proposal are fair to, and in the best interests of, Chardan and its stockholders. Chardan's board has unanimously approved and declared advisable the stock purchase proposal, the redomestication merger proposal and the stock option plan proposal, and unanimously recommends that you vote or instruct your vote to be cast "FOR" the adoption of the stock purchase proposal, the redomestication merger proposal, and the stock option plan proposal. The board of directors did not obtain a fairness opinion.

Interests of Chardan Directors and Officers in the Stock Purchase

When you consider the recommendation of Chardan's board of directors that you vote in favor of adoption of the stock purchase proposal, you should keep in mind that a number of Chardan's executives and members of Chardan's board have interests in the stock purchase agreement that are different from, or in addition to, your interests as a stockholder. These interests include, among other things:

- if the stock purchase is not approved and Chardan fails to consummate an alternative transaction within the time allotted pursuant to its Certificate of Incorporation, Chardan will be required to liquidate. (Chardan does not expect that it will be able to complete an alternative transaction if the stock purchase is not approved.) In the event of liquidation, the shares of common stock held by Chardan's officers and directors will be worthless because Chardan's officers, directors and initial stockholders are not entitled to receive any liquidation proceeds. Additionally, any warrants held by such persons will expire worthless in the event of liquidation. Chardan's officers and directors hold 1,250,000 shares of Chardan common stock with an aggregate market value of \$_____ as of _____, 2007, and Chardan's officers and directors hold 220,000 shares issuable upon exercise of warrants, which have an aggregate market value of \$_____ as of _____, 2007;
- after the completion of the stock purchase, Mr. Kerry Propper will serve as a member of the board of directors of HLS; and
- the management of HollySys, which after the completion of the stock purchase will be the management of HLS, has agreed in principle to retain Chardan Capital, LLC, an affiliate of Dr. Propper, Chardan's Chairman, to provide a variety of ongoing services to HollySys. These services will include the following: assistance with compiling and formatting filings required under securities laws (but not including legal advice); working with HLS legal and accounting professionals to assist

HLS in achieving and maintaining compliance with the applicable requirements of the Sarbanes-Oxley Act and U.S. accounting standards; establishing and maintaining the capabilities and procedures to manage relations with investors and the financial community effectively; and advising HLS regarding corporate structure and development, including any strategic business opportunities and their potential effects on the value of the company's stock and overall business prospects. Chardan contemplates that these services will be provided on a month-to-month basis, terminable at will by HLS without penalty, for a monthly fee of \$30,000, plus reimbursement of expenses incurred in performing the services. There is not yet a written agreement governing the services to be provided, although the parties may formalize the agreement, to include these and other terms, if the stock purchase occurs.

Conditions to the Completion of the Stock Purchase

Each of Chardan's and Advance Pacific's obligation to effect the stock purchase is subject to the satisfaction or waiver of specified conditions, including the following:

Conditions to Chardan's and Advance Pacific's obligations

- Approval by Chardan's stockholders of the stock purchase and redomestication merger proposals;
- the absence of any order or injunction preventing consummation of the stock purchase;

- the absence of any suit or proceeding by any governmental entity or any other person challenging the stock purchase or seeking to obtain from Advance Pacific or Chardan any damages;
- at Chardan's stockholders' meeting, holders of less than 1,150,000 shares of common stock issued in Chardan's initial public offering, vote against the stock purchase proposal and demand that Chardan convert their shares into a pro rata portion of the trust account; and
- certain key members of the management team of HollySys will have entered into employment agreements in form and substance acceptable to Chardan, providing, among other things, for a term of three years at compensation levels in effect prior to the closing of the stock purchase and including intellectual property assignment and non-competition provisions to be in effect for a period of two years following termination of employment.

Conditions to Chardan's obligations

- Advance Pacific's representations and warranties that are qualified as to materiality must be true and correct in all respects, and those not qualified as to materiality must be true and correct in all material respects, as of the date of completion of the stock purchase, except representations and warranties that address matters as of another date, which must be true and correct as of that other date, and Chardan must have received a certificate from Advance Pacific to that effect;
- Advance Pacific must have performed in all material respects all obligations required to be performed by it;
- Gifted Time Holdings will have acquired ownership or control of HollySys;
- Advance Pacific must have received any required and unconditional approvals or consents of governmental authorities to the transfer of its shares, and Chardan must have received written confirmation that such approvals and consents have been received;
- Chardan must have received a written opinion, dated as of the closing date, from Guantao Law Firm, counsel to Gifted Time Holdings and HollySys, relating to, among other things, the validity and enforceability of the stock consignment agreements;
- there must not have occurred since the date of the stock purchase agreement any HollySys Material Adverse Effect, as defined in the stock purchase agreement; and
- the Proxy Statement/Prospectus Information, as defined in the stock purchase agreement, accurately describes Gifted Time Holdings, HollySys and the business in which it is engaged, and Advance Pacific, and the Proxy Statement/Prospectus Information does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements in the Proxy Statement/Prospectus Information not misleading.

Conditions to Advance Pacific's obligations

- Chardan's representation and warranty regarding the compliance of the stock purchase agreement and the agreements contemplated by the stock purchase agreement with the applicable provisions in Chardan's Certificate of Incorporation must be true and correct in all respects, as of the date of completion of the stock purchase;

- Chardan must have performed in all material respects all obligations required to be performed by them under the stock purchase agreement; and
- there must not have occurred since the date of the stock purchase agreement any Chardan Material Adverse Effect, as defined in the stock purchase agreement.

No Solicitation

The stock purchase agreement contains detailed provisions prohibiting each of Chardan and Advance Pacific from seeking an alternative transaction. These covenants generally prohibit Chardan and Advance Pacific, as well as their officers, directors, subsidiaries, employees, agents and representatives, from taking any action to solicit an alternative acquisition proposal. The stock purchase agreement does not, however, prohibit Chardan from considering an unsolicited bona fide written superior proposal from a third party. The approval of the stock purchase agreement by Advance Pacific has already been given, and no proposal from a third party will be effective to revoke or withdraw that approval.

Termination, Amendment and Waiver

The stock purchase agreement may be terminated at any time prior to the consummation of the stock purchase, whether before or after receipt of the Chardan stockholder approval, as follows:

- by mutual written consent of Chardan and Advance Pacific;
- by either party if the other party amends a schedule and such amendment or supplement reflects a material adverse change in the condition, operations or prospects of its business;
- by either party if the closing has not occurred by August 10, 2007 (unless such terminating party is in breach of any of its material covenants, representations or warranties);
- by either party if the other party has breached any of its covenants or representations and warranties in any material respect and has not cured its breach within ten business days of the notice of an intent to terminate, provided that the terminating party is itself not in breach;
- by Advance Pacific, if the board of directors of Chardan (or any committee thereof) shall have failed to recommend or withdraw or modify in a manner adverse to Gifted Time Holdings its approval or recommendation of the stock purchase agreement and any of the transactions contemplated thereby;
- by Chardan if its board of directors shall have determined in good faith, based upon the advice of outside legal counsel, that failure to terminate the stock purchase agreement is reasonably likely to result in the board of directors breaching its fiduciary duties to stockholders by reason of a pending, unsolicited, bona fide written proposal for a superior transaction; or
- by either party if, at the Chardan stockholder meeting, the stock purchase agreement and the redomestication merger shall fail to be approved and adopted by the affirmative vote of the holders of Chardan's common stock, or 20% or more of the shares sold in Chardan's initial public offering request conversion of their shares into the pro rata portion of the trust account in accordance with the Chardan Certificate of Incorporation.

Advance Pacific has no right to damages from Chardan or HLS and they have no right to any amount held in the trust account. Advance Pacific has agreed not to make any claim against Chardan and HLS that would adversely affect the business, operations or prospects of Chardan and HLS or the amount of the funds held in the trust account.

Quotation or Listing

Chardan's outstanding common stock, warrants and units are quoted on the Over-the-Counter Bulletin Board. HLS has applied to have the HLS common stock, warrants and units quoted on the Nasdaq Global Market at the consummation of the stock purchase. The proposed Nasdaq symbols are HLSS, HLSSW and HLSSU. Seeking the Nasdaq listing is an obligation of Chardan under the stock purchase agreement. If Nasdaq listing is not achieved, management anticipates that the common stock, warrants and units will continue to trade on the OTCBB.

Indemnification by Gifted Time Stockholders

Advance Pacific has agreed to indemnify Chardan for breaches of their representations, warranties and covenants.

Comparison of Stockholders Rights

In connection with the consummation of the stock purchase agreement, Chardan has formed a wholly owned subsidiary under the laws of the British Virgin Islands, under the name of HLS Systems International Ltd. Chardan will, if the stock purchase proposal and redomestication merger proposal are approved, merge into HLS, effectively changing its jurisdiction of incorporation from Delaware to the British Virgin Islands. Chardan's common stock will be

converted into common stock of HLS. The rights of Chardan stockholders will change accordingly. A comparison of the rights of stockholders under Delaware and British Virgin Islands law is included elsewhere in this proxy statement/prospectus.

Material United States Federal Income Tax Consequences of the Stock Purchase

As described below under the heading “Material U.S. Federal Income Tax Considerations of the Redomestication Merger”, it is the opinion of DLA Piper US LLP, counsel to Chardan, that the redomestication merger will qualify as a reorganization for United States federal income tax purposes. Accordingly, no gain or loss should be recognized by Chardan stockholders as a result of their exchange of Chardan common stock for the common stock of HLS. Nevertheless, as a result of the redomestication merger, Chardan will be treated for United States federal income tax purposes as if it sold all of its assets to HLS. As a result, Chardan will recognize gain (but not loss) as a result of the redomestication merger equal to the difference, if any, between the adjusted tax basis in Chardan’s assets and such asset’s fair market value at the effective time of the redomestication merger. Chardan will not, however, recognize any gain or loss as a result of the purchase of HollySys stock, pursuant to the stock purchase agreement.

Accounting Treatment

The stock purchase transaction will be accounted for as a recapitalization of Gifted Time Holdings rather than as an acquisition. The financial statements of HLS will combine the historical statements of Gifted Time Holdings with the balance sheet of Chardan from the effective date of the stock purchase transaction.

Regulatory Matters

The stock purchase and the transactions contemplated by the stock purchase agreement are not subject to any federal or state regulatory requirement or approval, including the Hart-Scott-Rodino Antitrust Improvements Act of 1976, or HSR Act, in the United States or British Virgin Islands, except for filings necessary to effectuate the transactions contemplated by the stock purchase and redomestication merger proposals with the State of Delaware and the British Virgin Islands. The stock transfer agreements between Gifted Time Holdings and Team Spirit Industrial Ltd. and OSCAF International Co. Ltd. required approval by the applicable Chinese governmental authorities under PRC law. Hangzhou HollySys received approval of the stock transfer agreements from the PRC Commerce Bureau on February 13, 2006. In order to remove the transfer restriction on the ownership interests held by Dr. Wang Changli in Beijing HollySys, Beijing HollySys will change its organizational form from a joint stock company to a limited liability company, which requires Beijing HollySys to change the registration of its organization at the Beijing Administration of Industry and Commerce. The changing of Beijing HollySys to a FIE must comply with the Regulation on the Merger and Acquisition of PRC Enterprises by Foreign Investors ("M&A Regulations"), which came into effect on September 8, 2006. According to M&A Regulations, Beijing HollySys will be required to obtain approval from the appropriate Commerce Authority and will have to register with the Beijing Administration of Industry and Commerce, and thereafter will go through the registration formalities in the tax, customs, land administration and foreign exchange authorities. Aside from the administrative requirements and administrative approvals discussed above, the stock purchase and the transactions contemplated by the stock purchase agreement are not subject to any other foreign regulatory requirements or approvals.

The Consignment Agreements. Currently, Gifted Time has control over Beijing HollySys (and Haotong through Beijing HollySys) pursuant to stock consignment agreements entered into between Gifted Time and the BVI companies established by the stockholders of Beijing HollySys. We recognize that the consignee gains voting control and the economic benefits associated with ownership. In accordance with the advice of PRC counsel, a consignment arrangement does not provide the consignee with direct ownership, and it therefore does not amount to an "acquisition" under the new M&A Regulations promulgated on September 8, 2006, the Regulation on the Merger and Acquisition of PRC Enterprises by Foreign Investors. The conclusion is based on the fact that the definition of "acquisition" was never amended by the PRC regulators for purposes of the M&A Regulations, and as a result the original definition of "acquisition" from the Interim Provisions on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the "Interim M&A Provisions") is still applicable under the M&A Regulations. Pursuant to the Interim M&A Provisions (and thus the M&A Regulations) the captive company arrangement using consignment agreements is still permitted. Therefore, the changes resulting from the consignment agreement do not require any approval from PRC regulators under the Interim M&A Provisions or the M&A regulations. It is expected that after the consummation of the stock purchase transaction under the stock purchase agreement between Advance Pacific and Chardan, the exchange offer and the redomestication merger in which Chardan will merge with and into HLS, Gifted Time will acquire title to the consigned 74.11% ownership interests in Beijing HollySys. This transaction would trigger an approval requirement under the M&A Regulations, as discussed below.

The changing of Beijing HollySys from a joint stock company to a limited liability company and from a domestic enterprise to an FIE requires compliance with various Chinese regulations.

Change in Organizational Form of Beijing HollySys. The PRC Corporation Law prohibits directors or senior officers of a joint stock company (such as Beijing HollySys) from transferring more than 25% of their shareholding annually

during their incumbency. Therefore, in order to remove such restrictions on stock transfer, the stockholders of Beijing HollySys will initiate the change of form of Beijing HollySys from a joint stock company to a limited liability company following the closing of the stock purchase transaction, and complete the relevant procedures prior to acquisition of 74.11% equity interests in Beijing HollySys by Gifted Time.

The change in organizational form of Beijing HollySys requires approval at a special stockholders' meeting. According to PRC Corporation Law, a resolution on change of corporate form shall be adopted by stockholders representing 2/3 or more of the voting rights of the stockholders attending the meeting. Because the equity interests held by the parties who have entered into voting-together agreements and agreed to act in concert is already 74.11%, the consent of the minority owners on the change of form of Beijing HollySys will not be required. In accordance with the Articles of Association of Beijing HollySys, the meeting notice shall be sent by the board of directors to all stockholders 30 days prior to the meeting.

After approval by the stockholders, Beijing HollySys will apply to Beijing Administration of Industry and Commerce (“BAIC”) to change the registration of its organization, which procedure is expected to be completed within 30 days after BAIC receives a complete set of documents required from Beijing HollySys.

Acquisition of the 74.11% Ownership Interests in Beijing HollySys and Conversion of Beijing HollySys to an FIE. Upon the completion of the change in organizational form of Beijing HollySys, Dr. Wang Changli will promptly commence the process to transfer the ownership of his consigned Beijing HollySys common stock to Gifted Time Holdings. Since the stockholders who hold 74.11% of the equity interests in Beijing HollySys have agreed to act in concert, the transfer of 14.23% of the ownership interests in Beijing HollySys by Dr. Wang Changli to Gifted Time Holdings will cause the other stockholders who have entered into voting-together agreements with Dr. Wang Changli to act similarly.

As noted, the acquisition of 74.11% of the equity interests in Beijing HollySys by Gifted Time will be subject to the approval procedures in accordance with the M&A Regulations. Because Gifted Time Holdings acquired 60% equity interests in Hangzhou HollySys prior to September 8, 2006, the M&A Regulations do not apply to the acquisition of Hangzhou HollySys.

The M&A Regulations apply to two types of transactions: (1) equity acquisition by the purchase of equity interests or subscription to capital increases; and (2) asset acquisitions in the form of either a purchase of a domestic enterprise’s assets by a FIE established for that purpose or the contribution of purchased assets to establish a new FIE. According to M&A Regulations, acquisition of domestic enterprises (such as Beijing HollySys) by foreign investors (such as Gifted Time) is subject to strict examination and approval by the appropriate Commerce Authority. According to Article 21 of the M&A Regulations, foreign investors must submit the following documents to the appropriate Commerce Authority:

- (1) Resolution approved by the stockholders of the domestic limited liability company to be acquired concerning stock acquisition by the foreign investor, or resolution approved by the stockholders of the domestic joint stock company to be acquired concerning stock acquisition by the foreign investor;
- (2) The application to change from a domestic enterprise to an FIE after the acquisition;
- (3) The joint venture contract and the Articles of Association of the FIE established after the acquisition;
- (4) The stock purchase agreement or the agreement to subscribe for the increased capital by the foreign investor;
- (5) The audit report of the acquired enterprise for the most recent financial year;
- (6) The identity of the foreign investor or registration certificates and credit documents which must be notarized or legally certified;
- (7) The identification and introduction of the enterprises in which the acquired enterprise invests;
- (8) The copies of the business license of the acquired enterprise and its affiliated enterprises;
- (9) The arrangement plan of the employees of the acquired enterprise.

The acquired enterprise (such as Beijing HollySys) shall, within 30 days of receipt of Commerce Authority’s approval, register with appropriate Administration of Industry and Commerce and thereafter shall, within 30 days of receipt of the Business License from Administration of Industry and Commerce, go through the registration formalities in the tax, customs, land administration and foreign exchange authorities, etc. These required administrative proceedings are

expected to take approximately six months. The licenses obtained by the acquired enterprise from foregoing authorities, including Business License from appropriate Administration of Industry and Commerce, Foreign Registration Certificate from appropriate Administration of Foreign Exchange, Tax Registration Certificate from appropriate Administration of Taxation and Customs Registration Certificate from appropriate Administration of Customs, etc., shall be subject to annual inspection by appropriate authorities.

The M&A Regulations set out, among other things, the following requirements:

- The purchase price shall be based on a third party appraisal of the equity interests or assets acquired, and acquisition at a price obviously lower than the appraisal result is prohibited;
- If the acquisition, and the gaining of actual control, of a domestic enterprise by a foreign investor involves an important industry, has or may have an impact on the national economic security or results in a transfer of “actual control” of companies having “famous Chinese brand names” or “well established Chinese brand names”, the parties shall report the matter to the Ministry of Commerce (“MOFCOM”).

- The M&A Regulations also provide for antitrust review for certain large transactions or transactions involving large companies, if the transaction would lead to excessive market centralization, harm fair competition or harm the interests of consumers. Exemptions may be sought from the MOFCOM and State Administration of Industry and Commerce on the basis that: (i) the transaction will improve market competition, (ii) the transaction will restructure unprofitable entities and ensure employment, (iii) the transaction will introduce high technologies and increase international competitiveness, and (iv) the transaction will improve the environment.
- In assets acquisitions, procedures must be followed to protect the rights of creditors of the acquired enterprise.
- If, as a result of the transaction, the foreign investor has greater than 25% of the acquired enterprise's registered capital, the acquired enterprise is entitled to the preferential treatments rendered to FIE; if the foreign investor has less than 25% of the acquired enterprise's registered capital, the acquired enterprise does not have the right to FIE preferential treatments.

After Gifted Time acquires 74.11% equity interests in Beijing HollySys, Beijing HollySys will change from a domestic enterprise to an FIE. According to PRC laws, an FIE is entitled to following preferential treatments: (1) FIE may enjoy preferential tax treatment pursuant to current PRC laws; and (2) within the range of the surplus between total investment amount and the registered capital, an FIE may borrow foreign debt without approval of the Administration of Foreign Exchange. Currently, Beijing HollySys has already enjoyed a preferential enterprise income tax rate of 15% as a high-tech company, and such preferential tax rate will not be affected by the change of its status to an FIE. As long as Beijing HollySys continues operating in the high-tech industry and maintaining its high or new technology enterprise status, Beijing HollySys will be entitled to the same preferential enterprise income tax rate.

Haotong is a domestic enterprise, and such status will not be affected by change in status of Beijing HollySys from a domestic enterprise to a FIE.

Hangzhou HollySys has been an FIE since prior to the proposed transactions and its status and legal position will not be affected after the acquisition of 74.11%% equity interests in Being HollySys by Gifted Time Holdings.

Aside from the requirements and approvals discussed above, the stock purchase and the transactions contemplated by the stock purchase agreement are not subject to any other foreign regulatory requirements or approvals.

Board Solicitation

Your proxy is being solicited by the board of directors of Chardan on each of the three proposals being presented to the stockholders at the special meeting.

The Exchange Offer

HLS is offering to exchange one share of HLS common stock for each outstanding share of Gifted Time Preferred which is validly tendered and not properly withdrawn prior to the expiration date.

Reasons for the Exchange Offer

HLS is making the exchange offer to acquire control of the remaining equity interests of Gifted Time Holdings. Through the stock purchase agreement, HLS has already agreed to acquire all of the common stock of Gifted Time Holdings, which constitutes approximately 94.5% of the outstanding equity interests of Gifted Time Holdings.

Conditions of the Offer

HLS's obligation to exchange shares of HLS common stock for Gifted Time Preferred pursuant to the exchange offer is subject to several conditions including approval by the stockholders of Chardan and the consummation of the purchase of the common stock of Gifted Time Holdings. The offer is subject to certain additional conditions referred to below under the section captioned "The Exchange Offer—Conditions of The Offer."

Extension, Termination and Amendment

To the extent legally permissible, HLS reserves the right, in its sole discretion, at any time or from time to time:

- to extend, for any reason, the period of time during which the exchange offer is open;
- to delay acceptance for exchange of, or exchange of, any Gifted Time Preferred pursuant to the exchange offer, or to terminate the exchange offer and not accept or exchange any Gifted Time Preferred not previously accepted or exchanged, upon the failure of any of the conditions of the exchange offer to be satisfied prior to the expiration date; and

- to waive any condition or otherwise amend the exchange offer in any respect.

In addition, HLS may terminate the exchange offer and not exchange shares of Gifted Time Preferred that were previously tendered if completion of the exchange offer is illegal or if a governmental authority has commenced or threatened legal action related to the exchange offer.

Exchange of Gifted Time Preferred; Delivery of Shares of HLS Common Stock

Upon the terms and subject to the conditions of the exchange offer (including, if the exchange offer is extended or amended, the terms and conditions of any such extension or amendment), HLS will accept for exchange, and will exchange for HLS common stock, all shares of Gifted Time Preferred validly tendered and not properly withdrawn as promptly as practicable after the expiration date. If HLS elects to provide a subsequent offering period following the expiration of the offer, shares of Gifted Time Preferred tendered during such subsequent offering period will be accepted for exchange immediately upon tender and will be promptly exchanged.

Withdrawal Rights

Holders of Gifted Time Preferred can withdraw tendered shares of Gifted Time Preferred at any time until the expiration date and, if HLS, has not agreed to accept the shares of Gifted Time Preferred for exchange by _____, 2007, you can withdraw them at any time after such date until HLS accepts shares of Gifted Time Preferred for exchange. If HLS decides to provide a subsequent offering period, HLS will accept shares of Gifted Time Preferred tendered during that period immediately, and thus you will not be able to withdraw shares of Gifted Time Preferred tendered during any subsequent offering period.

Procedure for Tendering Gifted Time Preferred Shares

The procedure for tendering shares of Gifted Time Preferred requires execution of a letter of transmittal and delivery of that document and your shares of Gifted Time Preferred to HLS. We urge you to read the section captioned “The Exchange Offer—Procedure for Tendering ” as well as the transmittal materials for more information.

Risk Factors

Upon the consummation of the exchange offer, the combined company will be subject to several risks. In deciding whether to tender your shares of Gifted Time Preferred pursuant to the exchange offer, you should carefully read and consider the risk factors contained in the section captioned “ Risk Factors .”

Ownership of HLS After the Offer

HLS estimates that former holders of Gifted Time Preferred will own, in the aggregate, approximately 4% of the outstanding shares of HLS common stock, prior to any issuances upon exercise of warrants or achievement of the after-tax profit goals. See the section captioned “The Exchange Offer—Ownership of HLS After the Offer.”

SELECTED HISTORICAL FINANCIAL DATA

We are providing the following financial information to assist you in your analysis of the financial aspects of the stock purchase. We derived historical information for Gifted Time Holdings Limited from the audited consolidated financial statements of Gifted Time Holdings, Limited as of and for each of the years ended June 30, 2004, 2005 and 2006. The selected historical financial data for the year ended June 30, 2002 and for the nine months ended March 31, 2007 is unaudited. The selected historical financial data for the year ended June 30, 2003 is based on audited financial statements that are not included with this filing. The unaudited financial information includes all adjustments, consisting only of normal and recurring adjustments, that Gifted Time Holdings considers necessary for a fair presentation of its financial position and operating results for the periods presented. The consolidated financial statements are prepared and presented in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. We derived the Chardan historical information from the audited financial statements for the period ended December 31, 2005 and year ended December 31, 2006. The selected historical financial statements for the three months ended March 31, 2007 is unaudited. The unaudited financial information includes all adjustments, including only normal adjustments, that Chardan considers necessary for a fair presentation of its financial position and results of operations for the period presented. The selected financial data information is only a summary and should be read in conjunction with each company's historical consolidated financial statements and related notes contained elsewhere herein. The financial statements contained elsewhere fully represent the financial condition and operations of the companies that will be combined to form HLS, whose shares are being offered in this registration statement. The historical results included below and elsewhere in this proxy statement/prospectus are not indicative of the future performance of Gifted Time Holdings, Chardan or the combined company resulting from the business combination.

GIFTED TIME HOLDINGS' HISTORICAL FINANCIAL DATA

Statement of Income Data	Years Ended June 30,					Nine Months Ended March 31, 2007
	2002 (Unaudited)	2003 (Unaudited)	2004	2005	2006	(Unaudited)
Revenue	\$28,569,576	\$35,985,608	\$53,074,256	\$79,572,832	\$89,916,604	\$68,320,498
Gross margin	30.84%	31.61%	28.58%	31.3%	35.6%	34.9%
Operating income	3,262,957	3,515,563	7,431,631	13,875,018	18,994,434	13,222,308
Subsidy income	212,577	634,612	2,782	2,292,880	4,355,367	3,337,748
Net income (1)	1,664,779	2,227,134	4,735,276	13,703,521	18,051,255	11,858,174
Weighted average common shares	22,200,000	22,200,000	22,200,000	22,200,000	22,200,000	22,277,717
Income per share (1)	0.07	0.10	0.21	0.62	0.81	0.53
Cash dividends declared per share	-	-	-	0.06	0.07	-
Balance Sheet Data			At June 30,			March 31,
	2002	2003	2004	2005	2006	2007 (Unaudited)
Total current assets	\$28,975,207	\$35,668,012	\$57,507,123	\$78,478,569	\$96,958,442	\$112,113,915

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Total assets	39,429,145	47,202,013	70,006,021	96,064,098	120,024,159	137,922,715
Total current liabilities	23,028,811	24,823,166	45,723,094	56,081,886	60,032,366	86,632,505
Long-term liability	6,826,062	9,664,871	5,195,370	6,645,321	5,629,011	3,844,400
Minority Interest	2,478,779	3,338,627	4,425,419	6,334,435	9,801,634	11,944,369
Stockholders' equity	7,095,493	9,325,349	14,662,138	27,002,456	44,561,148	35,461,441

- (1) Gifted Time and Chardan have no discontinued operations, therefore net income (loss) and net income (loss) per share has been provided in lieu of income (loss) from continuing operations and income (loss) from continuing operations per share.

CHARDAN HISTORICAL FINANCIAL INFORMATION

	For the Period From March 10, 2005 (Inception) to December 31, 2005	For the Year Ended December 31, 2006	For the three months Ended March 31, 2007
Revenue	\$ -	-	
Interest income on trust account	\$ 347,871	830,429	203,941
Net loss (1)	\$ (105,992)	(368,117)	(44,665)
Net loss per share (1)	\$ (.03)	(0.05)	(.01)
Dividends paid per share	\$ -	-	-
Total assets (including cash deposited in trust account in 2005)	\$ 31,353,114	31,613,416	31,885,674
Common shares subject to possible conversion	\$ 5,964,017	5,964,017	5,964,017
Stockholders' equity	\$ 24,905,084	24,536,967	24,492,302

Notes:

- (1) Gifted Time and Chardan have no discontinued operations, therefore net income (loss) and net income (loss) per share has been provided in lieu of income (loss) from continuing operations and income (loss) from continuing operations per share.

SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The stock purchase transaction will result in shareholders in Gifted Time Holdings obtaining a majority of the voting interests in Chardan Sub (subsequently named HLS Systems International Ltd.). Generally accepted accounting principles require that the company whose shareholders retain the majority voting interest in a combined business be treated as the acquirer for accounting purposes. Since Chardan does not have any assets with operating substance except cash, the transaction has been accounted for as reorganization and recapitalization of Gifted Time Holdings. The cash of \$30 million to be paid to Advance Pacific will be accounted for as a capital distribution. The stock purchase transaction utilizes the capital structure of Chardan and the assets and liabilities of Gifted Time Holdings are recorded at historical cost. Although Gifted Time Holdings will be deemed to be the acquiring company for accounting and financial reporting purposes, the legal status of Chardan Sub (subsequently named HLS Systems International Ltd.) as the surviving corporation will not change.

We have presented below selected unaudited pro forma combined financial information that reflects the result of the stock purchase transaction and is intended to provide you with a better picture of what our businesses might have looked like had they actually been combined. The combined financial information may have been different had the companies actually been combined. The selected unaudited pro forma combined financial information does not reflect the effect of asset dispositions, if any, or cost savings that may result from the stock purchase. You should not rely on the selected unaudited pro forma combined financial information as being indicative of the historical results that would have occurred had the companies been combined or the future results that may be achieved after the stock purchase. The following selected unaudited pro forma combined financial information has been derived from, and should be read in conjunction with, the unaudited pro forma condensed combined financial statements and related notes thereto included elsewhere in this proxy statement/prospectus.

	Three Months ended March 31, 2007		Year ended December 31, 2006	
	Assuming Maximum Approval	Assuming Minimum Approval	Assuming Maximum Approval	Assuming Minimum Approval
Revenue	19,813,245	19,813,245	88,991,831	88,991,831
Net income	2,267,627	2,267,627	18,477,462	18,477,462
Net income per share-basic	\$0.07	\$0.08	\$0.61	\$0.63
Net income per share-diluted	\$0.06	\$0.07	\$0.51	\$0.53
Cash dividends declared per share	-	-	\$0.05	\$0.06

March 31, 2007

Total assets	173,841,606	168,258,564
Long-term debt excluding current portion	3,884,400	3,884,400
Stockholders' equity	66,261,819	59,953,743

COMPARATIVE PER SHARE INFORMATION

The following table sets forth selected historical per share information of Gifted Time Holdings and Chardan and unaudited pro forma combined per share ownership information of Gifted Time Holdings and Chardan after giving effect to the stock purchase proposal of Gifted Time Holdings, which includes control of the Gifted Time Holdings Operating Companies and the merger between the Chardan and HLS, assuming a maximum level and a minimum level of approval of the stock purchase by Chardan stockholders who exercise their conversion and/or appraisal right. The stock purchase transaction will be accounted for as a recapitalization of Gifted Time Holdings.

You should read this information in conjunction with the selected historical financial information, included elsewhere in this proxy statement/prospectus, and the historical financial statements of Gifted Time Holdings and Chardan and related notes that are included elsewhere in this proxy statement/prospectus. The unaudited Gifted Time Holdings and Chardan pro forma combined per share information is derived from, and should be read in conjunction with, the Unaudited Pro Forma Combined Financial Information and related notes included elsewhere in this proxy statement/prospectus. The historical per share information of Gifted Time Holdings was derived from its audited financial statements as of and for the years ended June 30, 2004, June 30, 2005 and June 30, 2006 and the nine months ended March 31, 2007.

The unaudited pro forma combined per share information does not purport to represent what the actual results of operations of HollySys and Chardan would have been had the companies been combined or to project the Gifted Time Holdings and Chardan results of operations that may be achieved after the stock purchase.

Number of shares of common stock assumed to be issued in stock purchase:	Gifted Time	Chardan (2)	Combined Company (2)
Assuming maximum approval	23,500,000	7,000,000	30,500,000
	77.05%	22.95%	100%
Assuming minimum approval	23,500,000	5,850,575	29,350,575
	80.07%	19.93%	100%
Net income (loss) per share - historical on weighted average basis			
Year ended June 30, 2004:	\$ 0.21		
Year ended June 30, 2005:	\$ 0.62		
Year ended June 30, 2006:	\$ 0.81		
Nine months ended March 31, 2007	\$ 0.53		
)	
Year ended December 31, 2005:		(0.03(1)	
Twelve months ended December 31, 2006		(0.05)	
Three months ended March 31, 2007:		(0.01)	
Net income per share - pro forma on weighted average basis - diluted			
Year ended December 31, 2005			
under maximum approval assumption			0.52
under minimum approval assumption			0.53
Twelve months ended December 31, 2006			
under maximum approval assumption			0.51
under minimum approval assumption			0.53
Three months ended March 31, 2007:			

Under maximum approval assumption				0.06
Under minimum approval assumption				0.07
Cash dividends declared per share:				
Year ended June 30, 2004		-	-	-
Year ended June 30, 2005	\$	0.06	-	0.05
Year ended June 30, 2006	\$	0.07	-	0.06
Nine months ended March 31, 2007		-	-	-
Net assets at book value per share - March 31, 2007	\$	1.60	\$ 4.19 (3)	2.04 (3)
Net assets at book value per share - June 30, 2006	\$	2.01		
Net assets at book value per share - December 31, 2006			4.19 (3)	

Notes:

- (1) Operations of Chardan are for the period from March 10, 2005 (inception) to December 31, 2006.
- (2) Historical per share amounts for Chardan were determined based upon the actual weighted average shares outstanding during the periods presented. The combined pro forma per share amounts for Chardan and Gifted Time Holdings were determined based upon the assumed number of shares to be issued under the two different levels of approval at June 30, 2006.
- (3) Calculated based on the minimum approval, to record refund of funds (\$5,964,017 plus \$344,059 and \$293,106 for related interest at March 31, 2007 and December 31, 2006 respectively) to dissenting stockholders.

MARKET PRICE INFORMATION

Chardan's common stock, warrants and units are each quoted on the Over-the-Counter Bulletin Board under the symbols CNCA, CNCAW and CNCAU, respectively. Chardan's units commenced public trading on August 5, 2005 and its common stock and warrants commenced public trading on August 31, 2005. The closing price for each share of common stock, warrant and unit of Chardan on February 1, 2006, the last trading day before announcement of the execution of the stock purchase agreement was \$6.78, \$2.82 and \$12.25, respectively.

In connection with the stock purchase, HLS has applied for the quotation of the combined company's common stock, warrants and units on the Nasdaq Global Market. The proposed symbols are HLSS, HLSSW and HLSSU. Management anticipates that, if Nasdaq approves this listing, it will be concurrent with the consummation of the redomestication merger. If the listing on Nasdaq is not approved, management expects that the common stock, warrants and units will continue to trade on the OTCBB. Currently there is no trading market for any securities of HLS, and there can be no assurance that a trading market will develop.

The table below sets forth, for the calendar quarters indicated, the high and low closing prices of the Chardan common stock, warrants and units as reported on the Over-the-Counter Bulletin Board. The over-the-counter market quotations reported below reflect inter-dealer prices, without markup, markdown or commissions and may not represent actual transactions.

Over-the-Counter Bulletin Board

	Chardan Common Stock		Chardan Warrants		Chardan Units	
	High	Low	High	Low	High	Low
2005 Third Quarter	\$6.00	\$5.17	\$1.15	\$0.70	\$7.50	\$6.15
2005 Fourth Quarter	\$5.75	\$5.15	\$1.86	\$1.01	\$9.30	\$7.20
2006 First Quarter	\$12.90	\$5.74	\$7.38	\$1.65	\$27.50	\$9.10
2006 Second Quarter	\$12.60	\$7.45	\$7.45	\$2.60	\$27.40	\$12.50
2006 Third Quarter	\$9.40	\$7.02	\$4.60	\$2.50	\$18.75	\$12.00
2006 Fourth Quarter	\$8.68	\$8.53	\$3.60	\$3.59	\$16.40	\$16.00
2007 First Quarter	\$8.70	\$7.75	\$3.65	\$2.80	\$15.85	\$13.40
2007 Second Quarter (through May __, 2007)	\$____	\$____	\$____	\$____	\$____	\$____

Holders

As of February 8, 2007, there was one holder of record of the units, seven holders of record of the common stock and one holder of record of the warrants. Chardan believes that there are more than 400 beneficial holders of each of the units, common stock and warrants.

It is anticipated that the number of holders of HLS units, common stock and warrants after the redomestication merger will be approximately the same as the number of holders of Chardan common stock. Immediately thereafter the number of holders of common stock will be increased by up to 16 persons by the issuance of shares in the acquisition of Gifted Time Holdings through the stock purchase and the exchange offer.

Dividends

Chardan has not paid any dividends on its common stock to date and does not intend to pay dividends prior to the completion of a business combination.

The payment of dividends by HLS in the future will be contingent upon revenues and earnings, if any, capital requirements and general financial condition of Gifted Time Holdings subsequent to completion of a business combination. The payment of any dividends subsequent to a business combination will be within the discretion of the then board of directors. It is the present intention of the board of directors to retain all earnings, if any, for use in the business operations and, accordingly, the board does not anticipate declaring any dividends in the foreseeable future.

RISK FACTORS

You should carefully consider the following risk factors, together with all of the other information included in this proxy statement/prospectus, before you decide whether to vote or instruct your vote to be cast to adopt the stock purchase proposal.

If we complete the acquisition of Gifted Time Holdings, HLS will be subject to a number of risks. You should carefully consider the risks we describe below and the other information included in this proxy statement/prospectus before you decide how you want to vote on the stock purchase proposal. Following the closing of the stock purchase, the market price of our common stock could decline due to any of these risks, in which case you could lose all or part of your investment. In assessing these risks, you should also refer to the other information included in this proxy statement/prospectus, including our consolidated financial statements and the accompanying notes. You should pay particular attention to the fact that we would become a holding company with substantial operations in China. As a result, we would be subject to legal and regulatory environments that differ in many respects from those of the U.S. Our business, financial condition or results of operations could be affected materially and adversely by any of the risks discussed below.

We have control of Beijing HollySys only through contractual agreements with shareholders of Beijing HollySys (i.e., the stock consignment agreements), which may not be as effective as direct ownership because of potential violations of the consignment agreements and our uncertain ability to enforce those agreements.

At the closing of the stock purchase, we will have control of Beijing HollySys (and Haotong through Beijing HollySys) only pursuant to stock consignment agreements entered into between Gifted Time Holdings and the BVI companies established by the stockholders of Beijing HollySys. While the terms of these contractual agreements provide us with voting control and the economic interests associated with the stockholders' equity interest in Beijing HollySys, these contractual agreements may not be as effective in providing us with control over Beijing HollySys as direct ownership, because we must rely on the performance of the respective stockholders under the agreements. If those stockholders fail to perform their respective obligations under the agreements, we may have to expend substantial resources to enforce those agreements. In the event that the consignment agreements are not honored or enforced, we would lose the control of Beijing HollySys to the extent that legal title to the stock that is the subject of those agreements had not been previously transferred to Gifted Time Holdings.

If U.S. shareholders sought to sue HollySys' officers or directors, it may be difficult to obtain jurisdiction over the parties and access the assets located in the PRC.

Because most of our officers and directors will reside outside of the U.S., it may be difficult, if not impossible, to acquire jurisdiction over these persons in the event a lawsuit is initiated against us and/or our officers and directors by shareholders in the U.S. It also is unclear if extradition treaties now in effect between the U.S. and the PRC would permit effective enforcement of criminal penalties of the Federal securities laws. Furthermore, because substantially all of our assets are located in the PRC it would also be extremely difficult to access those assets to satisfy an award entered against us in U.S. court. Moreover, we have been advised that the PRC does not have treaties with the U.S. providing for the reciprocal recognition and enforcement of judgments of courts. As a result, it may not be possible for investors in the U.S. to enforce their legal rights, to effect service of process upon our directors or officers or to enforce judgments of U.S. courts predicated upon civil liabilities and criminal penalties of our directors and officers under Federal securities laws.

Being a foreign private issuer exempts us from certain Securities and Exchange Commission requirements that provide stockholders the protection of information that must be made available to stockholders of United States public companies.

Upon consummation of the redomestication merger we will be a foreign private issuer within the meaning of the rules promulgated under the Securities Exchange Act of 1934. As such, we will be exempt from certain provisions applicable to United States public companies including:

- The rules requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;
- The sections of the Securities Exchange Act regulating the solicitation of proxies, consents or authorizations with respect to a security registered under the Securities Exchange Act;
- Provisions of Regulation FD aimed at preventing issuers from making selective disclosures of material information; and
- The sections of the Securities Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and establishing insider liability for profits realized from any "short swing" trading transactions (i.e., a purchase and sale, or a sale and purchase, of the issuer's equity securities within less than six months).

Because of these exemptions, our stockholders will not be afforded the same protections or information generally available to investors holding shares in public companies organized in the United States.

HollySys may experience trade barriers in expanding to its targeted emerging markets and may be subject to tariffs and taxes that will result in significant additional costs for HollySys' business and products.

HollySys may experience barriers to conducting business and trade in its planned expansion to its targeted emerging markets (initially India and Pakistan). These barriers may be in the form of delayed customs clearances, customs duties or tariffs. In addition, HollySys may be subject to repatriation taxes levied upon the exchange of income from local currency into foreign currency, substantial taxes of profits, revenues, assets and payroll, as well as value-added tax. The markets into which HollySys may expand may impose onerous and unpredictable duties, tariffs and taxes on its business and products. These barriers or expenses could have an adverse effect on the operations and financial results of HollySys.

Cessation of or changes to certain government incentives for high technology companies may result in increased tax liabilities.

The Chinese government and various provincial governments have provided various incentives to high technology companies in order to encourage development of the domestic high technology industry. Such incentives include reduced tax rates and other measures.

HollySys is currently enjoying a reduction of income tax rates under the central government and provincial government laws. Each of Beijing HollySys and Beijing HollySys Haotong (Haotong) is registered in a high-tech zone located in Beijing and has been deemed as a high-tech company by the Beijing Commission of Science and Technology. As a result, each company is entitled to a preferential enterprise income tax rate of 15%, so long as it continues to operate in the high-tech zone and maintains its high or new technology enterprise status. Haotong also has received a 100% exemption of income tax for three years ending December 31, 2003 and a 50% exemption of income tax for three years from January 1, 2004 to December 31, 2006.

Hangzhou HollySys is registered as an FIE (because of its majority ownership by Team Spirit and OCSAF, and now Gifted Time Holdings) conducting production functions. Under the provisional regulations that are applicable to Hangzhou HollySys, the 30% income tax rate belonging to the central government was reduced to 24%, and the 3% income tax rate belonging to the local government was reduced to 2.4%. Accordingly, the applicable income tax of Hangzhou HollySys was 26.4% at the start of 2006. In accordance with the foreign invested enterprise income tax law, Hangzhou HollySys is entitled to receive a 100% exemption of income tax for two years and a 50% exemption of income tax for the three years beginning January 1, 2006. Hangzhou HollySys generates a taxable income on a continuing basis. During the fiscal years ended June 30, 2004 and 2005, Hangzhou HollySys was still under 100% exemption status. Beginning January 1, 2006, Hangzhou HollySys used a 13.2% tax rate for determining its tax liabilities; but after January 1, 2009, it will use a 26.4% tax rate for income tax purposes. However, on December 23, 2006, Hangzhou HollySys received a notice from the Hangzhou income tax authority, which indicated that the income tax rate applicable to Hangzhou HollySys should be adjusted to 16.5% effective January 1, 2006 in accordance with relevant regulations regarding the development zones, as Hangzhou HollySys is located in a development zone recognized by the Ministry of Land and Resource in China. On that basis, since January 1, 2006, Hangzhou HollySys has used an 8.25% tax rate for determining its tax liabilities; but after January 1, 2009, it will use a 16.5% tax rate for income tax purposes.

Normally, domestic enterprises in China are subject to a 33% income tax rate. The Chinese government has indicated that it intends to eliminate differences between the applicable tax rates of PRC domestic and foreign invested enterprises, but the schedule for the unification of tax rates has not yet been established. If this happens, it may have a material adverse effect on Hangzhou HollySys.

As these tax benefits expire, the effective tax rate will increase significantly, and any increase in HollySys' enterprise income tax in the future could have a material adverse effect on our financial condition and results of operations.

In addition, the local governments in Beijing and Hangzhou have provided subsidies from value added tax collections to encourage Beijing HollySys', Haotong's and Hangzhou HollySys' research and development efforts and other subsidies to Beijing HollySys for enterprise development purposes. Early in fiscal 2005 the local government in Beijing provided specified subsidies to offset interest expenses to encourage Beijing HollySys' research and development efforts. The subsidies from value added tax collections will cease at the end of 2010. The receipt of government subsidies by HollySys during the past three years has accounted for 23.31%, 21.55% and 27.11%, respectively, of income before income tax on a gross basis. The change in ownership structure of Beijing HollySys after the completion of the acquisition by Gifted Time Holdings will not impact the government subsidies received by the HollySys operating companies. However, HollySys is unable to anticipate whether or not the Chinese government will change its subsidies policy in the future, and HollySys may not continue to receive other subsidies from the local government in the future. If governmental subsidies were reduced or eliminated, HollySys' after-tax income would be adversely affected.

Because Chinese law will govern almost all of HollySys material agreements, we may not be able to enforce our legal rights within the PRC or elsewhere, which could result in a significant loss of business, business opportunities, or capital.

Chinese law will govern almost all of the material agreements of HollySys. Our PRC subsidiaries may not be able to enforce their material agreements, and remedies may not be available outside of the PRC. The system of laws and the enforcement of existing laws in the PRC may not be as certain in implementation and interpretation as in the U.S. The Chinese judiciary is relatively inexperienced in enforcing corporate and commercial law, leading to a higher than usual degree of uncertainty as to the outcome of any litigation. The inability to enforce or obtain a remedy under any of our future agreements could result in a significant loss of business, business opportunities or capital.

In the redomestication transaction, we will become a British Virgin Islands company and, because the rights of shareholders under British Virgin Islands law differ from those under U.S. law, you may have fewer protections as a shareholder.

Following the redomestication merger, our corporate affairs will be governed by our Memorandum and Articles of Association, the Business Companies Act of the British Virgin Islands and the common law of the British Virgin Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibility of the directors under British Virgin Islands law are to a large extent governed by the common law of the British Virgin Islands. The common law of the British Virgin Islands is derived in part from comparatively limited judicial precedent in the British Virgin Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the British Virgin Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under British Virgin Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the British Virgin Islands has a less developed body of securities laws as compared to the United States, and some states (such as Delaware) have more fully developed and judicially interpreted bodies of corporate law.

British Virgin Islands companies may not be able to initiate shareholder derivative actions, thereby depriving shareholders of the ability to protect their interests.

British Virgin Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States. The circumstances in which any such action may be brought, and the procedures and defenses that may be available in respect to any such action, may result in the rights of shareholders of a British Virgin Islands company being more limited than those of shareholders of a company organized in the United States. Accordingly, shareholders may have fewer alternatives available to them if they believe that corporate wrongdoing has occurred. The British Virgin Islands courts are also unlikely to recognize or enforce against us judgments of courts in the United States based on certain liability provisions of U.S. securities law; and to impose liabilities against us, in original actions brought in the British Virgin Islands, based on certain liability provisions of U.S. securities laws that are penal in nature. There is no statutory recognition in the British Virgin Islands of judgments obtained in the United States, although the courts of the British Virgin Islands will generally recognize and enforce the non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits. This means that even if shareholders were to sue us successfully, they may not be able to recover anything to make up for the losses suffered.

The laws of the British Virgin Islands provide little protection for minority stockholders, so minority stockholders will have little or no recourse if the stockholders are dissatisfied with the conduct of the affairs of HLS.

Under the law of the British Virgin Islands, there is little statutory law for the protection of minority shareholders. The principal protection under statutory law is that shareholders may bring an action to enforce the constituent documents of the corporation, the Articles and the Memorandum of Association. Shareholders are entitled to have the affairs of the company conducted in accordance with the general law and the articles and memorandum. The company is obliged to hold an annual general meeting and provide for the election of directors. Companies are obligated to appoint an independent auditor and shareholders are entitled to receive the audited financial statements of the company.

There are common law rights for the protection of shareholders that may be invoked, largely dependent on English company law, since the common law of the British Virgin Islands for business companies is limited. Under the general rule pursuant to English company law known as the rule in *Foss v. Throttle*, a court will generally refuse to interfere with the management of a company at the insistence of a minority of its shareholders who express dissatisfaction with the conduct of the company's affairs by the majority or the board of directors. However, every shareholder is entitled to have the affairs of the company conducted properly according to law and the constituent

documents of the corporation. As such, if those who control the company have persistently disregarded the requirements of company law or the provisions of the company's memorandum of association or articles, then the courts will grant relief. Generally, the areas in which the courts will intervene are the following: (i) an act complained of which is outside the scope of the authorized business or is illegal or not capable of ratification by the majority, (ii) acts that constitute fraud on the minority where the wrongdoers control the company, (iii) acts that infringe on the personal rights of the shareholders, such as the right to vote, and (iv) where the company has not complied with provisions requiring approval of a special or extraordinary majority of shareholders, which are more limited than the rights afforded minority stockholders under the laws of many states in the U.S.

We may have difficulty establishing adequate management, legal and financial controls in the PRC, which could result in misconduct and difficulty in complying with applicable laws and requirements.

As a privately held company in the PRC, HollySys has not historically focused on establishing Western style management and financial reporting concepts and practices, as well as in modern banking, computer and other internal control systems. We may have difficulty in hiring and retaining a sufficient number of qualified internal control employees to work in the PRC. As a result of these factors, we may experience difficulty in establishing management, legal and financial controls, collecting financial data and preparing financial statements, books of account and corporate records and instituting business practices that meet Western standards.

If the PRC does not continue its policy of economic reforms, it could result in an increase in tariffs and trade restrictions on products HollySys produces or sells.

The PRC government has been reforming its economic system since the late 1970s. The economy of the PRC has historically been a nationalistic, “planned economy,” meaning it has functioned and produced according to governmental plans and pre-set targets or quotas.

However, in recent years, the PRC government has implemented measures emphasizing the utilization of market forces for economic reform and the reduction of state ownership in business enterprises. HollySys’ business has benefited greatly from that new outlook. Although we believe that the changes adopted by the PRC government have had a positive effect on the economic development of the PRC, additional changes still need to be made. For example, a substantial portion of productive assets in the PRC are still owned by government entities. Additionally, governments continue to play a significant role in regulating industrial development. We cannot predict the timing or extent of any future economic reforms that may be proposed.

A recent positive economic change has been the PRC’s entry into the World Trade Organization, the global international organization dealing with the rules of trade between nations. Many observers believe that the PRC’s entry will ultimately result in a reduction of tariffs for industrial products, a reduction in trade restrictions and an increase in international trade with China. However, the PRC has not yet fully complied with all of obligations that it must meet prior to being admitted as a full member of the WTO, including fully opening its markets to goods from other countries, currency exchange requirements and other measures designed to ease the current trade imbalance that China has with many of its trading partners. If the scheduled actions to rectify these problems are not completed, trade relations between China and some of its trading partners may be strained. While the majority of HollySys’ business currently is conducted solely within China, this may have a negative impact on China’s economy generally, which would adversely affect its business. It could also reduce or eliminate any benefits that HollySys hopes to achieve by expanding our business internationally.

The Chinese government could change its policies toward, or even nationalize, private enterprise, which could reduce or eliminate the interests held in HollySys.

Over the past several years, the Chinese government has pursued economic reform policies, including the encouragement of private economic activities and decentralization of economic regulation. The Chinese government may not continue to pursue these policies or may significantly alter them to HollySys’ detriment from time to time without notice. Changes in policies by the Chinese government that result in a change of laws, regulations, their interpretation, or the imposition of high levels of taxation, restrictions on currency conversion or imports and sources of supply could materially and adversely affect HollySys’ business and operating results. The nationalization or other expropriation of private enterprises by the Chinese government could result in the total loss of our investment in China.

A decrease in the rate of growth in Chinese industry and the Chinese economy in general may lead to a decrease in revenues for HollySys because industrial companies in China are the principal current source of revenues for HollySys.

Industrial companies operating in China are the principal current source of revenues for HollySys. HollySys’ business has benefited in the past from the rapid expansion of China’s industrial activity, which has created additional demand from existing companies and led to the formation of numerous additional companies that have need for HollySys’ products and services. China’s industrial expansion has been fueled in large measure by international demand for the low-cost goods that China is able to produce due to labor advantages and other comparative advantages, such as governmental subsidies to offset research and development expenses and taxes and reduced land use/facilities costs for targeted industries. The Chinese economy may not be able to sustain this rate of growth in the future, and any

reduction in the rate of China's industrial growth or a shrinking of China's industrial base could adversely affect HollySys' revenues. The resulting increase in competition for customers might also cause erosion of profit margins that HollySys has been able to achieve historically.

HollySys' plans for growth rely on an increasing emphasis on railroad and nuclear power sectors, and these sectors present fewer business opportunities, so HollySys may not be successful in growing these new markets.

While the principal focus of HollySys' business until recently has been to provide distributed control systems to industrial and manufacturing companies, its plans for growth include an increasing emphasis on railroad control systems and nuclear power generation control systems. These sectors generally present fewer business opportunities during a given period relative to the industrial and manufacturing sectors. However, the average size of contracts in those sectors tends to be much larger, and as a result, the competition for such contracts is substantial. HollySys may not be successful in entering these new markets and, if it were unable to do so, its revenues and profits would decline, resulting in a decreased value of our stock.

HollySys does not have long-term purchase commitments from its customers, so its customers are free to choose products from HollySys' competitors, which would result in a loss of revenue and profitability.

HollySys is engaged in the design, production and installation of automation and process control systems. As a result, its revenues result from numerous individual contracts that, once completed, typically produce only a limited amount of ongoing revenues for maintenance and other services. Furthermore, customers may change or delay or terminate orders for products without notice for any number of reasons unrelated to us, including lack of market acceptance for the products to be produced by the process our system was designed to control. As a result, in order to maintain and expand its business, HollySys must be able to replenish the orders in its pipeline on a continuous basis. It is possible that some of its potential customers could choose the products of its competitors. Should they do so, HollySys would suffer a decline in revenues and profitability.

The success of HollySys' business depends heavily on securing a steady stream of new customers.

HollySys' average contract is worth approximately \$100,000. While some of those contracts are for upgrades and additions to existing control systems, most of them are for new installations. In order for HollySys' business to continue to succeed and grow, it needs to secure contracts with new customers on a regular basis. HollySys may not be successful in securing new contracts.

A lack of adequate engineering resources could cause HollySys' business to lose profitability and potential business prospects.

One of the competitive advantages that HollySys' business enjoys is the relatively low cost of engineering staff compared to those of its Western and Japan-based competitors. The plentiful supply of affordable engineering talent in China is a key element of HollySys' overall business strategy. However, if the available supply of engineers were to be absorbed by competing demands, then the cost of hiring, training and retaining capable engineers would likely increase. This could result in a reduction in HollySys' profitability and business prospects, or could even cause a change in its business strategy.

Many of HollySys' competitors have substantially greater resources than HollySys, allowing the competitors to be able to reduce their prices, which would force HollySys to reduce its prices.

HollySys operates in a very competitive environment. It competes with many major international and domestic companies, such as Honeywell, General Electric, ABB, Siemens, Emerson, and Hitachi. Many of its competitors are much better established and more experienced than HollySys, have substantially greater financial resources, operate in many international markets and are much more diversified than HollySys. As a result, they are in a strong position to compete effectively with HollySys by, for example, reducing their prices, which could force HollySys to reduce its prices. These large competitors are also in a better position than HollySys is to weather any extended weaknesses in the market for their products. Other emerging companies or companies in related industries may also increase their participation in the automation and control systems market, which would add to the competitive pressures that HollySys faces.

HollySys will need to commit greater resources to new product and service development in order to stay competitive, and HollySys may fail to offset the increased cost of such development with a sufficient increase in net sales or margins.

Traditionally, the automation and control systems business was relatively stable and slow moving. Successive generations of products offered only marginal improvements in terms of functionality and reliability. However, the emergence of computers, computer networks and electronic components as key elements of the systems that HollySys designs and builds has accelerated the pace of change in its industry. Where there was formerly as much as a decade or even more between successive generations of automation systems, the time between generations is now as little as two to three years.

The success of HollySys' business depends in great measure on its ability to keep pace with, or even lead, the changes that are occurring. Technological advances, the introduction of new products, new designs and new manufacturing techniques by its competitors could adversely affect its business unless it is able to respond with similar advances. To remain competitive, HollySys must continue to incur significant costs in product development, equipment and facilities and to make capital investments. These costs may increase, resulting in greater fixed costs and operating expenses than HollySys has incurred to date. As a result, it could be required to expend substantial funds for and commit significant resources to the following:

- Research and development activities on existing and potential product solutions;

- Additional engineering and other technical personnel;
- Advanced design, production and test equipment;
- Manufacturing services that meet changing customer needs;
- Technological changes in manufacturing processes; and
- Expansion of manufacturing capacity.

HollySys' future operating results will depend to a significant extent on its ability to continue to provide new product solutions that compare favorably on the basis of time to market, cost and performance with competing third-party suppliers and technologies. Its failure to increase net sales sufficiently to offset the increased costs needed to achieve those advances would adversely affect its operating results.

Products HollySys delivers may contain design or manufacturing defects, which could result in reduced demand for its services and customer claims and uninsured liabilities.

HollySys manufactures spare parts for maintenance and replacement purposes after completion of integrated solution contracts to its customers' requirements, which can be highly complex and may at times contain design or manufacturing errors or defects. Any defects in the spare parts HollySys manufactures may result in returns, claims, delayed shipments to customers or reduced or cancelled customer orders. If these defects occur, HollySys will incur additional costs, and if they occur in large quantity or frequently, HollySys may sustain additional costs, loss of business reputation and legal liability.

HollySys is in the process of entering both the nuclear power generation and railway control systems sectors. Each of these sectors poses a substantially higher risk of liability in the event of a system failure, than was present in the industrial process controls markets in which HollySys traditionally competed.

HollySys may not be able to obtain adequate insurance coverage to protect it and us against these and other risks associated with its business. The typical practice of the industries which HollySys is involved is for the customers to obtain insurance to protect their own operational risks. Therefore, HollySys currently does not carry any insurance coverage to protect against the risks related to product failure. However, it is possible that such customers or their insurers could assert claims against HollySys for the damages caused by a failure in one of its systems, and as a result, the failure of any of its products could result in a liability that would seriously impair our financial condition or even force us out of business.

HollySys expects to rely increasingly on its proprietary products and systems, and if HollySys becomes involved in an intellectual property dispute, it may be forced to spend a significant amount of time and financial resources to resolve such intellectual property dispute, diverting time and resources away from HollySys' business and operations.

HollySys' business is based on a number of proprietary products and systems, some of which are patented, others of which it protects as trade secrets. HollySys expects that its reliance on these proprietary products and systems will grow, as the functionality of automation systems increases to meet customer demand and as it tries to open new markets for its products. If a third party should infringe on any of HollySys' intellectual property rights, it may need to devote significant time and financial resources to attempt to halt the infringement, and it may not be successful in such a dispute. Similarly, in the event of an infringement claim against HollySys, it may be required to spend a significant amount of time and financial resources to resolve the claim. It may not be successful in defending its position or negotiating an alternative. Any litigation could result in substantial costs and diversion of its management resources and could materially and adversely affect its business and operating results.

HollySys may develop new products that do not gain market acceptance, which would result in the failure to recover the significant costs for design and manufacturing services for new product solutions, thus adversely affecting operating results.

HollySys operates in an industry characterized by increasingly frequent and rapid technological advances, product introductions and new design and manufacturing improvements. As a result, it must expend funds and commit resources to research and development activities, possibly requiring additional engineering and other technical personnel; purchasing new design, production, and test equipment; and enhancing its design and manufacturing processes and techniques. It may invest in equipment employing new production techniques for existing products and new equipment in support of new technologies that fail to generate adequate returns on the investment due to insufficient productivity, functionality or market acceptance of the products for which the equipment may be used. HollySys could, therefore, incur significant costs for design and manufacturing services for new product solutions that do not generate a sufficient return on that investment, which would adversely affect its future operating results.

HollySys' future operating results will depend significantly on its ability to provide timely design and manufacturing services for new products that compete favorably with design and manufacturing capabilities of third party suppliers.

HollySys' plans to enter the international automation market may not prove successful, and capital, resources and management's time and attention would have been diverted to such plans for the international market instead of focusing on the domestic Chinese market.

To date HollySys has conducted nearly all of its business within China. However, it has plans to enter international markets in the near future. While the manner in which HollySys plans to do so will likely not involve large amounts of capital and resources, it will require meaningful amounts of management time and attention. HollySys' products and its overall approach to the automation and controls system business may not be accepted in other markets to the extent needed to make that effort profitable. In addition, the additional demands on its management from these activities may detract from their efforts in the domestic Chinese market, causing the operating results in its principal market to be adversely affected.

HollySys may not be able to retain, recruit and train adequate management and production personnel, and increased competition for qualified personnel in China could result in an increase in wages that HollySys may not be able to offer in order to stay competitive.

HollySys' success is dependent, to a large extent, on its ability to retain the services of its executive management personnel, who have contributed to its growth and expansion. The executive directors play an important role in the operations of HollySys and the development of its new products. Accordingly, the loss of their services, in particular Dr. Wang Changli, without suitable replacement, will have an adverse affect on its operations and future prospects.

In addition, HollySys' continued operations are dependent upon its ability to identify and recruit adequate engineering and production personnel in China. It requires trained graduates of varying levels and experience and a flexible work force of semi-skilled operators. With the current rate of economic growth in China, competition for qualified personnel will be substantial. The favorable employment climate may not continue and the wage rates HollySys must offer to attract qualified personnel may not enable it to remain competitive internationally.

Because our operations will be international, we will be subject to significant worldwide political, economic, legal and other uncertainties.

Upon consummation of the proposed transaction, we will be incorporated in the BVI and will have our principal operations in China. Because HollySys manufactures all of its products in China, substantially all of the net book value of our total consolidated fixed assets will be located there. While until now nearly all of HollySys' sales have been within China, it is expanding its efforts to sell them internationally as well. As a result, HollySys expects to have receivables from and goods in transit outside of China in the near future. Protectionist trade legislation in the U.S. or other countries, such as a change in export or import legislation, tariff or duty structures, or other trade policies, could adversely affect HollySys' ability to sell products in these markets, or even to purchase raw materials or equipment from foreign suppliers.

HollySys is also subject to numerous national, state and local governmental regulations, including environmental, labor, waste management, health and safety matters and product specifications. It is subject to laws and regulations governing its relationship with its employees, including: wage and hour requirements, working and safety conditions, citizenship requirements, work permits and travel restrictions. These include local labor laws and regulations, which may require substantial resources for compliance. HollySys is subject to significant government regulation with regard to property ownership and use in connection with its leased facilities in China, import restrictions, currency restrictions and restrictions on the volume of domestic sales and other areas of regulation, all of which impact its profits and operating results.

Because HollySys plans to increase the amount of international business it conducts and may use currencies other than the Renminbi, HollySys may experience a decrease in earnings because of the fluctuation of the Renminbi against other currencies.

The value of the Renminbi, the main currency used in the PRC, fluctuates and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of Renminbi into foreign currencies such as the dollar has been generally based on rates set by the People's Bank of China, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates on the world financial markets. While the official exchange rate had remained stable over the past several years, the PRC recently adopted a floating rate with respect to the Renminbi, with permitted ranges of fluctuation. Since HollySys is planning to increase the amount of business that it conducts internationally, and may use currencies other than the Renminbi, any fluctuation in the value of the Renminbi could have various adverse effects on its business.

Foreign exchange regulations in the PRC may affect HollySys' ability to pay dividends in foreign currency or conduct other foreign exchange business.

Renminbi, or RMB, is not presently a freely convertible currency, and the restrictions on currency exchanges may limit our ability to use revenues generated in RMB to fund our business activities outside the PRC or to make dividends or other payments in U.S. dollars. The PRC government, through the State Administration for Foreign Exchange ("SAFE"), regulates conversion of RMB into foreign currencies. Currently, foreign invested enterprises (such as Hangzhou HollySys) are required to apply for "Foreign Exchange Registration Certificates" and to renew those certificates annually. However, even with that certification, conversion of currency in the "capital account" (e.g. for capital items such as direct investments or loans) still requires the approval of SAFE. After the consummation of the acquisition of Beijing HollySys stock by Gifted Time Holdings from Advance Pacific, Beijing HollySys will change from a PRC domestic enterprise to a foreign invested enterprise that is qualified to apply for the "Foreign Exchange Registration Certificate." The current foreign exchange measures may be changed in a way that will make payment of dividends and other distributions outside of China more difficult or unlawful. In that case, if HollySys intended to distribute profits outside of the PRC, it might not be able to obtain sufficient foreign exchange to do so.

As a result of merger and acquisition regulations implemented on September 8, 2006 relating to acquisitions of assets and equity interests of Chinese companies by foreign persons, it is expected that certain acquisitions will take longer and be subject to the scrutiny and approval of the PRC government authorities such that we may not be able to complete business combinations or acquisitions planned for our future growth.

As described above, the foreign ownership history of Hangzhou HollySys predates the merger and acquisition regulations (the “M&A regulations”) adopted by the Commerce Authority and several other governmental agencies, effective September 8, 2006.

On September 8, 2006, the Commerce Authority, in conjunction with several other government agencies, promulgated a comprehensive set of regulations governing the process by which a Chinese company must secure approval to participate in an acquisition of its assets or its equity interests and by which a Chinese company may obtain public trading of its securities on a securities exchange outside the PRC. The new regulations have largely centralized the approval process that had formerly been carried out by a combination of provincial and central government agencies within the Commerce Authority, the Administration of Industry and Commerce, the State Administration of Foreign Exchange (SAFE) or its branch offices, the State Asset Supervision and Administration Commission, and the China Securities Regulatory Commission (CSRC) and also expanded the scope of the prior regulations.

Depending on the structure of the transaction at issue, these regulations may require the Chinese parties to make a series of applications and supplemental applications to the aforementioned agencies, some of which must be made within strict time limits and require approvals from one or the other of the aforementioned agencies. The application process has been supplemented to require the presentation of economic data concerning a transaction, including appraisals of the business to be acquired and valuation of the acquirer to permit the government to assess the fairness of the economics of a transaction in addition to its compliance with legal requirements. If obtained, approvals will have expiration dates by which a transaction must be completed. Also, completed transactions must be reported to the Commerce Authority and some of the other agencies within a short period after closing or be subject to an unwinding of the transaction.

HLS intends to grow its operations through acquisitions and business combinations with other companies, including companies in China, and such acquisitions and business combinations may be subject to the M&A regulations and governmental approvals described above. It is expected that compliance with the M&A regulations will be more time consuming than in the past, will be more costly for the Chinese parties and will permit the government much more extensive evaluation and control over the terms of the transaction. Therefore, it may not be possible to complete certain acquisitions in China because the terms of the transaction may not satisfy the criteria used in the approval process or, even if approved, if they are not consummated within the time permitted by the approvals granted.

Because the PRC merger and acquisition regulations of September 8, 2006 permit the government agencies to scrutinize the economics of an acquisition transaction and require consideration in a transaction to be paid within stated time limits, we may not be able to negotiate a business combination that is acceptable to our stockholders or sufficiently protect their interests in a business combination.

The M&A regulations have introduced aspects of economic and substantive analysis of the target business and the acquirer and the terms of the transaction by the Commerce Authority and the other governing agencies by requiring submission of an appraisal report, an evaluation report and the acquisition agreement, all of which form part of the application for approval. The regulations also prohibit a transaction at an acquisition price that is obviously lower than the appraised value of the Chinese business or assets. The regulations require that in certain transaction structures, the consideration must be paid within strict time periods, generally not in excess of one year. Because the Chinese authorities have expressed concern with offshore transactions which converted PRC domestic enterprises into foreign invested enterprises, the new regulations require that there be new foreign-sourced capital of not less than 25% of the PRC domestic enterprise’s post-acquisition registered capital in order to obtain foreign investment enterprise treatment. In asset transactions there must be no harm to third parties or the public interest as a result of the allocation of assets and liabilities being assumed or acquired. These aspects of the regulations may limit our ability to negotiate various terms of an acquisition, including aspects of the initial consideration, contingent consideration, holdback provisions, indemnification provisions and provisions relating to the assumption and allocation of assets and liabilities. Therefore, in any future business combinations or acquisitions of Chinese companies, we may not be able to negotiate a

transaction with terms that will satisfy both the requirements of the Chinese regulations and protect our stockholders' interests.

The PRC merger and acquisition regulations of September 8, 2006 have introduced industry protection and anti-trust aspects to the acquisition of Chinese companies and assets which may limit our ability to effect a future business combination to grow our operations.

The PRC M&A regulations give the approving agencies authority to restrict foreign ownership of Chinese domestic enterprises engaged in "important industries." The regulatory agencies have some discretion in determining whether a Chinese company fits within that category, but among the transactions that may be subject to these restrictions are those involving companies whose acquisition by foreign interests may affect national economic security or result in the transfer of "actual control" of companies having "famous Chinese brand names" or "well established Chinese brand names." The merger and acquisition regulations also provide for antitrust review for certain large transactions or transactions involving large companies, as well as roll-up transactions with the same effect in the relevant Chinese market. In addition, certain mergers and acquisitions among foreign companies occurring outside of the PRC could also be subject to antitrust review in China similar to those done under United States anti-trust law concepts. The regulations use criteria related to economic aspects of the parties or markets involved to determine if a transaction is subject to scrutiny, including any one of the following: level of sales or assets within China, control of 20% or more of the Chinese market on a pre-transaction basis, or control of 25% or more of the Chinese market as a result of the transaction. Exemptions may be sought from the Commerce Authority and Administration of Industry and Commerce on the basis that: (i) the transaction will improve market competition, (ii) the transaction will restructure unprofitable entities and ensure employment, (iii) the transaction will introduce high technologies and increase international competitiveness, and (iv) the transaction will improve the environment.

Although the merger and acquisition regulations provide specific requirements and procedures, there are many ambiguities which give the regulators wide latitude in the approval process, which will cause uncertainty in our ability to complete any future business combination on a timely basis.

The merger and acquisition regulations set forth many specific requirements, but there are still many ambiguities in the meaning of many provisions that will be resolved only as practices and standards under the regulations develop. Further regulations are anticipated in the future, but until there has been clarification either by pronouncements, regulation or practice, there is some uncertainty in the scope of the regulations and the manner in which they will apply, and the effect that they will have, on any particular transaction. Moreover, the ambiguities allow the regulators wide latitude in the enforcement of the regulations and in determining the transactions to which they may or may not apply. Therefore, we cannot predict with certainty the extent to which the regulations will apply to any future proposed business combination for the growth of our operations or the nature of the impact that they will have on the proposed business combination.

HollySys will be subject to various tax regimes, so any change in tax laws and regulations in any one of the relevant jurisdictions may result in reduced profitability and an increase in tax liabilities.

Upon consummation of the stock purchase transaction, we will have operations in the PRC and subsidiaries in the PRC and the BVI, and to the extent HollySys expands to other emerging markets we would have operations in other jurisdictions. We will be subject to the tax regimes of the countries where we have operations or subsidiaries. Any change in tax laws and regulations or the interpretation or application thereof, either internally in one of those jurisdictions or as between those jurisdictions, may adversely affect our profitability and tax liabilities.

Following the share purchase, Advance Pacific will own approximately 73% of our common stock and may act, or prevent certain types of corporate actions, to the detriment of other stockholders.

Immediately after the consummation of the share purchase transaction and the exchange offer, Advance Pacific will own approximately 73% of our outstanding common stock. Accordingly, Advance Pacific may exercise significant influence over all matters requiring stockholder approval, including the election of a majority of the directors and the determination of significant corporate actions. This concentration could increase if the earnout shares are issued. If all of the earnout shares are issued as additional consideration to Advance Pacific (which would occur, if ever, from 2007 through 2011) and assuming there are no other issuances of shares, then Advance Pacific will own approximately 83% of the issued and outstanding common stock of HLS, and existing Chardan stockholders will own approximately 17% of the issued outstanding common stock of HLS. This concentration could also have the effect of delaying or preventing a change in control that could otherwise be beneficial to our stockholders.

The obligation of our controlling stockholder following the stock purchase to repay \$230 million may affect HollySys and/or lead to a change of control.

Advance Pacific Holdings Limited acquired the outstanding shares of common stock of Gifted Time Holdings, which will be converted into approximately 73% of the outstanding shares of our common stock upon consummation of the share purchase transaction, in exchange for promissory notes with an aggregate value of \$230 million, \$30 million of which has been repaid. Other than its ownership interest in Gifted Time Holdings (and following the share purchase transaction, HLS) Advance Pacific does not have any assets to satisfy these obligations. The cash that Advance Pacific will receive upon closing of the share purchase transaction will be less than \$30 million, and its right to receive that cash has been assigned to Gifted Time in order to repay a portion of a loan made by Gifted Time to Advance Pacific. Since we do not anticipate paying dividends, Advance Pacific will need to satisfy its remaining obligations by entering into a new credit arrangement or by selling some or all of its shares of HLS, with the proceeds of such transaction being used to pay Advance Pacific's outstanding debt. Those potential transactions could result in a change of control. Persons in control of HLS, whether Advance Pacific or any transferees of its interests, could attempt to

take actions, including, for example, changing the Board of Directors or influencing the Board to sell some or all of the interests in the PRC operating companies and making a cash distribution to stockholders, that could adversely affect the long-term interests of HLS or the other stockholders.

There may not be an active, liquid trading market for our common stock, and the trading price for our common stock may fluctuate significantly.

Our common stock is currently traded on the Over the Counter Bulletin Board. While we have filed an application for listing on the Nasdaq Global Market, our listing application may not be accepted. If we do not succeed in securing a listing on the Nasdaq Global Market, it could limit the ability to trade our common stock and result in a reduction of the price that can be obtained for shares being sold.

Compliance with all of the applicable provisions of the Sarbanes-Oxley Act will likely be a further condition of continued listing or trading. There is no assurance that if we are granted a listing on the Nasdaq Global Market we will always be able to meet the Nasdaq Global Market listing requirements, or that there will be an active, liquid trading market for our common stock in the future. Failure to meet the Nasdaq Global Market listing requirements could result in the delisting of our common stock from the Nasdaq Global Market, which may adversely affect the liquidity of our shares, the price that can be obtained for them, or both.

Chardan's Board approved the transaction without obtaining a fairness opinion.

Based upon the directors' extensive experience in performing due diligence of acquisition targets and in valuing companies, Chardan did not obtain a fairness opinion with respect to the stock purchase transaction. If the Chardan Board erred in concluding that the Stock Purchase Agreement is in the best interest of the Chardan stockholders, then the Chardan stockholders will suffer adverse consequences associated with the consummation of the transaction. In the event of litigation over the Board's exercise of its fiduciary duties, Chardan may be required to indemnify its directors. At a minimum, any litigation would divert management's time and attention from completing the transactions described herein, and would likely also involve the expenditure of substantial amounts for legal fees.

We may not pay cash dividends, so the liquidity of a stockholder's investment depends on his or her ability to sell the stock at an acceptable price, and the market price of the stock may fluctuate greatly.

We have never paid any cash dividends on our common stock, and we may not pay cash dividends in the future. Instead, we expect to apply earnings toward the further expansion and development of our business. Thus, the liquidity of your investment is dependent upon your ability to sell stock at an acceptable price, rather than receiving an income stream from it. The price of our stock can go down as well as up, and fluctuations in market price may limit your ability to realize any value from your investment, including recovering the initial purchase price.

FORWARD-LOOKING STATEMENTS

We believe that some of the information in this proxy statement/prospectus constitutes forward-looking statements within the definition of the Private Securities Litigation Reform Act of 1995. However, the safe-harbor provisions of that act do not apply to statements made in this proxy statement/prospectus. You can identify these statements by forward-looking words such as “may,” “expect,” “anticipate,” “contemplate,” “believe,” “estimate,” “intends,” and “continue” similar words. You should read statements that contain these words carefully because they:

- discuss future expectations;
- contain projections of future results of operations or financial condition; or
- state other “forward-looking” information.

We believe it is important to communicate our expectations to the Chardan stockholders. However, there may be events in the future that we are not able to predict accurately or over which we have no control. The risk factors and cautionary language discussed in this proxy statement/prospectus provide examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations described by Chardan or Gifted Time Holdings in its forward-looking statements, including among other things:

- the number and percentage of Chardan stockholders voting against the stock purchase proposal;
- the percentage of shares of Gifted Time Preferred exchanged for shares of HLS pursuant to the exchange offer;
- changing interpretations of generally accepted accounting principles;
- outcomes of government reviews, inquiries, investigations and related litigation;
- continued compliance with government regulations;
- legislation or regulatory environments, requirements or changes adversely affecting the businesses in which Gifted Time Holdings and HollySys are engaged;
- fluctuations in customer demand;
- management of rapid growth;
- timing of approval and market acceptance of new products;
- general economic conditions; and
- geopolitical events and regulatory changes.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this proxy statement/prospectus. All forward-looking statements included herein attributable to any of Chardan, HollySys or any person acting on either party’s 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, Chardan and HollySys undertake no obligations to update these forward-looking statements to reflect events or circumstances after the date of this proxy statement/prospectus or to reflect the occurrence of unanticipated events.

Before you grant your proxy or instruct how your vote should be cast or vote on the adoption of the stock purchase agreement you should be aware that the occurrence of the events described in the “Risk Factors” section and elsewhere in this proxy statement/prospectus could have a material adverse effect on Chardan, Gifted Time Holdings, HollySys or the combined company. The discussion in the “Risk Factors” section contains forward-looking statements.

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THE CHARDAN SPECIAL MEETING

Chardan Special Meeting

We are furnishing this proxy statement/prospectus to you as part of the solicitation of proxies by the Chardan board of directors for use at the special meeting in connection with the proposed stock purchase, redomestication merger and stock option plan. This document provides you with the information you need to know to be able to vote or instruct your vote to be cast at the special meeting.

Date, Time and Place

We will hold the special meeting at ____ a.m., Pacific Time, on _____, 2007 at 625 Broadway, Suite 1111, San Diego, California 92101, to vote on the proposals to approve the stock purchase agreement, the redomestication merger and stock option plan.

Purpose of the Special Meeting

At the special meeting, we are asking holders of Chardan common stock to:

- approve the stock purchase proposal;
- approve the redomestication merger proposal; and
- approve the stock option proposal.

The Chardan board of directors:

- has unanimously determined that the stock purchase proposal, the redomestication merger proposal and the stock option proposal are fair to and in the best interests of Chardan and its stockholders;
- has unanimously approved the stock purchase proposal, the redomestication merger proposal and the stock option proposal;
- unanimously recommends that Chardan common stockholders vote “FOR” the proposal to adopt the stock purchase agreement,
- unanimously recommends that Chardan common stockholders vote “FOR” the proposal to redomesticate in the British Virgin Islands; and
- unanimously recommends that Chardan common stockholders vote “FOR” the proposal to adopt the stock option plan.

Record Date; Who is Entitled to Vote

The “record date” for the special meeting is _____, 2007. Record holders of Chardan common stock at the close of business on the record date are entitled to vote or have their votes cast at the special meeting. On the record date, there were _____ outstanding shares of Chardan common stock.

Each share of Chardan common stock is entitled to one vote per share at the special meeting.

Pursuant to agreements with Chardan, any shares of Chardan common stock held by stockholders who purchased their shares of common stock prior to the initial public offering (except for shares those holders may have purchased in the public market) will be voted in accordance with the majority of the votes cast at the special meeting on the stock purchase and redomestication merger proposals.

Chardan's outstanding warrants do not have any voting rights, and record holders of Chardan warrants will not be entitled to vote at the special meeting.

Voting Your Shares

Each share of Chardan common stock that you own in your name entitles you to one vote. Your proxy card shows the number of shares of Chardan common stock that you own.

There are three ways to vote your shares of Chardan common stock at the special meeting:

- *You can vote by signing and returning the enclosed proxy card* . If you vote by proxy card, your "proxy," whose name is listed on the proxy card, will vote your shares as you instruct on the proxy card. **If you sign and return the proxy card but do not give instructions on how to vote your shares, your shares will be voted as recommended by the Chardan board "FOR " the adoption of the stock purchase proposal, the redomestication merger proposal, and the stock option plan proposal.**

- You can vote by telephone or on the internet by following the telephone or Internet voting instructions that are included with your proxy card. If you vote by telephone or by the Internet, you should not return the proxy card.
- *You can attend the special meeting and vote in person.* We will give you a ballot when you arrive. However, if your shares are held in the name of your broker, bank or another nominee, you must get a proxy from the broker, bank or other nominee. That is the only way we can be sure that the broker, bank or nominee has not already voted your shares.

If you do not vote your shares of Chardan Common Stock in any of the ways described above, it will have the same effect as a vote against the adoption of the stock purchase proposal and the redomestication merger proposal, but will not have the effect of a demand of conversion of your shares into a pro rata share of the trust account in which a substantial portion of the proceeds of Chardan's initial public offering are held or a demand for appraisal rights under Delaware law.

Who Can Answer Your Questions About Voting Your Shares

If you have any questions about how to vote or direct a vote in respect of your Chardan common stock, you may call Dr. Richard D. Propper, Chardan's chairman, (619) 795-4627.

Broker Non-Votes.

A broker non-vote occurs when a broker submits a proxy card with respect to shares held in a fiduciary capacity (typically referred to as being held in "street name") but declines to vote on a particular matter because the broker has not received voting instructions from the beneficial owner. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine matters, but not on non-routine matters. Routine matters include the election of directors and ratification of auditors. The matters currently planned to be considered by the shareholders are not routine matters. As a result, brokers can only vote the Chardan shares if they have instructions to do so. Abstentions and broker non-votes will not be counted in determining whether the proposals to be considered at the meeting are approved.

No Additional Matters May Be Presented at the Special Meeting

This special meeting has been called only to consider the adoption of the stock purchase proposal, the redomestication merger proposal and the stock option proposal. Under Chardan's by-laws, other than procedural matters incident to the conduct of the meeting, no other matters may be considered at the special meeting, if they are not included in the notice of the meeting.

Revoking Your Proxy

If you give a proxy, you may revoke it at any time before it is exercised by doing any one of the following:

- You may send another proxy card with a later date;
- You may notify Dr. Propper, Chardan's chairman, in writing before the special meeting that you have revoked your proxy; and
- You may attend the special meeting, revoke your proxy, and vote in person, as indicated above.

Vote Required

The presence, in person or by proxy, of a majority of all the outstanding shares of common stock constitutes a quorum at the special meeting. Proxies that are marked “abstain” and proxies relating to “street name” shares that are returned to Chardan but marked by brokers as “not voted” will be treated as shares present for purposes of determining the presence of a quorum on all matters. The latter will not be treated as shares entitled to vote on the matter as to which authority to vote is withheld by the broker (“broker non-votes”). If you do not give the broker voting instructions, under the rules of the NASD, your broker may not vote your shares on the proposals to approve the stock purchase, the redomestication merger or the stock option plan.

The approval of the stock purchase and redomestication merger proposals will require the affirmative vote of the holders of a majority of the Chardan common stock outstanding on the record date. Because each of these proposals require the affirmative vote of a majority of the shares of common stock outstanding and entitled to vote, abstentions and shares not entitled to vote because of a broker non-vote will have the same effect as a vote against the proposal. Under Chardan’s Certificate of Incorporation, approval of the stock purchase also requires approval of a majority of the shares issued in Chardan’s initial public offering in August 2005. Since stockholders of Chardan prior to the initial public offering have agreed to vote their shares in accordance with the vote of a majority of the shares issued in the initial public offering, the required approval of a majority of shares outstanding will be achieved if, and only if, a majority of the shares issued in the initial public offering vote in favor of the proposals.

For consummation of the stock purchase agreement, the redomestication merger proposal must be approved by the stockholders. For the redomestication merger to be implemented, the stock purchase proposal must be approved by the stockholders.

The approval of the stock option plan will require the affirmative vote of a majority of the Chardan common stock present and entitled to vote at the meeting. Abstentions are deemed entitled to vote on the proposal, therefore, they have the same effect as a vote against the proposal. However, broker non-votes are not deemed entitled to vote on the proposal, so, they will have no effect on the vote on the proposal.

Conversion Rights

Any stockholder of Chardan holding shares of common stock issued in Chardan's initial public offering who votes against the stock purchase proposal may, at the same time, demand that Chardan convert his or her shares into a pro rata portion of the trust account as of the record date. If the stockholder makes that demand and the stock purchase is consummated, Chardan will convert these shares into a pro rata portion of funds held in the trust account plus interest, as of the record date. A stockholder who has not properly exercised conversion rights may still exercise those rights prior to the special meeting by submitting a later dated proxy, together with a demand that Chardan convert his or her shares. After the special meeting, a Chardan stockholder may not exercise conversion rights or correct invalidly exercised rights.

You will lose your conversion rights if you submit an incomplete or untimely demand for conversion. To exercise conversion rights a Chardan stockholder must:

- vote against the stock purchase proposal;
- contemporaneous with that vote against the stock purchase proposal, send a written demand to Chardan (Attn: Corporate Secretary) at 625 Broadway, Suite 1111, San Diego, CA 92101, which demand must state:
 - a) the name and address of the stockholder;
 - b) that the stockholder has voted against the stock purchase transaction;
 - c) that the stockholder demands conversion of the stockholder's shares into cash; and
 - d) the address for delivery of the check for the aggregate conversion payment to be received by the stockholder if the shares are converted to cash.

If the stock purchase is approved by the Chardan stockholders and is consummated, Chardan will promptly pay to any holder who properly and timely demanded conversion and who has submitted the holder's stock certificate(s) to Chardan, the stockholder's pro rata portion of funds in the trust account. Any such payment will only be made after the holder submits his or her stock certificates to Chardan. The certificate(s) representing the shares being converted need not be submitted prior to the meeting or at the time that the converting shareholder votes against the transaction and submits the written demand for conversion, but only after the stock purchase has been approved. (Chardan recommends sending the certificate by registered mail with proper insurance, since risk of loss will remain with the stockholder until the certificate is received by Chardan). Chardan will not charge any stockholder for costs incurred by Chardan with respect to the exercise of conversion rights, such as the costs of converting shares from street name to a physical certificates.

The closing price of Chardan's common stock on _____, 2007 (the record date) was \$_____ and the per-share, pro-rata cash held in the trust account on that date was approximately \$_____. Prior to exercising conversion rights, Chardan stockholders should verify the market price of Chardan's common stock as they may receive higher proceeds from the sale of their common stock in the public market than from exercising their conversion rights, if the market price per share is higher than the conversion price.

If the holders of 1,150,000 or more shares of common stock issued in Chardan's initial public offering (an amount equal to 20% or more of these shares), vote against the stock purchase and demand conversion of their shares, Chardan will not be able to consummate the stock purchase.

If you exercise your conversion rights, then you will be exchanging your shares of Chardan common stock for cash and will no longer own these shares. You will be entitled to receive cash for these shares only if you continue to hold these shares through the effective time of the stock purchase and then tender your stock certificate to the combined company. Exercise of conversion rights will not affect any warrants held by that stockholder.

Appraisal Rights

Under Delaware corporate law, the redomestication merger of Chardan with HLS causes the stockholders of Chardan to have appraisal rights. This right is separate from the conversion rights of the holders of shares of Chardan common stock issued in the initial public offering. However, because the exercise of the appraisal rights and the conversion rights both require a tender of the holder's shares to Chardan, only one right may be elected in respect of the shares. If the redomestication merger is consummated, Chardan stockholders who choose not to vote in favor of the redomestication merger will have the right to elect an appraisal of the fair market value of their shares of Chardan common stock, and to receive the fair market value of such shares in lieu of the consideration contemplated by the redomestication merger and the merger agreement, in accordance with the provisions of Section 262 of the Delaware General Corporation Law. Unlike conversion rights in which the stockholder will receive a pro rata portion of the trust account as of the record date, stockholders who elect to exercise their appraisal rights will receive a value for their shares that is determined by an appraisal made by the Delaware Court of Chancery. Failure to properly exercise appraisal rights before the special meeting will result in loss of these rights. Exercise of appraisal rights will not affect any warrants held by that stockholder. See "The Chardan Redomestication Merger - Appraisal Rights" for more information about appraisal rights.

Solicitation Costs

Chardan is soliciting proxies on behalf of the Chardan board of directors. This solicitation is being made by mail but also may be made by telephone or in person. Chardan and its respective directors, officers and employees may also solicit proxies in person, by telephone or by other electronic means. In addition, the representatives and officers of HollySys are soliciting proxies and may solicit proxies in person, by telephone or by other electronic means. These persons will not be paid for these solicitation activities.

Chardan has not hired a firm to assist in the proxy solicitation process, but may do so if it deems this assistance necessary. Chardan will pay all fees and expenses related to the retention of any proxy solicitation firm.

Chardan will ask banks, brokers and other institutions, nominees and fiduciaries to forward its proxy materials to their principals and to obtain their authority to execute proxies and voting instructions. Chardan will reimburse them for their reasonable expenses.

Stock Ownership

At the close of business on the record date, Dr. Richard D. Propper, Kerry S. Propper, Jiangnan Huang, and Li Zhang, beneficially owned and were entitled to vote approximately 1,250,000 shares of Chardan common stock, or approximately 17.9% of the then outstanding shares of Chardan common stock, which includes all of the shares held by the directors and executive officers of Chardan and their affiliates. Those persons, who were stockholders of Chardan prior to its initial public offering of securities, have agreed to vote their shares (except for any shares they may have acquired in the public market) on the stock purchase and redomestication merger proposals in accordance with the majority of the votes cast by the holders of shares issued in Chardan's initial public offering.

Fairness Opinion

Chardan did not obtain a fairness opinion in respect of the acquisition of HollySys or the redomestication merger.

CONSIDERATION OF THE STOCK PURCHASE TRANSACTION

The following discussion of the principal terms of the stock purchase agreement dated February 2, 2006, as amended among Chardan and Advance Pacific is subject to, and is qualified in its entirety by reference to, the stock purchase agreement, as amended. A copy of the stock purchase agreement, as amended and restated, is attached as an annex to this proxy statement/prospectus and is incorporated in this proxy statement/prospectus by reference.

General Description of the Stock Purchase

Pursuant to the stock purchase agreement, Chardan has established a wholly owned subsidiary, HLS Systems International Ltd., under the laws of the British Virgin Islands, and Chardan will merge with and into HLS concurrently with the closing of the stock purchase. HLS will be the surviving entity, and the separate corporate existence of Chardan will cease at the effective time of the merger. Simultaneously with the merger, HLS will purchase all of the issued and outstanding common stock of Gifted Time Holdings, which in turn will own, or will have acquired the rights to control, 74.11% of the outstanding stock of Beijing HollySys Co., Ltd. and 89.64% of the outstanding stock of Hangzhou HollySys Automation Co., Ltd., including 29.64% owned by virtue of the fact that Beijing HollySys owns 40% of Hangzhou HollySys. We refer to HLS Systems International Ltd., after giving effect to completion of the stock purchase, as “HLS” or “the combined company.” As a result of the stock purchase, Advance Pacific will own approximately 73% of the outstanding shares of the combined company’s common stock, assuming full participation in the exchange offer and no conversions or exercise of appraisal rights and before any issuance of shares pursuant to the earn out provisions of the stock purchase agreement. If HLS issues the additional earnout shares as additional consideration to Advance Pacific, then Advance Pacific will own approximately 83% of the issued and outstanding common stock of HLS, and existing Chardan stockholders will own approximately 17% of the issued outstanding common stock of HLS. None of the foregoing percentages reflects the effect that an exercise of the currently outstanding warrants would have.

The original parties to the stock purchase agreement included Shanghai Jinqiaotong Industrial Development Co., Wang Changli, Cheng Wusi, Lou An, Team Spirit Industrial Limited and OSCAF International Co. Ltd. (the “Gifted Time Stockholders”). Shanghai Jinqiaotong Industrial Development Co., Wang Changli, Cheng Wusi and Lou An are stockholders of Beijing HollySys, and Team Spirit and OSCAF were stockholders of Hangzhou HollySys. Shanghai Jinqiaotong owns 20% of the total shares of Beijing HollySys. Wang Changli, Cheng Wusi and Lou An respectively own 14.23%, 30% and 9.88% of the total shares of Beijing HollySys. Wang Changli, Cheng Wusi and Lou An entered into a voting agreement in which Lou An and Cheng Wusi agreed to vote in concert with Wang Changli during the period from December 1, 2004 to December 31, 2006. On July 15, 2005, Shanghai Jinqiaotong entered into an Acknowledgement Letter in which it agreed to completely accept and follow the terms and conditions of the Voting Agreement signed by Wang Changli, Cheng Wusi and Lou An. Team Spirit and OSCAF each owned 30% of the total shares of Hangzhou HollySys, and both parties transferred their entire equity interest in Hangzhou HollySys to Gifted Time Holdings pursuant to share transfer agreements executed on January 12, 2006 in exchange for stock in Gifted Time Holdings. All the shares of common stock of Gifted Time Holdings held by the original parties to the stock purchase agreement were transferred in December 2006 to Advance Pacific Holdings Limited. Advance Pacific became a party to the stock purchase agreement.

Background of the Stock Purchase

The terms of the stock purchase agreement are the result of arm’s-length negotiations between representatives of Chardan and the original holders of Gifted Time Holdings. The following is a brief discussion of the background of Chardan’s efforts to identify potential candidates for a business combination, the selection of HollySys, and the negotiation of the stock purchase agreement and related transactions.

The Candidate Identification Process

Chardan was formed on March 10, 2005 to serve as a vehicle to accomplish a business combination with an unidentified operating business in the PRC that has its primary operating facilities located in any city or province north of the Yangtze River. Chardan completed an initial public offering on August 10, 2005, in which it raised net proceeds of approximately \$30 million. Of these net proceeds, approximately \$29.8 million were placed in a trust account immediately following the initial public offering and, in accordance with Chardan's Certificate of Incorporation, will be released either upon the consummation of a business combination or upon the liquidation of Chardan. Under the current terms of its Certificate of Incorporation, Chardan must liquidate unless it has consummated a business combination by February 10, 2007. If a letter of intent, agreement in principle or a definitive agreement to complete a business combination was executed but the transaction was not consummated prior to February 10, 2007, then it is not required to liquidate unless the business combination contemplated by such letter of intent, agreement in principle or definitive agreement is not consummated by August 10, 2007. The execution of the stock purchase agreement has extended the required liquidation date to August 10, 2007. Chardan anticipates having a stockholder vote on the proposed business combination, and if approved, to consummate the stock purchase, prior to that date.

In mid-August 2005, promptly after completing Chardan's public offering, the officers and directors of Chardan traveled to China to begin the initial interviewing and screening process to locate a company with which to effect a business combination, both with regard to Chardan and Chardan South China Acquisition Corporation ("Chardan South"), which has the same management team and board as Chardan. Chardan initially sought to identify acquisition candidates principally through the efforts of Jiangnan Huang and Li Zhang, officers and directors of Chardan. Both of these persons have extensive contacts throughout the business and legal community in the PRC.

In addition, Chardan began looking at companies introduced by both the Guantao Law Firm (“Guantao”) and Chum Investment Corporation (“Chum”), among others. Chum is a China-based investment firm engaged in private equity investment and financial advisory services focused on assisting companies with fund raising and going public. They help Chinese companies in need of capital to acquire it, and they help to facilitate transactions among companies. Its business scope is not limited to any stock exchange market or financing products.

On June 24, 2005, at a meeting held in Beijing, Chum introduced State Harvest Holdings, Ltd. to Chardan China Acquisition Corp. (now Origin Agritech, Ltd.), another blank check company that successfully concluded a business combination with State Harvest Holdings, Ltd. on November 8, 2005. Chardan China Acquisition Corp. had the same officers and directors as Chardan has. Chum became aware of Chardan’s public offering information from Chardan’s IPO registration statement, filed May 17, 2005. At some point in the few days following the filing of the IPO registration statement, Chum and Chardan had a brief discussion regarding the filing. In that discussion, Chum made known to Chardan that Chum was aware that the filing had occurred and advised Chardan that Chum wished to present candidates for a business combination with Chardan for evaluation, Chardan stated it would be pleased to consider any candidates that Chum might bring forward, but Chardan reminded Chum that it should provide no information to Chardan’s management about any potential targets before the IPO registration statement became effective. Neither in that call nor at any other time prior to the effective date of the IPO registration statement did Chum or anyone else provide Chardan with the identity of or any information about candidates until after Chardan’s public offering was concluded, nor did Chardan request that Chum make contact with anyone or any candidate on Chardan’s behalf.

As part of its ongoing business activities, Chum continued to seek out Chinese companies as clients for its services involving fund raising and assisting those clients in going public. At the time that Chardan’s public offering closed on August 10, 2005, Chum had as clients three Chinese companies that had an interest in a business combination with a blank check company, and upon the arrival of Chardan’s management team in China in mid-August 2005, Chum introduced those companies to Chardan. One of them was HollySys, another was a tire manufacturing company and the third was a china manufacturer. Chardan held several discussions with the tire manufacturer before it was determined not to be a suitable candidate for a business combination. The discussions with the china manufacturer did not progress beyond the preliminary stage.

Based on information provided to Chardan by Chum, HollySys had been known to Chum since January 2005, when Chum approached HollySys to discuss an investment by Chum in HollySys. Through Chum’s affiliated company, Shanghai Jin