D&G TECHNOLOGY HOLDING COMPANY LIMITED
德基科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1301

INTERIM REPORT 2015

The Perfect Mix

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Corporate Information

Board of Directors

Executive Directors

Mr. Choi Hung Nang *(Chairman)*
Ms. Choi Kwan Li, Glendy *(Chief Executive Officer)*
Mr. Choi Hon Ting, Derek
Mr. Liu Tom Jing-zhi
Mr. Lao Kam Chi
Mr. Yu Ronghua

Non-Executive Director

Mr. Chan Lewis

Independent Non-Executive Directors

Mr. Law Wang Chak, Waltery
Mr. Li Zongjin
Mr. Lee Wai Yat, Paco
Mr. Fok Wai Shun, Wilson

Audit Committee

Mr. Law Wang Chak, Waltery *(Chairman)*
Mr. Lee Wai Yat, Paco
Mr. Li Zongjin
Mr. Fok Wai Shun, Wilson

Remuneration Committee

Mr. Fok Wai Shun, Wilson *(Chairman)*
Ms. Choi Kwan Li, Glendy
Mr. Law Wang Chak, Waltery

Nomination Committee

Mr. Choi Hung Nang *(Chairman)*
Mr. Li Zongjin
Mr. Lee Wai Yat, Paco

Company Secretary

Mr. To Kwong Yeung

Authorised Representatives

Ms. Choi Kwan Li, Glendy
Mr. To Kwong Yeung

Registered Office

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

7/F, Hing Lung Commercial Building
68-74 Bonham Strand
Sheung Wan
Hong Kong

Principal Place of Business in the PRC

No. 12 Yinghua Road
Yongqing Industrial Park
Yongqing County
Langfang City
Hebei Province
PRC

Hong Kong Share Registrar

Tricor Investor Services Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Auditors

KPMG, Certified Public Accountants

Legal Advisor

Minter Ellison

Principal Bankers

Industrial Bank Co., Ltd.
Nanyang Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

Compliance Adviser

Shenwan Hongyuan Capital (H.K.) Limited (formerly known as "Shenyin Wanguo Capital (H.K.) Limited")

Company Website

www.dgtechnology.com

Management Discussion and Analysis

Business Review

In the first half of 2015, D&G Technology Holding Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") continued to be a leading market player in the road construction and maintenance machinery industry focusing on medium to large scale asphalt mixing plants. The Group provided one-stop customised solutions to the customers in the PRC and overseas markets by specialising in the research and development, design, manufacturing and sale of conventional and recycling asphalt mixing plants.

The Group offered a full range of asphalt mixing plants from small to large scale to cater to the needs of different customers. The asphalt mixing plants can be divided into two main categories: (i) conventional hot-mix asphalt mixing plant ("**Conventional Plant**") and (ii) recycling hot-mix asphalt mixing plant ("**Recycling Plant**").

The Recycling Plants of the Group, in addition to producing regular asphalt mixtures, are also able to produce recycled asphalt mixtures which contain a combination of reclaimed asphalt pavement ("**RAP**") and new materials such as bitumen, aggregates and fillers. The designed RAP added capacity of the Recycling Plants ranges from 15% to 60%, representing reduction and savings in the use of new materials during the production of recycled asphalt mixtures. The use of Recycling Plants achieves the objectives of resources recycling and cost saving in the production of asphalt mixtures.

The asphalt mixtures produced by the asphalt mixing plants of the Group can be used in the construction and maintenance of all levels of roads and highways. During the first half of 2015, the Group continued to participate in the top-tier highways construction and maintenance projects in the PRC. There were 25 (2014: 25) asphalt mixing plants contracts completed by the Group during the period and the asphalt mixing plants were used in major highway construction and maintenance projects such as National Highway 310 Expansion Project (310國道改擴建工程), Jinan-Qingdao Expressway Expansion Project (濟青高速公路改擴建工程), Shiyan-Tianshui Expressway (十天高速公路), Yinchuan Yellow River Bridge (銀川黃河大橋), Quanzhou City Highway (泉州環城高速公路) and Zhengzhou Port Municipal Project (鄭州港區市政建設). Demand for Recycling Plants from the market and customers continued to grow which resulted in an increase of 18.7% of turnover from sales of Recycling Plants. Revenue from Recycling Plants accounted for 64.2% (six months ended 30 June 2014: 62.0%) of sales of asphalt mixing plants during the period. In addition, the Group continued to develop overseas market and completed projects in Russia and India during the period.

Our operating lease business of asphalt mixing plants continued to develop significantly amid the strong market demand and customised solutions offered to the customers. During the period, the number of asphalt mixing plants under operating leases increased from 5 to 7. The asphalt mixing plants leased by the Group during the period were used in major highways construction and maintenance projects such as the Beijing-HongKong-Macau Expressway Expansion (京港澳高速改擴建), Yuexi-Wuhan Expressway (岳武高速) and Chaozhou-Huizhou Expressway (潮惠高速).

Research and Development

To maintain our position as a leading market player in the road construction and maintenance machinery industry focusing on medium to large scale asphalt mixing plants, we continued to maintain the strong research and development capabilities. As at 30 June 2015, the Group had 40 registered patents (of which 3 were invention patents), 3 pending patent registration and 22 software copyrights.

In addition, the Group continued to cooperate with the Research Institute of Highway, Ministry of Transport (交通運輸部公路科學研究院) and Institute of Tsinghua University, Hebei (河北清華發展研究院) in a number of national technical support projects focusing on the energy saving, emission reduction, environmental protection and recycling aspects of resources recycling. The current research and development projects include "Asphalt Pavement Recycling Technology Equipment and Demonstration" (廢舊瀝青路面再生利用技術裝備及示範) and "Design Optimisation of the Asphalt Mixing Plant Drying System and the Development of New Technologies" (瀝青攪拌站烘乾系統的設計優化和新技術開發). Langfang D&G Machinery Technology Company Limited, the major subsidiary of the Company, qualifies as a high-technology enterprise under the tax law and is entitled to a preferential income tax rate of 15%.

Management Discussion and Analysis

Marketing

The Group placed great emphasis on the marketing and promotion of the brands, products and services offered. The Group developed its sales and marketing platform with its own sales network and distributors in the PRC as well as the overseas markets. The Group continuously offered customised solutions, distinguishing features and highly-reliable products to seize local and global opportunities in the road construction and maintenance industry. During the period, the Group held and participated in various promotional events, exhibitions and technical seminars in the PRC and overseas, such as the Hefei Transport Construction Hot-Mix Recycling Technology Seminar (合肥交建熱再生技術交流會). Project Qatar 2015 which is an important exhibition for Qatar's fast growing construction sector, and CTT Moscow 2015 which is the biggest yearly construction equipment exhibition in Russia.

The Group is also taking advantage of various online platforms including international B2B web platform, mobile website and WeChat platform to better serve the customers and promote the brand, products and services of the Group. All these online platforms are expected to be ready in the second half of the year.

Financial Review

During the six months ended 30 June 2015, the Group achieved a healthy and solid growth of business as a result of the execution of the strategies for the sustainable growth of the business of the Group. The Group recorded an aggregate turnover of RMB197,188,000 (six months ended 30 June 2014: RMB169,559,000) for the six months ended 30 June 2015, representing an increase of 16.3% as compared to the same period of last year. Gross profit for the period increased from RMB68,345,000 for the six months ended 30 June 2014 to RMB79,965,000 for the six months ended 30 June 2015, representing an increase of 17.0%. Gross profit margin slightly increased 0.3 percentage point from 40.3% to 40.6%. Profit attributable to equity shareholders of the Company was RMB18,589,000 (six months ended 30 June 2014: RMB13,468,000), representing an increase of 38.0% as compared to the same period of last year. Profit attributable to equity shareholders of the Company before listing expenses was RMB30,389,000 (six months ended 30 June 2014: RMB13,468,000), representing an increase of 125.6% as compared to the same period of last year.

	Six months ended 30 June		
	2015 RMB'000	2014 RMB'000	Change
Sales of asphalt mixing plants	**174,460**	152,230	+14.6%
Sales of spare parts and provision of equipment modification services	**12,932**	11,980	+7.9%
Operating lease income of asphalt mixing plants	**9,796**	5,349	+83.1%
	197,188	169,559	+16.3%

Management Discussion and Analysis

Sales of Asphalt Mixing Plants

	Six months ended 30 June		
	2015	2014	Change
	RMB'000	RMB'000	
Turnover	**174,460**	152,230	+14.6%
Gross profit	**68,365**	60,151	+13.7%
Gross profit margin	**39.2%**	39.5%	-0.3pp
Number of contracts	**25**	25	–
Average contract value (RMB'000)	**6,978**	6,089	+14.6%

Turnover from the sales of asphalt mixing plants increased primarily because of the increase in average contract value completed during the period. The demand for large capacity and high degree of customisation of asphalt mixing plants from the customers generally resulted in the increase in the average contract value from RMB6,089,000 to RMB6,978,000 of the projects completed during the period. Gross profit margin continued to maintain at a satisfactory and high level of 39.2% during the period.

By types of plants

	Six months ended 30 June		
	2015	2014	Change
	RMB'000	RMB'000	
Recycling Plant			
Turnover	**112,062**	94,375	+18.7%
Gross profit	**44,026**	38,638	+13.9%
Gross profit margin	**39.3%**	40.9%	-1.7pp
Number of contracts	**16**	15	+1
Average contract value (RMB'000)	**7,004**	6,292	+11.3%
Conventional Plant			
Turnover	**62,398**	57,855	+7.9%
Gross profit	**24,339**	21,513	+13.1%
Gross profit margin	**39.0%**	37.2%	+1.8pp
Number of contracts	**9**	10	-1
Average contract value (RMB'000)	**6,933**	5,786	+19.8%

Turnover from the sales of Recycling Plants increased by 18.7% which was mainly as a result of increase in average contract value of 11.3% during the period. The increase in average contract value was mainly resulted from the demand for high capacity and high degree of customisation of asphalt mixing plants from customers. Gross profit margin slightly decreased from 40.9% to 39.3% during the period primarily because the gross profit of overseas sales of Recycling Plants were relatively low in order to further penetrate into the India market. Gross profit margin of Recycling Plants sold in the PRC continued to grow from 41.7% and reached 42.0% during the period.

Turnover from the sales of Conventional Plants increased by 7.9% primarily because the average contract value increased significantly during the period. The increase in average contract value was mainly resulted from the demand for high capacity asphalt mixing plants from the customers. Gross profit margin also increased by 1.8 percentage point as benefited from the increase in average contract value.

By geographical location

	Six months ended 30 June		
	2015 RMB'000	2014 RMB'000	Change
PRC			
Turnover	**161,566**	127,768	+26.5%
Gross profit	**66,021**	52,139	+26.6%
Gross profit margin	**40.9%**	40.8%	+0.1pp
Number of contracts	**22**	20	+2
Average contract value (RMB'000)	**7,344**	6,388	+15.0%
Overseas			
Turnover	**12,894**	24,462	-47.3%
Gross profit	**2,344**	8,012	-70.7%
Gross profit margin	**18.2%**	32.8%	-14.6pp
Number of contracts	**3**	5	-2
Average contract value (RMB'000)	**4,298**	4,892	-12.1%

Turnover from the sales in the PRC increased primarily because of the increase number of contracts as well as the increase in average contract value. Gross profit margin remained high and stable at 40.9%.

Turnover from overseas sales included direct export and indirect export to overseas markets. Such amount decreased mainly because of the decrease in number of contracts completed and the decrease in average contract value during the period. Decrease in the number of contracts completed overseas was mainly because there were seven asphalt mixing plants pending for acceptance from customers or delivery which were recognised as inventory as at 30 June 2015 and recognised as revenue subsequent to the period end date. Gross profit margin decreased by 14.6 percentage points mainly because the Group adopted an aggressive pricing strategy in India in order to further penetrate into this overseas market.

Sales of Spare Parts and Components and Provision of Equipment Modification Services

	Six months ended 30 June		
	2015 RMB'000	2014 RMB'000	Change
Turnover	**12,932**	11,980	+7.9%
Gross profit	**5,340**	4,841	+10.3%
Gross profit margin	**41.3%**	40.4%	+0.9pp

The Group sold spare parts and components for the asphalt mixing plants to our customers as value-added services. The Group also provided equipment modification services, including modifying Conventional Plants, installing key components with recycling functions, upgrading control systems and other customised services.

Turnover from the sales of spare parts and components and provision of equipment modification services increased healthily during the period. Gross profit margin also further improved by 0.9 percentage point during the period.

Management Discussion and Analysis

Operating Lease of Asphalt Mixing Plants

	Six months ended 30 June		
	2015	2014	Change
	RMB'000	RMB'000	
Turnover	**9,796**	5,349	+83.1%
Gross profit	**6,260**	3,353	+86.7%
Gross profit margin	**63.9%**	62.7%	+1.2pp
Number of plants held for operating lease	**7**	5	+2

The Group offered operating lease of asphalt mixing plants directly to our customers. The lease contracts entered into with the customers generally had provisions on rental per tonne and minimum production quantity commitment.

Turnover from operating lease of asphalt mixing plants increased significantly primarily because the number of asphalt mixing plants under operating lease contracts increased from 5 to 7 during the period as a result of the strong demand from the customers. The average rental per tonne of asphalt mixture produced was approximately RMB15. Gross profit margin continued to increase and reached 63.9% during the period.

Other revenue and net income

During the six months ended 30 June 2015, other revenue and net income mainly represented bank interest income and government grants.

Distribution costs

Distribution costs mainly consisted of staff costs of our sales and marketing staff, distribution fees to our distributors, freight and transportation expenses, and marketing expenses. Distribution costs remained stable during the period and represented about 10.8% (2014: 10.9%) of turnover for the six months ended 30 June 2015.

Administrative expenses

Administrative expenses mainly included staff costs, research and development expenses, professional fees, provision for bad debts and depreciation. Administrative expenses increased by approximately RMB5,163,000 or 17.3%, from RMB29,772,000 for the six months ended 30 June 2014 to RMB34,935,000 for the six months ended 30 June 2015, primarily due to the charge of listing expenses of RMB11,800,000 in the first half of 2015, offset by the decrease in provision of impairment losses of trade receivables of RMB2,472,000. During the period, administrative expenses accounted for 17.7% (six months ended 30 June 2014: 17.6%) of turnover.

Finance costs

Finance costs mainly included interest expenses on interest-bearing bank loan and borrowings.

Income tax

The effective tax rate for six months ended 30 June 2015 amounted to 21.7% (six months ended 30 June 2014: 17.9%), mainly because of the preferential income tax rate of 15% entitled by our subsidiary in the PRC as a "high-technology enterprise". Increase in the effective tax rate was mainly due to listing expenses which were not tax deductible.

Management Discussion and Analysis

Profit Attributable to Equity Shareholders of the Company

Profit attributable to equity shareholders of the Company increased by about 38.0% from RMB13,468,000 for the six months ended 30 June 2014 to RMB18,589,000 for the six months ended 30 June 2015.

Profit attributable to equity shareholders of the Company before listing expenses significantly increased by 125.6% from RMB13,468,000 for the six months ended 30 June 2014 to RMB30,389,000 for the six months ended 30 June 2015.

Working Capital Management

Net current assets of the Group amounted to RMB625,838,000 (31 December 2014: RMB163,554,000) with a current ratio of 4.0 (31 December 2014: 1.5) times as at 30 June 2015. The shares of the Company ("**Share(s)**") were listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 May 2015 (the "**Listing Date**") with net proceeds from the global offering of approximately HK$334.4 million (equivalent to approximately RMB263.9 million). The unutilised net proceeds from the global offering placed with banks resulted in the significant increase in net current assets and current ratio as at 30 June 2015.

Inventories increased by RMB32,504,000, from RMB113,776,000 as of 31 December 2014 to RMB146,280,000 as at 30 June 2015. Inventory turnover days was 200 days for the six months ended 30 June 2015, representing an increase of 47 days as compared to 153 days for the year ended 31 December 2014. The increase in inventory turnover days was mainly because of increase of finished goods pending for delivery and acceptance by customers.

Trade and bills receivables increased by RMB56,016,000, from RMB313,020,000 as at 31 December 2014 to RMB369,036,000 as at 30 June 2015. Trade and bills receivables turnover days was 311 days for the six months ended 30 June 2015, representing an increase of 98 days as compared to 213 days for the year ended 31 December 2014. The increase in trade and bills receivables turnover days was mainly due to the increase in sales and delay in payments from some of our PRC customers due to the slow settlement of government fundings for the PRC road construction and maintenance projects. The Group believes that this was an industry wide phenomenon in the PRC. The Group has credit policy and internal control procedures in place to review and collect the trade receivables in order to improve the collection cycle.

Trade and bills payables increased by RMB49,150,000, from RMB72,985,000 as at 31 December 2014 to RMB122,135,000 as at 30 June 2015. Trade and bills payables turnover days was 150 days for the six months ended 30 June 2015, representing an increase of 48 days as compared to 102 days for the year ended 31 December 2014. The increase in trade and bills payables and trade and bills payables turnover days was mainly because of the extended payment to suppliers and subcontractors and the increased use of bills.

Management Discussion and Analysis

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flows and facilities granted by its principal bankers. The treasury policies and objectives of the Group is to lower finance costs while enhance returns on financial assets under a prudent and conservative approach. As at 30 June 2015, the Group had cash and cash equivalents of RMB304,337,000 (31 December 2014: RMB28,607,000). In addition, the Group had pledged deposits of RMB11,162,000 (31 December 2014: RMB6,575,000). As at 30 June 2015, the Group had loans and borrowings of RMB44,405,000 (31 December 2014: RMB162,546,000), which were denominated in Renminbi ("**RMB**"), repayable within one year or on demand and interest-bearing from 5.86% to 7.2% per annum. The gearing ratio, calculated as total loans and borrowings divided by equity attributable to the equity shareholders of the Company, amounted to 6% (31 December 2014: 61%). The decrease in gearing ratio was mainly because of the increase in equity as a result of the unutilised net proceeds from the global offering and the capitalisation of shareholder's loans.

During the six months ended 30 June 2015, the Group recorded a cash outflow from operating activities of RMB9,889,000 (six months ended 30 June 2014: RMB46,436,000). Net cash generated from investing activities amounted to RMB10,381,000 (2014: net cash used of RMB774,000) for the six months ended 30 June 2015. Net cash generated from financing activities for the six months ended 30 June 2015 amounted to RMB275,241,000 (six months ended 30 June 2014: net cash used of RMB6,502,000), which was mainly resulted from the net proceeds from the global offering.

Capital Commitments and Contingent Liabilities

As at 30 June 2015, the Group had no capital commitments in respect of plant, property and equipment.

Certain customers of the Group financed their purchase of the Group's machinery products through finance leases provided by third-party leasing companies. Under the third party leasing arrangement, the Group provided guarantee to the third-party leasing companies that in the event of customer default, the Group is required to make payment to the leasing companies for the outstanding lease payments due from the customer. At the same time, the Group is entitled to repossess and sell the leased machinery, and retain any net proceeds in excess of the guarantee payments made to the leasing companies. As at 30 June 2015, the Group's maximum exposure to such guarantees was RMB12,444,000 (31 December 2014: RMB32,684,000).

Pledge of Assets

As at 30 June 2015, property, plant and equipment and lease prepayments of RMB12,228,000 (31 December 2014: RMB12,663,000) and RMB5,422,000 (31 December 2014: RMB5,488,000), respectively, were pledged as securities for the banking facilities of the Group.

Foreign Exchange Risk

The reporting currency of the Group was RMB. The Group was exposed to foreign exchange risk primarily through sales and purchases which were denominated in a foreign currency including United States dollars and Euros. The appreciation or depreciation of RMB against these foreign currencies would increase or decrease the price of the Group's products which are sold to overseas market and may bring negative or positive impact on the Group's export sales. On the other hand, the appreciation or depreciation of RMB would also decrease or increase the cost of sales of the Group in respect of the purchases of raw material from overseas.

Significant Investments and Material Acquisitions

During the six months ended 30 June 2015, the Group did not have any significant investments or acquisitions.

Management Discussion and Analysis

Use of Proceeds

Net proceeds from the global offering were approximately RMB263.9 million (equivalent to approximately HK$334.4 million), after deducting the underwriting commissions and other listing expenses. The Group intends to apply such proceeds in a manner consistent with the intended use of proceeds as disclosed in the prospectus of the Company. As at 30 June 2015, the unutilised proceeds were deposited in licensed banks in Hong Kong.

As of 30 June 2015, the Group has utilised the net proceeds as set out below:

	Percentage to total amount	Net proceeds RMB'million	Utilised amount RMB'million	Unutilised amount RMB'million
Expansion of the manufacturing facilities				
Acquisition of land	15%	39.6	–	39.6
Development and construction of the manufacturing facilities	25%	65.9	–	65.9
Purchase equipment for the manufacturing facilities	10%	26.4	–	26.4
Research and development	20%	52.8	–	52.8
Development of new business	10%	26.4	–	26.4
Expansion of the sales and distribution networks and promotional activities	10%	26.4	–	26.4
Working capital and general corporate purposes	10%	26.4	–	26.4
	100%	263.9	–	263.9

Management Discussion and Analysis

Prospects

As a one-stop customised solution provider of asphalt mixing plants, the Group is confident that the continuous investment in highway infrastructure in the PRC will strengthen the demand for asphalt mixing plants. In particular, the demand for recycling plants will grow further as a result of the increased mileage of highway due for maintenance, favourable policies by the PRC government as well as the increasing motivation and awareness in recycling in the industry. Moreover, the Group has proven track record in selling asphalt mixing plants and providing customised solutions to customers overseas. With the initiative of "One Belt One Road" by the PRC government, the Group is set to expand overseas market business.

The Group is currently expanding the manufacturing facilities in Langfang to increase the production capacity. It is aimed to complete the expansion of manufacturing facilities in 2016 such that the increased production capacity is able to satisfy the increasing demand of the products in asphalt mixing plants in both PRC and overseas markets. The expansion plan is currently in progress.

The Group has a well-established research and development system to manage technological innovation. Recently, the Group is closely collaborating with its customer, Hunan Road & Bridge Construction Group Co., Ltd., in a large pavement maintenance project at the Hunan Litan section of the main National Shanghai-Kunming Expressway (滬昆高速). The project is deploying the Group's self-developed "drum dryer recycling technology" and is the first asphalt pavement project that adopts environmentally-friendly and low emission hot-mix plant recycling technology in the surface layer, which can bring significant saving in material costs. The recycling technology is used in a section around 88km long and around 35,000 tonnes of recycled asphalt mixtures are produced and paved. After completion and repeated testings, it is proven that the loading capacity, friction performance, rut-resistance, noise reduction and prevention of water penetration of the surface layer using the recycled asphalt mixtures are comparable to the new asphalt mixtures.

The Group is also collaborating with Ganyu Transport Bureau to participate in another large national road improvement project in Lianyungang Ganyu section of National Highway 310 (310國道). The project is deploying the Group's latest monoblock recycling plant to produce a total of 32,000 tonnes recycled asphalt mixtures. The Group expects that hot-mix plant recycling technology will become the trend of medium and large scale maintenance project in the PRC and will provide encouraging return to the Group in the near future.

With the initiative of "One Belt One Road" by the PRC government, the Group is prepared and ready to expand overseas market business. A new brand of asphalt mixing plants and solutions, PRIMACH, tailored for the market in the countries along the path of "One Belt One Road" will be launched in the second half of this year. Customised technology and solutions include simple assembly features, specific structure for convenient transportation and customised capacity and software to fit the needs of customers in these overseas countries. The Group will set up an office in Singapore in the second half of this year which serves as the primary regional office to coordinate and expand the business in this area. In addition, the Group will set up service centres in Russia, Middle East and India in the second half of this year to serve the increasing number of customers across the region. The Group believes that the overseas business will provide a favourable return to the Group and also bring a diversified and healthy revenue mix in the long run.

In addition, the Group has been looking for new business opportunities in the road construction and maintenance industry, in order to further expand the business along the industry. Looking ahead, the Group is confident and optimistic about the prospect of the business and is committed to achieve healthy, sustainable and diversified growth of business in the long run.

Other Information

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2015, the interests or short positions of the directors of the Company (the "**Directors**"), the chief executives of the Company (the "**Chief Executives**") and their associates in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

Name of Director	Long/Short position	Type of interest	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Company
Mr. Choi Hung Nang[1]	Long	Interest in controlled corporation	368,196,000	59.46%
Mr. Liu Tom Jing-zhi	Long	Interest in controlled corporation	13,500,000	2.18%
Mr. Lao Kam Chi	Long	Interest in controlled corporation	9,000,000	1.45%
Mr. Yu Ronghua[2]	Long	Interest in controlled corporation	13,500,000	2.18%
		Interests of parties to an agreement required to be disclosed under section 317 of the SFO	354,696,000	57.28%
Mr. Law Wang Chak, Waltery	Long	Beneficial owner	488,000	0.08%

Other Information

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2015, the following interests of 5% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Long/Short position	Type of interest	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Company
Prima DG Investment Holding Company Limited[1]	Long	Beneficial owner	345,696,000	55.82%
	Long	Interests of parties to an agreement required to be disclosed under section 317 of the SFO	22,500,000	3.64%
Mr. Choi Hung Nang[1]	Long	Interest in controlled corporation	368,196,000	59.46%
Ms. Tin Suen Chu[1]	Long	Interest of spouse	368,196,000	59.46%
Mr. Yu Ronghua[2]	Long	Interest in controlled corporation	13,500,000	2.18%
		Interests of parties to an agreement required to be disclosed under section 317 of the SFO	354,696,000	57.28%
43 Employees[3]	Long	Interests of parties to an agreement required to be disclosed under section 317 of the SFO	368,196,000	59.46%
34 Employees[4]	Long	Interests of parties to an agreement required to be disclosed under section 317 of the SFO	368,196,000	59.46%
Regal Sky Holdings Limited[5]	Long	Beneficial owner	50,304,000	8.12%
Ocean Equity Partners Fund L.P.[5]	Long	Interest in controlled corporation	50,304,000	8.12%
Ocean Equity Partners Fund GP Limited[5]	Long	Interest in controlled corporation	50,304,000	8.12%

Other Information

Notes:

1. Prima DG Investment Holding Company Limited ("**Prima DG**") directly held 55.82% of the issued share capital of the Company. Prima DG also entered into an agreement with each of (i) the 43 employee shareholders of DY Investment Holding Company Limited ("**DY Holding**"); (ii) the 34 employee shareholders of Decai Investment Holding Company Limited ("**Decai Holding**"); and (iii) Mr. Yu, the shareholder of Wonderful Investment Holding Company Limited ("**Wonderful Holding**"), for advancing a loan to each of them for paying up the nil-paid shares in DY Holding, Decai Holding and Wonderful Holding (collectively the "**Offshore Employee Holding Entities**"), respectively. The Offshore Employee Holding Entities in turn applied such capital to acquire Shares. Prima DG is deemed to be interested in all the Shares in which the Offshore Employee Holding Entities are interested by virtue of section 317 of the SFO.

   Prima DG is directly held as to 40% by Mr. Choi. Accordingly, by virtue of the SFO, Mr. Choi is deemed to be interested in all the Shares in which Prima DG is interested.

   Since Ms. Tin is the spouse of Mr. Choi, Ms. Tin is deemed to be interested in the same number of Shares in which Mr. Choi is interested by virtue of the SFO.

2. Mr. Yu directly held 100% of the issued share capital of Wonderful Holding which in turn held 2.18% of the Shares. Accordingly, by virtue of the SFO, Mr. Yu is deemed to be interested in all the Shares held by Wonderful Holding. Mr. Yu entered into an agreement with Prima DG for the borrowing of a loan to pay up the nil-paid shares in Wonderful Holding. Wonderful Holding in turn applied such capital to acquire the Shares. Mr. Yu was deemed to be interested in all the Shares in which Prima DG was interested by virtue of section 317 of the SFO.

3. DY Holding is wholly-owned by the following 43 employees of the Group: Chen Meiyun (陳美雲), Cao Wensheng (曹文聲), Chu Jindong (鉏金東), Guo Cheng (郭誠), Guo Shoushen (郭守慎), Guo Weiqun (郭維群), Hong Changbin (洪常斌), Li Chunsheng (李春生), Li Tong (李彤), Liu Xinping (劉新平), Wang Haijun (王海軍), Wang Naijun (王乃軍), Wang Wei (王威), Yang Xiaofeng (楊曉峰), You Lixin (游立新), Zeng Xianguang (曾憲廣), Zhou Shaofei (周紹飛), Zhou Xiang (周翔), Zhang Wenqiang (張文強), Lu Xiaofeng (盧曉峰), Zhao Xiongzhi (趙雄志), Liu Huixian (劉慧賢), Jiao Jie (焦潔), Guo Guangzhong (郭廣忠), Zhang Aijie (張愛傑), Hou Yinbo (侯印波), Hou Boxin (侯伯新), Hou Yinqi (侯印起), Bai Jinshan (白金山), Hao Hongliang (郝紅亮), Jia Li (賈莉), Xiao Guojun (肖國軍), Gao Zhijun (高志軍), Liu Qiaoxia (劉巧霞), Jiang Haijun (姜海軍), Zhao Xinli (趙欣麗), Tang Houyi (唐厚義), Wu Qiong (吳瓊), Du Ge (都戈), Liu Jinlong (劉金龍), Zhang Quanli (張全利), Hu Yanhong (胡雁鴻) and Cheng Wenqiu (成文秋).

   DY Holding held 0.73% of the Shares. Each of the 43 employee shareholders of DY Holding entered into an agreement with Prima DG for the borrowing of a loan to pay up the nil-paid shares in DY Holding. DY Holding in turn applied such aggregate capital to acquire Shares. Each of the 43 employee shareholders was deemed to be interested in all the Shares in which Prima DG and DY Holding were interested by virtue of section 317 of the SFO.

4. Decai Holding is wholly-owned by the following 34 employees of the Group: Wang Weiqun (王為群), Zhou Wei (周偉), Wei Jianqiang (魏建強), Zhang Chunzheng (張春錚), Li Xinwu (李新武), Duan Yongchang (段永昌), Sui Chunliang (隋春亮), Yu Honglin (于洪林), Wang Quanling (王全玲), Hao Yanwei (郝豔偉), Yang Zhen (楊震), Kang Guang (康光), Zhang Shuai (張帥), Chen Qingsong (陳青松), Dong Zhengwen (董政雯), Chen Chengguang (陳城光), Peng Jiang (彭江), Ma Wenqiang (馬文強), Li Liulin (李柳林), Zhou Yicheng (周釔成), Su Wenhua (蘇文華), Hu Zhenpeng (胡振鵬), Cao Wenbo (曹文波), Wang Yanguan (王燕關), Lu Jinbo (蘆金波), Zhang Jisheng (張吉生), Zhang Baohua (張保華), Bai Wenhai (白文海), Mu Guangya (穆光亞), Hou Guoling (侯國玲), Li Shumin (李樹民), Ma Lixin (馬立新), Li Zhonghua (李忠華) and Guan Xiangdong (關向東).

   Decai Holding held 0.73% of the Shares. Each of the 34 employee shareholders of Decai Holding entered into an agreement with Prima DG for the borrowing of a loan to pay up the nil-paid shares in Decai Holding. Decai Holding in turn applied such aggregate capital to acquire Shares. Each of the 34 employee shareholders was deemed to be interested in all the Shares in which Prima DG and Decai Holding were interested by virtue of section 317 of the SFO.

5. Regal Sky Holdings Limited, a company incorporated under the laws of the British Virgin Islands, is controlled by Ocean Equity Partners Fund L.P., which is an exempted limited partnership registered in the Cayman Islands. The general partner of Ocean Equity Partners Fund L.P. is Ocean Equity Partners Fund GP Limited.

Other Information

Share Option Scheme

The Company's share option scheme (the "**Share Option Scheme**") was adopted pursuant to the resolutions of all the shareholders passed on 6 May 2015. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of the employees, Directors and other selected participants.

The Board of Directors may at its absolute discretion (subject to any conditions as it may think fit) grant options to any executive, employee, director (including non-executive director and independent non-executive director) and any other eligible participants (the "**Eligible Participant**") upon the terms set out in the Share Option Scheme.

The subscription price of a Share payable on the exercise of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price shall at least be the highest of: (i) the nominal value of the Shares; (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of Offer, which must be a day on which the Stock Exchange is open for the business of dealing in securities ("**Business Day**"); and (iii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of offer or (where applicable) such price as from time to time adjusted pursuant to the Share Option Scheme. HK$1.00 is payable by an Eligible Participant on acceptance of an offer of option.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other schemes of our Group must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (the "**Limit**"), ie 60,000,000 Shares. Options which have lapsed in accordance with the terms of the Share Option Scheme (or any other schemes of our Group) will not be counted for the purpose of calculating the Limit. Subject to the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, our Company may refresh the Limit at any time provided that: (i) the Limit as refreshed does not exceed 10% of the Shares in issue as at the date of the approval by the refreshed Limit; (ii) the options previously granted (including those outstanding, cancelled, lapsed in accordance with the provisions of the Share Option Scheme or exercised options) will not be counted for the purpose of calculating the Limit as refreshed; and (iii) a circular containing the information and the disclaimer, respectively required under Rule 17.02(2)(d) and Rule 17.02(4) of the Listing Rules shall be despatched to the Shareholders together with the notice of the relevant general meeting.

The total number of Shares issued and which fall to be issued upon exercise of the options granted under the Share Option Scheme and any other schemes of our Group (including both exercised and outstanding options) to each Eligible Participant in any period of 12 consecutive months up to and including the date of grant of the options shall not exceed 1% of the Shares in issue as at the date of grant of the options.

Since the adoption of the Share Option Scheme, no options have been granted pursuant to the Share Option Scheme.

Other Information

Employees and Remuneration Policy

As at 30 June 2015, the Group had approximately 427 (31 December 2014: 422) employees. The total staff costs for the six months ended 30 June 2015 amounted to approximately RMB25,457,000 (six months ended 30 June 2014: RMB20,627,000).

The recruitment policy of the Group is based on performance of employee, market conditions, business demands and expansion plans. The Group offered different remuneration packages to the employees based on their position, including salaries, discretionary bonuses, contributions to pension schemes, housing and other allowances and benefits in kind subject to applicable laws, rules and regulations. The Group also provides training to employees on a regular basis. In accordance with the relevant requirements, the Group makes contributions to pension and provided other employees benefits.

The Group has adopted a Share Option Scheme pursuant to which employees may be granted options to subscribe for Shares as incentives or rewards for their service rendered to the Group. Since the adoption of the Share Option Scheme and up to 30 June 2015, no option has been granted.

Interim Dividend

No interim dividend was proposed by the Board for the six months ended 30 June 2015.

Purchase, Sale or Redemption of the Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities throughout the period commencing from the Listing Date to 30 June 2015.

Corporate Governance

The Company is committed to high standards of corporate governance practices. The Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules throughout the period commencing from the Listing Date to 30 June 2015.

Model Code for Securities Transactions

The Company has adopted the Model Code as its code of conduct for dealings in securities of the Company by Directors. Specific enquiry has been made to all the Directors and all the Directors have confirmed that they have complied with the Model Code throughout the period commencing from the Listing Date to 30 June 2015.

Review of Interim Report

The Company has an audit committee (the "**Audit Committee**") which was established in compliance with the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises four members, namely Mr. Law Wang Chak, Waltery (Chairman), Mr. Li Zongjin, Mr. Lee Wai Yat, Paco and Mr. Fok Wai Shun, Wilson. All of them are independent non-executive Directors. The interim report of the Group for the six months ended 30 June 2015 has been reviewed by the Audit Committee.

By order of the Board
D&G Technology Holding Company Limited
Choi Hung Nang
Chairman

Hong Kong, 27 August 2015

Report on Review of Interim Financial Report

Review report to the board of directors of D&G Technology Holding Company Limited
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 18 to 38 which comprises the consolidated statement of financial position of D&G Technology Holding Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") as at 30 June 2015 and the related consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at and for the six-month period ended 30 June 2015 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim financial reporting.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 August 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015 - unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2015 RMB'000	2014 RMB'000
Revenue	*4*	**197,188**	169,559
Cost of sales		**(117,223)**	(101,214)
Gross profit		**79,965**	68,345
Other revenue and net income	*5*	**809**	855
Distribution costs		**(21,289)**	(18,537)
Administrative expenses		**(34,935)**	(29,772)
Profit from operations		**24,550**	20,891
Finance costs	*6(a)*	**(818)**	(714)
Profit before taxation	*6*	**23,732**	20,177
Income tax	*7*	**(5,143)**	(3,616)
Profit for the period		**18,589**	16,561
Other comprehensive income for the period (after tax and reclassification adjustments) that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas entities		**(341)**	31
Other comprehensive income for the period		**(341)**	31
Total comprehensive income for the period		**18,248**	16,592
Profit for the period attributable to:			
Equity shareholders of the Company		**18,589**	13,468
Non-controlling interests		**–**	3,093
		18,589	16,561
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		**18,248**	13,499
Non-controlling interests		**–**	3,093
		18,248	16,592
Earnings per share			
Basic and diluted (RMB)	*8*	**0.044**	0.036

The notes on pages 22 to 38 form part of the interim financial report.

Consolidated Statement of Financial Position

At 30 June 2015 - unaudited
(Expressed in Renminbi)

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment	9	**74,833**	64,555
Lease prepayments		**5,422**	5,488
Trade and bills receivables	11	**18,546**	23,796
Other non-current assets		**2,230**	1,727
Deferred tax assets		**9,308**	7,960
Total non-current assets		**110,339**	103,526
Current assets			
Inventories	10	**146,280**	113,776
Trade and bills receivables	11	**350,490**	289,224
Other receivables	12	**20,376**	48,892
Pledged bank deposits		**11,162**	6,575
Cash and cash equivalents		**304,337**	28,607
Total current assets		**832,645**	487,074
Current liabilities			
Loans and borrowings	13	**44,405**	162,546
Trade and bills payables	14	**122,135**	72,985
Other payables	15	**36,300**	81,220
Income tax payable		**3,967**	6,769
Total current liabilities		**206,807**	323,520
Net current assets		**625,838**	163,554
NET ASSETS		**736,177**	267,080
CAPITAL AND RESERVES			
Share capital	16	**4,888**	–
Reserves		**731,289**	267,080
TOTAL EQUITY		**736,177**	267,080

The notes on pages 22 to 38 form part of the interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015 - unaudited
(Expressed in Renminbi)

	Attributable to equity holders of the Company								
	Share capital RMB'000 Note 16(a)	Share premium RMB'000 Note 16(b)	Capital reserves RMB'000	PRC statutory reserves RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014	93,500	–	31,436	20,918	1,534	102,101	249,489	95,976	345,465
Changes in equity for the six months ended 30 June 2014:									
Profit for the period	–	–	–	–	–	13,468	13,468	3,093	16,561
Other comprehensive income	–	–	–	–	31	–	31	–	31
Total comprehensive income	–	–	–	–	31	13,468	13,499	3,093	16,592
Balance at 30 June 2014	93,500	–	31,436	20,918	1,565	115,569	262,988	99,069	362,057
Balance at 1 January 2015	**–**	**–**	**65,290**	**27,584**	**4,445**	**169,761**	**267,080**	**–**	**267,080**
Changes in equity for the six months ended 30 June 2015:									
Profit for the period	**–**	**–**	**–**	**–**	**–**	**18,589**	**18,589**	**–**	**18,589**
Other comprehensive income	**–**	**–**	**–**	**–**	**(341)**	**–**	**(341)**	**–**	**(341)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(341)**	**18,589**	**18,248**	**–**	**18,248**
Capitalisation issue *(Note 16(a)(iii))*	**2,984**	**(2,984)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Capitalisation of shareholder's loans *(Note 16(a)(iii))*	**568**	**161,939**	**–**	**–**	**–**	**–**	**162,507**	**–**	**162,507**
Issue of ordinary shares by initial public offering, net of issuance costs *(Note 16(a)(iv))*	**1,336**	**287,006**	**–**	**–**	**–**	**–**	**288,342**	**–**	**288,342**
Balance at 30 June 2015	**4,888**	**445,961**	**65,290**	**27,584**	**4,104**	**188,350**	**736,177**	**–**	**736,177**

The notes on pages 22 to 38 form part of the interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2015 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Operating activities		
Cash used in operations	**(596)**	(36,292)
Income tax paid	**(9,293)**	(10,144)
Net cash used in operating activities	**(9,889)**	(46,436)
Investing activities		
Payment for purchase of property, plant and equipment	**(9,423)**	(1,223)
Proceeds from disposal of property, plant and equipment and non-current assets	**15,734**	34
Others	**4,070**	415
Net cash generated from/(used in) investing activities	**10,381**	(774)
Financing activities		
Proceeds from shareholder's loans	**45,833**	–
Proceeds from issue of ordinary shares by initial public offering, net of issuance costs	**289,571**	–
Payments of consideration payable for acquisition of equity interests in a subsidiary	**(52,917)**	–
Others	**(7,246)**	(6,502)
Net cash generated from/(used in) financing activities	**275,241**	(6,502)
Net increase/(decrease) in cash and cash equivalents	**275,733**	(53,712)
Cash and cash equivalents at beginning of period	**28,607**	67,407
Effect of foreign exchange rate changes	**(3)**	5
Cash and cash equivalents at end of period	**304,337**	13,700

The notes on pages 22 to 38 form part of the interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 Corporate Information

The Company was incorporated in the Cayman Islands on 11 September 2014 as an exempted company with limited liability under the Companies Law, (Cap. 22) (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to the completion of various steps of the group reorganisation, the Company became the holding company of the companies comprising the Group on 31 December 2014.

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 May 2015 (the "**Listing Date**").

The Group is principally engaged in manufacturing, distribution, research and development of asphalt mixing machinery.

2 Basis of Preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Listing Rules, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It was authorised for issue on 27 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 17.

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements.

3 Changes in Accounting Policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contribution*
- Annual improvements to HKFRSs 2010-2012 Cycle
- Annual improvements to HKFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

4 Revenue and Segment Reporting

(a) Revenue

The amount of each significant category of revenue recognised in revenue is as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Sales of asphalt mixing machinery	**174,460**	152,230
Sales of spare parts and provision of equipment modification services	**12,932**	11,980
Operating lease income of asphalt mixing machinery	**9,796**	5,349
	197,188	169,559

(b) Segment reporting

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the sales and operating lease of asphalt mixing machinery and other relevant spare parts and provision of equipment modification services.

(i) Information about geographical area

The following tables set out information about the geographical location of the Group's revenue from external customers. The geographical location of revenue is based on the selling location. All specified non-current assets are physically located in the PRC. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment.

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Revenue from external customers		
Mainland China	**183,970**	163,599
Outside Mainland China	**13,218**	5,960
	197,188	169,559

(ii) Information about major customers

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenues for each of the periods presented.

(Expressed in Renminbi unless otherwise indicated)

5 Other Revenue and Net Income

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Other revenue		
Interest income	**434**	415
Government grants *(Note (a))*	**169**	–
	603	415
Other net income		
Rental income from investment properties, net of direct operating expenses	**–**	677
Net loss on disposal of property, plant and equipment and other non-current assets	**(14)**	(118)
Others	**220**	(119)
	206	440
	809	855

(a) Government grants
Government grants mainly represent operating subsidies. There were no unfulfilled conditions and other contingencies attached to these grants.

6 Profit Before Taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
(a) Finance costs		
Interest on loans and borrowings wholly repayable within 5 years	**1,489**	821
Discounted bills interest	**146**	–
Net foreign exchange gain	**(817)**	(107)
	818	714

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

6 Profit Before Taxation (Continued)

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
(b) Staff costs		
Salaries and wages	**20,767**	16,702
Contributions to defined contribution retirement plans	**4,690**	3,925
	25,457	20,627

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
(c) Other items		
Depreciation		
Assets held for use under operating leases	**2,370**	1,580
Other assets	**2,233**	2,419
	4,603	3,999
Amortisation		
Lease prepayments	**65**	100
Intangible assets	**102**	113
	167	213
Operating lease charges	**699**	698
Research and development costs	**3,596**	4,203
Provision of impairment losses of trade receivables	**3,135**	5,607
Cost of inventories *(Note (i))*	**113,687**	99,218

Note:

(i) Cost of inventories includes RMB9,731,000 (six months ended 30 June 2014: RMB 7,686,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

7 Income Tax

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax for the period	**7,071**	4,592
Over-provision in prior year	**(580)**	–
Deferred tax	**(1,348)**	(976)
	5,143	3,616

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(ii) No provision for Hong Kong Profits Tax was made for the subsidiaries incorporated in Hong Kong as the subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during each of the six months ended 30 June 2015 and 2014. The payments of dividends by Hong Kong companies are not subject to any withholding tax.

(iii) According to the PRC Corporate Income Tax Law, the Company's PRC subsidiaries are subject to income tax at the statutory rate of 25%.

(iv) According to the PRC Enterprise Income Tax Law and its relevant regulations, entities that are qualified as high-technology enterprises under the tax law are entitled to a preferential income tax rate of 15%. The Company's subsidiary, Langfang D&G Machinery Technology Company Limited ("**LFDG**") obtained the renewal of its high-technology enterprise qualification on 19 September 2014, and completed the filing procedures with Langfang local tax authority on 10 April 2015. Accordingly, LFDG is entitled to preferential income tax rate of 15% for the years from 2014 to 2016.

8 Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB18,589,000 (six months ended 30 June 2014: RMB13,468,000) and the weighted average of 421,885,757 ordinary shares (six months ended 30 June 2014: 378,000,000 shares) in issue during the interim period.

The weighted average number of shares in issue during the six months ended 30 June 2015 is based on the assumption that 378,000,000 ordinary shares of the Company are in issue, comprising 8,400 shares in issue and 377,991,600 shares issued pursuant to the capitalisation issue, as if these shares were outstanding throughout the period from 1 January 2015 to the Listing Date, and reflects the weighting of 150,000,000 shares issued under initial public offering, 19,258,000 shares issued under over-allotment and 72,000,000 shares issued pursuant to the capitalisation of shareholder's loans. The weighted average number of shares in issue during the six months ended 30 June 2014 is based on the assumption that 378,000,000 shares of the Company are in issue, comprising 8,400 shares in issue and 377,991,600 shares issued pursuant to the capitalisation issue, as if the shares were outstanding throughout that period.

(Expressed in Renminbi unless otherwise indicated)

8 Earnings Per Share (Continued)

Weighted average number of shares

	Six months ended 30 June	
	2015	2014
Effect of shares issued on 31 December 2014	**8,400**	8,400
Effect of capitalisation issue on 27 May 2015	**377,991,600**	377,991,600
Effect of capitalisation of shareholder's loans on 27 May 2015	**13,922,652**	–
Effect of shares issued by public offering on 27 May 2015	**29,005,525**	–
Effect of shares issued by over-allotment on 22 June 2015	**957,580**	–
Weighted average number of shares	**421,885,757**	378,000,000

There were no dilutive potential ordinary shares during the six months ended 30 June 2015 and 2014, and therefore, diluted earnings per share is the same as the basic earnings per share.

9 Property, Plant and Equipment

During the six months ended 30 June 2015, additions to the Group's cost in items of property, plant and equipment amounted to RMB14,912,000 (six months ended 30 June 2014: RMB1,194,000).

10 Inventories

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Raw materials	**56,315**	42,624
Work in progress	**52,536**	51,813
Finished goods	**32,309**	15,382
Outsourcing materials	**5,120**	3,957
	146,280	113,776

No inventory provision was made as at 30 June 2015 and 31 December 2014.

(Expressed in Renminbi unless otherwise indicated)

11 Trade and Bills Receivables

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Trade receivables *(Note (a) and (b))*	**386,321**	329,248
Less: unrecognised interest income	**(1,060)**	(1,144)
	385,261	328,104
Less: provision for impairment	**(23,022)**	(19,887)
	362,239	308,217
Less: trade receivable due after one year *(Note (a))*	**(18,546)**	(23,796)
	343,693	284,421
Bills receivables	**6,797**	4,803
	350,490	289,224

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Payment terms of trade receivables

Trade receivables under credit sales arrangement are due for payment in accordance with specific payment terms as agreed with individual customers on a case by case basis, subject to the fulfillment of conditions as stipulated in the respective sales contracts. Customers are normally required to make an upfront payment or deposit based on certain percentage of the product price as agreed on a case by case basis. The remaining sum is usually being settled by way of instalments up to a period of 18 months after the date of delivery of products. Instalment payments with terms more than one year are discounted at a rate which approximates the debtor's borrowing rate in transactions with an independent lender under comparable terms and conditions. For the period ended 30 June 2015 and the year ended 31 December 2014, the weighted average discount rate was approximately 5.25% and 6.15% per annum, respectively. As at 30 June 2015 and 31 December 2014, trade receivables due after one year of RMB18,546,000 and RMB23,796,000 were presented net of unrecognised interest income of RMB167,000 and RMB322,000 respectively.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

11 Trade and Bills Receivables (Continued)

(b) Ageing analysis

An ageing analysis of the trade receivables, based on billing date of trade receivables (net of provision for impairment) as at the end of reporting period is as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Less than 3 months	**102,306**	109,260
3 to 6 months	**50,731**	78,019
6 to 12 months	**142,712**	43,485
Over 12 months	**66,490**	77,453
	362,239	308,217

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired, together with the amount of trade receivables with provision of impairment losses made, are as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Neither past due nor impaired	**227,131**	175,906
Less than 3 months past due	**35,769**	47,138
3 to 12 months past due	**39,246**	33,185
Over 12 months past due	**4,983**	5,051
Total amount past due but not impaired	**79,998**	85,374
Total amount of trade receivables with provision of impairment losses made	**55,110**	46,937
	362,239	308,217

(Expressed in Renminbi unless otherwise indicated)

11 Trade and Bills Receivables (Continued)

(c) Trade receivables that are not impaired (Continued)

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good payment track records with the Group and did not encounter financial difficulty or fail to fulfill their repayment plan. Based on past experience with these customers and evaluation of their current creditability, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

12 Other Receivables

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Prepayments to suppliers	**14,744**	22,849
Other receivables and deposits	**5,632**	6,690
Amounts due from third parties	**20,376**	29,539
Amounts due from related parties	**–**	19,353
	20,376	48,892

(Expressed in Renminbi unless otherwise indicated)

13 Loans and Borrowings

Loans and borrowings were repayable within one year or on demand and can be analysed as follows:

	Note	**Six months ended 30 June**	
		2015	2014
		RMB'000	RMB'000
Unsecured bank loans		**16,905**	4,533
Secured bank loans		**27,500**	32,000
Bank loan guaranteed by related parties	*19(d)*	**–**	9,459
Shareholder's loans (i)		**–**	116,554
		44,405	162,546

(i) During the six months ended 30 June 2015, Prima DG Investment Holding Company Limited ("**Prima DG**"), a limited liability company incorporated in the BVI beneficially owned by the Choi Family (Mr. Choi Hung Nang, Ms. Tin Suen Chu, Mr. Choi Hon Ting, Derek and Ms. Choi Kwan Li, Glendy), advanced an interest-free on-demand shareholder's loan to the Company between 7 January 2015 and 21 January 2015 in the aggregate amount of HK$58,120,000 (equivalent to approximately RMB45,333,600) which was in turn injected by the Company to Rich Benefit International Limited ("**Rich Benefit**"), and further by Rich Benefit to BW Enterprise Company Limited ("**BW Enterprise**"). BW Enterprise applied the full amount of such shareholder's loan from Rich Benefit to settle the payable for acquisition of the equity interests in LFDG held by Diamond Strong Limited ("**Diamond Strong**") in tranches, as part of the group reorganisation.

On 6 May 2015, the Company allotted and issued 72,000,000 new shares as full settlement of the shareholder's loans in the amount of HK$205,862,101 (equivalent to approximately RMB162,507,542) (see note 16(a)(iii)).

(ii) Certain banking facilities of a subsidiary of the Group are subject to the fulfilment of financial covenants relating to certain of the balance sheet ratios of that subsidiary, as are commonly found in lending arrangements with financial institutions. If the subsidiary were to breach the covenants the drawn down facilities would become repayable on demand. As at 30 June 2015, none of the covenants relating to drawn down facilities had been breached.

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(Expressed in Renminbi unless otherwise indicated)

14 Trade and Bills Payables

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Trade payables	**42,355**	35,158
Bills payables	**79,780**	37,827
	122,135	72,985

(i) All of the trade and bills payables are expected to be settled within one year.

An ageing analysis of the trade and bills payables is as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 3 months	**110,358**	40,636
After 3 months but within 6 months	**11,455**	32,014
After 6 months but within 1 year	**322**	335
	122,135	72,985

15 Other Payables

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Receipts in advance	**11,053**	3,551
Accrued expenses and other payables	**14,089**	14,103
Accrued staff costs	**7,480**	7,072
Product warranty provision	**1,591**	1,540
Sundry taxes payables	**1,994**	413
Amounts due to third parties	**36,207**	26,679
Amounts due to related parties	**93**	54,541
	36,300	81,220

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

16 Share Capital and Share Premium

(a) Share capital

(i) Ordinary shares

	Par Value HK$	At 30 June 2015 No. of shares '000	At 30 June 2015 HK$ '000	At 31 December 2014 No. of shares '000	At 31 December 2014 HK$ '000
Ordinary shares, issued and fully paid					
At 1 January	0.01	**8**	**–**	–	–
Shares issued	0.01	**–**	**–**	8	–
Capitalisation issue *(Note (ii))*	0.01	**377,992**	**3,780**	–	–
Capitalisation of shareholder's loans *(Note (iii))*	0.01	**72,000**	**720**	–	–
Public offering and over-allotment *(Note (iv))*	0.01	**169,258**	**1,693**	–	–
At 30 June/31 December	0.01	**619,258**	**6,193**	8	–
RMB equivalent ('000)			**4,888**		–

(ii) Issue of shares upon reorganisation

The Company was incorporated in the Cayman Islands on 11 September 2014 with an authorised share capital of HK$10,000 divided into 1,000,000 shares with a par value of HK$0.01 each and 7,900 shares were allotted and issued by the Company on such date of incorporation.

In connection with the group reorganisation, on 31 December 2014, the Company respectively allotted and issued 300 shares, 100 shares and 100 shares, to Wonderful Investment Holding Company Limited, DY Investment Holding Company Limited and Decai Investment Holding Company Limited at a consideration of HK$6,000,000, HK$2,000,000 and HK$2,000,000, respectively (equivalent to approximately RMB7,888,000 in aggregate).

On 6 May 2015, the Company increased its authorised share capital from HK$10,000 to HK$20,000,000 by the creation of an additional 1,999,000,000 shares.

16 Share Capital and Share Premium (Continued)

(a) Share capital (Continued)

(iii) Capitalisation issue and capitalisation of shareholder's loans

Pursuant to the written resolution dated 6 May 2015, the Company allotted and issued 377,991,600 shares of HK$0.01 each to the then existing shareholders. This resolution was conditional upon the share premium account being credited as a result of the Company's public offering and pursuant to this resolution, a sum of HK$3,779,916 (equivalent to RMB2,983,866) standing to the credit of the share premium account as of 27 May 2015 was subsequently applied in paying up this capitalisation in full.

Pursuant to the written resolution dated 6 May 2015, the Company also allotted and issued 72,000,000 shares of HK$0.01 each, all credited as fully paid, on the Listing Date, in full repayment of shareholder's loans in the amount of HK$205,862,101 (equivalent to RMB162,507,542). Consequently, HK$720,000 (equivalent to RMB568,368) and HK$205,142,101 (equivalent to RMB161,939,174) were recorded in share capital and share premium, respectively.

(iv) Issue of shares under public offering

On 27 May 2015, the Company issued 150,000,000 shares with a par value of HK$0.01, at a price of HK$2.28 per share by way of public offering to Hong Kong and overseas investors. On 22 June 2015, the over-allotment option was exercised and the Company allotted and issued 19,258,000 shares with a par value of HK$0.01, at a price of HK$2.28 per share. Net proceeds from these issues amounted to RMB288,342,000 (after offsetting expenses directly attributable to the issue of shares of RMB16,241,000), out of which RMB1,336,000 and RMB287,006,000 were recorded in share capital and share premium, respectively.

(b) Share premium

Share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received from the public offering in May 2015 and over-allotment in June 2015. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

17 Commitments

(a) Capital commitments

Capital commitments of the Group in respect of plant, property and equipment outstanding at 30 June 2015 not provided for in the interim financial report:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Contracted for	**–**	8,723
Authorised but not contracted for	**–**	71
	–	8,794

(b) Operating lease commitments

The Group leases business premises through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments.

At each of the balance sheet dates, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 1 year	**1,108**	1,235
After 1 year but within 5 years	**1,517**	2,075
After 5 years	**–**	15
	2,625	3,325

18 Contingent Liabilities

(a) Financial guarantee issued

Certain customers of the Group finance their purchase of the Group's machinery products through finance leases provided by third-party leasing companies. Under the third party leasing arrangement, the Group provides guarantee to the third-party leasing companies that in the event of customer default, the Group is required to make payment to the leasing companies for the outstanding lease payments due from the customer. At the same time, the Group is entitled to repossess and sell the leased machinery, and retain any net proceeds in excess of the guarantee payments made to the leasing companies. As at 30 June 2015 and 31 December 2014, the Group's maximum exposure to such guarantees was RMB12,444,000 and RMB32,684,000, respectively. The terms of these guarantees coincide with the tenure of the lease contracts which generally range from 1 to 2 years. For the six-month period ended 30 June 2015 and the year ended 31 December 2014, there was no payment made for repossession of machinery incurred under the guarantee arrangement as a result of customer default.

(Expressed in Renminbi unless otherwise indicated)

19 Material Related Party Transactions

(a) Transactions with related parties

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Recurring transactions:		
Rental income from related parties:		
Vermeer Beijing Manufacturing Company Limited	**–**	983
Vermeer (Beijing) Trading & Service Company Limited	**–**	16
Rental expense to related parties:		
Choi Hung Nang	**92**	77
Diamond Strong	**87**	72
Beijing Weilifei Technical Service Company Limited	**23**	27
Non-recurring transactions:		
Repayment of advances to related parties:		
Beijing D&G Machinery Company Limited	**846**	–
Diamond Strong	**2,790**	–
Advance from related parties:		
Balama Prima Holdings Limited	**158**	2,847
Tom Liu Jing-zhi	**–**	16
Repayment of advances from related parties:		
Balama Prima Holdings Limited	**4,030**	159
Lao Kam Chi	**60**	–
Tom Liu Jing-zhi	**53**	–
Repayment of amounts due from related parties for disposal of property, plant and equipment and non-current assets:		
Beijing Weilifei Technical Service Company Limited	**15,717**	–
Payments of consideration for the acquisition of equity interests in a subsidiary:		
Diamond Strong	**45,149**	–
Shanghai Wendefeng Investment Management Partnership Enterprise (Limited Partnership)	**4,661**	–
Loan borrowed from shareholder:		
Prima DG	**45,334**	–
Capitalisation of shareholder's loans:		
Prima DG	**162,507**	–

Advances from/to related parties of the Group are unsecured, interest-free and have no fixed term of repayment during the above periods.

(Expressed in Renminbi unless otherwise indicated)

19 Material Related Party Transactions (Continued)

(b) Balances with related parties

As at the respective balance sheet dates, the Group had the following balances with related parties:

Amounts due from:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Beijing D&G Machinery Company Limited	–	846
Beijing Weilifei Technical Service Company Limited	–	15,717
Diamond Strong	–	2,790
	–	19,353

Amounts due to:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Balama Prima Holdings Limited	–	3,873
Diamond Strong	39	45,166
Choi Hung Nang	30	698
Lao Kam Chi	–	60
Beijing Weilifei Technical Service Company Limited	24	28
Tom Liu Jing-zhi	–	53
Shanghai Wendefeng Investment Management Partnership Enterprise (Limited Partnership)	–	4,663
	93	54,541

Shareholder's loans:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Prima DG	–	116,554

The outstanding balance of amount due from Beijing Weilifei Technical Service Company Limited as of 31 December 2014 represented the consideration receivable for the disposal of Beijing D&G Machinery Company Limited's investment properties and certain assets. The balance had been settled in May 2015.

19 Material Related Party Transactions (Continued)

(b) Balances with related parties (Continued)

The outstanding balances of amounts due to Diamond Strong and Shanghai Wendefeng Investment Management Partnership Enterprise (Limited Partnership) ("**Wengdefeng LP**") as of 31 December 2014 represents the consideration payable for the acquisition of the equity interests in LFDG held by Diamond Strong and Wendefeng LP, respectively to the Group, in connection with the group reorganisation. The balance due to Diamond Strong had been fully settled on 21 January 2015. The outstanding balance of amount due to Wendefeng LP had been fully settled by the Group on 27 April 2015.

(c) Guarantees issued by the Group

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Guarantees issued by the Group in respect of banking facilities granted to a related party:		
– Balama Prima Engineering Company Limited	–	48,912
	–	48,912

Among the above guarantees, the guarantee issued by the Group in respect of the banking facility had all been released as of 30 June 2015.

(d) Guarantees issued by the related parties

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Guarantees issued by related parties in respect of a bank loan borrowed by the Group:		
– Tin Suen Chu/Choi Hon Ting, Derek	–	9,459
	–	9,459

The above guarantees issued by the related parties in respect of a bank loan borrowed by the Group had all been released as of 30 June 2015.