德基科技
D&G TECHNOLOGY

年報
2016 ANNUAL REPORT

D&G TECHNOLOGY HOLDING COMPANY LIMITED

<INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY>

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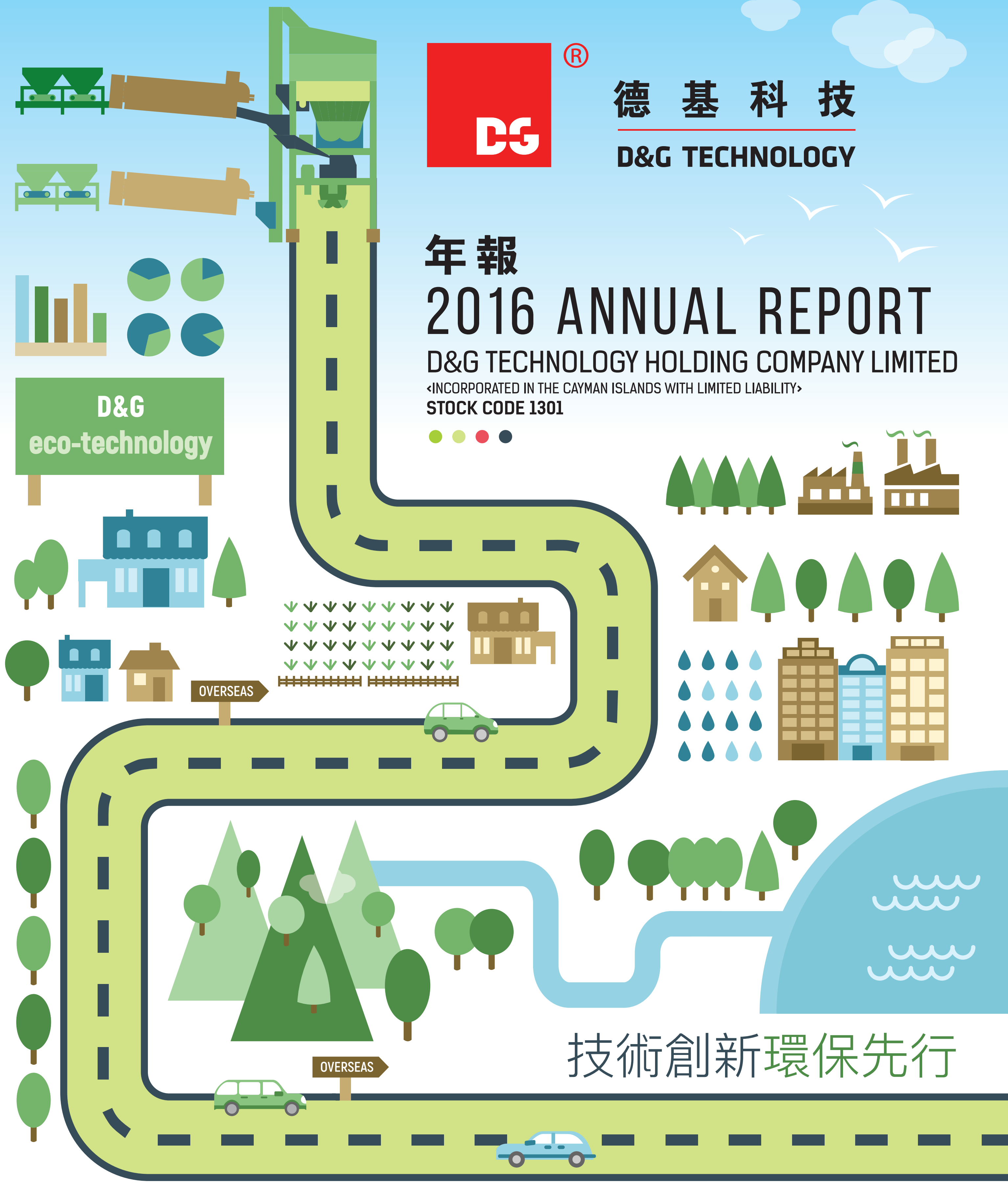

技術創新環保先行

BELT AND ROAD 一帶一路
中銀香港 BOCHK 企業環保領先大獎 2015
Corporate Environmental Leadership Awards 2015

HKGPC
Fellow Member of HKGPC

ENVIRONMENTAL MONITORING AND REPORTING
Corporate Green Governance Award
Hong Kong Green Awards 2016

商界展關懷
caringcompany 2016/17
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

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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 Directors

Mr. Chan Lewis
Mr. Alain Vincent Fontaine *(appointed on 15 August 2016)*

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

Risk Management Committee (Established on 30 March 2016)

Ms. Choi Kwan Li, Glendy *(Chairman)*
Mr. Liu Tom Jing-zhi
Mr. Law Wang Chak, Waltery
Mr. Fok Wai Shun, Wilson
Mr. Tsang Chin Pang *(appointed on 30 November 2016)*
Mr. To Kwong Yeung *(resigned on 30 November 2016)*

Company Secretary

Mr. Tsang Chin Pang *(appointed on 30 November 2016)*
Mr. To Kwong Yeung *(resigned on 30 November 2016)*

Authorised Representatives

Ms. Choi Kwan Li, Glendy
Mr. Tsang Chin Pang *(appointed on 30 November 2016)*
Mr. To Kwong Yeung *(resigned on 30 November 2016)*

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 Branch 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

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

Auditor

PricewaterhouseCoopers

Legal Advisor

MinterEllison

Principal Bankers

Industrial Bank Co., Ltd.
Industrial and Commercial Bank of China
KBC Bank N.V.
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

FIVE YEAR FINANCIAL SUMMARY

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Results					
Revenue	**321,449**	390,027	444,313	412,260	364,339
Gross profit	**126,934**	165,408	184,183	173,732	149,839
(Loss)/Profit for the year attributable to:					
Owners of the Company	**(28,499)**	30,788	74,326	60,338	46,279
Non-controlling interests	**–**	–	8,832	12,154	3,439
	(28,499)	30,788	83,158	72,492	49,718
Assets, Liabilities and Equity					
Total assets	**1,017,748**	974,505	590,600	496,622	417,656
Total liabilities	**(281,819)**	(212,239)	(323,520)	(151,157)	(144,471)
Total Equity	**735,929**	762,266	267,080	345,465	273,185

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual report of D&G Technology Holding Company Limited (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group") for the year ended 31 December 2016.

2016 was a year full of challenges for the road construction and maintenance machinery industry. The decrease in the growth rate of fixed asset investment in the People's Republic of China (the "PRC", "Mainland China" or "China") resulting in the general hold-up of road construction and maintenance projects in China led to a sluggish demand for our products. In the time of upheaval, in order to stay competitive in the market, we continued to develop in overseas market along the "One Belt One Road" initiatives, enhance our research and development ("R&D") capabilities and develop the upstream and downstream related businesses.

During the year, the Group set up a wholly–owned subsidiary in India to carry out operating lease of asphalt mixing plants to local customers. The Group is in the process of setting up another wholly owned subsidiary to carry out the operating lease business in Pakistan. Through the continuous overseas market expansion, the Group shall benefit from the direct business relationships established with customers from the "One Belt One Road" countries.

By leveraging on our knowledge and experience with the components of asphalt mixing plants and asphalt mixtures, the Group established a wholly owned subsidiary in China engaging in the manufacturing and sale of asphalt mixtures and commence operations in December 2016. In addition, the Group is developing the business of the R&D, manufacturing and sale of burner combustion equipment (one of the components of asphalt mixing plants) and the provision of related technical services. The Group also established a wholly-owned subsidiary in China engaging in finance leasing business in March 2016 and commenced operations in December 2016. The Group gradually diversify the business portfolio of the Group and broaden its income source by continuing to develop new business.

To enhance the Group's research and development capabilities, we have started the construction of a R&D building at our manufacturing facilities at Langfang since 2015. The construction of the R&D building is expected to be completed in 2017. The Group shall continue to develop and manufacture asphalt mixing plants with more environmental-friendly and energy saving features. With the benefit of the PRC government's emphasis on and effort in promoting environmental protection, we are confident that the demand for our Recycling Plants with advanced environmental protection features will grow in the near future.

Moving forward, the 13th "Five-Year Plan" of China laid out a budget of RMB7.8 trillion investment on road construction and maintenance. Demand for asphalt mixing plants in China will be stimulated as government funding for road projects come in place. The Group will also strive to grasp

the opportunities under the "One Belt One Road" initiative. The Group is actively pursuing various flagship "One Belt One Road" overseas projects led by state-owned enterprises. The Group is confident that with our high quality asphalt mixing plants, on-site operation and value-added services, we will be able to bid for a number of such overseas projects.

Recently, the Group won a bid for an asphalt mixing plant to a China state-owned construction enterprise, which is a party in the major expressway construction project of the "China-Pakistan Economic Corridor". We are proud to participate in this predominant infrastructure project along the "One Belt One Road" initiative and are prepared to participate in more upcoming projects.

Throughout the years, we are committed to promoting environmental friendly measures to reduce emission and save energy. In 2016, the Company was awarded the "Belt and Road Environmental Leadership Recognition Award" and the "EcoChallenger" in BOCHK Corporate Environmental Leadership Awards, which is jointly organized by the Federation of Hong Kong Industries and Bank of China (Hong Kong) with more than 450 participating enterprises. The Group's perseverance and efforts in green governance have been awarded with the "Hong Kong Green Awards 2016" in the division of "Corporate Green Governance Award – Environmental Monitoring and Reporting". The Hong Kong Green Awards 2016 is organized by Green Council with participation from corporates from wide spectrum.

With continuous innovation and pursuit of excellence, the Group's success is widely recognized in the PRC market, it is recognized as one of the "China Top 30 Construction Machinery Manufacturers" in 2016. The Group has also been ranked within the China Top 50 Construction Machinery Manufacturers" for six consecutive years since 2011 and ranked as the top among all those professional asphalt mixing plant manufacturers.

In addition to maintaining its leading position in the PRC, the Group will broaden the business horizon, leverage our strength and experience, take advantage of the opportunities of "One Belt One Road" initiative and explore to develop upstream and downstream businesses, with an aim to bring fruitful returns to the shareholders of the Company.

Last but not least, on behalf of the board of directors of the Company (the "Board" or the "Directors"), I would like to express our sincere gratitude to the management team and staff for their dedication, and to our shareholders and investors for their trust and support to the Group.

Choi Hung Nang
Chairman

30 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2016, 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 customized solutions to the PRC and overseas customers, specialising in research and development, design, manufacture and sale of conventional and recycling asphalt mixing plants. 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.

Business Review

Though China has continued to implement its plan to increase investment in infrastructure projects, the funds for such infrastructure projects did not become available and resulted in the general hold-up of road construction and maintenance projects in China throughout the year. Notwithstanding the fact that the capital and cash flow in the road construction and maintenance industry remained tight and slow, the Group continued to participate in the top-tier highways construction and maintenance projects in the PRC. During the year, the Group completed the sale of 34 asphalt mixing plants and the lease of 9 asphalt mixing plants in 13 leasing contracts.

In 2016, the Group sold its asphalt mixing plants to customers engaged in various highway construction and road maintenance projects in Mainland China including Chaoshan Expressway (潮汕高速), Jingxin Expressway (京新高速), Chunan Expressway (楚南高速), Hunan Louheng Expressway (湖南婁衡高速), etc.

Up to 31 December 2016, the Group had asphalt mixing plants projects in a total of 23 overseas countries, including Australia, Russia, India, Saudi Arabia, Brunei, United Arab Emirates, Kazakhstan, Mongolia, Mozambique, Thailand and Hong Kong.

During the year ended 31 December 2016, the Group continued to expand its business and entered into potential markets in the "One Belt One Road" countries. The Group, through its wholly–owned subsidiary in Singapore, has entered into various distribution or agency agreements with local distributors or agencies in Myanmar, Indonesia, Vietnam, Brunei and Malaysia. In late 2016, the Group also set up a wholly-owned subsidiary in India which is principally engaged in leasing of asphalt mixing plants and provision of customized technology solutions to local customers in India. With the established overseas network across the "One Belt One Road" countries, the Group is prepared to participate in the upcoming road construction projects.

Development of Upstream and Downstream Asphalt Related Business

Asphalt mixture is the essential asphalt road construction material. The Group is committed to the development of asphalt related business, along the supply chain with an aim to broadening income sources and raising profit. During the year, the Group set up a wholly-owned subsidiary in the PRC engaged in the production of asphalt mixtures which accounted for approximately RMB5.9 million of the Group's revenue in 2016.

In order to enhance the Group's one-stop total solution capability to the customers, the Group registered and set up a wholly-owned subsidiary engaged in finance leasing in Shanghai Free-Trade Zone in March 2016 which commenced business in late 2016. The Group is in the process of developing the business of manufacturing and sale of burner combustion equipment (which can be used for asphalt mixing plants and other purposes) and the provision of related technical support services. The burner combustion equipment can be applied in a wide spectrum including asphalt mixing plants, furnace, heating system, etc. We expect that the business development of manufacturing and sale of burner combustion equipment to not only reduce the cost of producing asphalt mixing plants but also broaden the income source of the Group.

Research and Development

To maintain the Group's position as a leading market player in the road construction and maintenance machinery industry focusing on medium to large scale asphalt mixing plants, the Group continued to maintain strong research and development capabilities. As at 31 December 2016, the Group had 49 registered patents in the PRC (of which 4 were invention patents) and 22 software copyrights. In addition, 4 patents and 1 software copyright were pending registration as at 31 December 2016.

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 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", which is a project subsidised by the PRC government and expected to be completed in late 2017. In addition, collaboration with Institute of Tsinghua University, Hebei (河北清華發展研究院) on the burning system design and energy consumption optimisation project was completed during the year.

The Group's technological innovation, research and development ability and innovation achievements have reached the advanced level in the industry. The major subsidiary of the Group, Langfang D&G Machinery Technology Company Limited ("Langfang D&G"), also qualifies as a high-technology enterprise under the PRC Enterprise Income Tax Law and is entitled to a preferential income tax rate of 15%.

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.

During the year, the Group held and participated in various promotional events, exhibitions and technical seminars. The Company participated in the Eco Expo Asia 2016, a trade fair organized by the Hong Kong Trade Development Council (HKTDC) and co-organized by the Environment Bureau of the Government of HKSAR, dedicated to fostering global green innovations, with the theme being "Green Solutions for a Changing Climate". At the event, the Group showcased a 3D animation of the structure and operation of an asphalt recycling plant with an interactive display panel. In November 2016, the Group organized a national customer event in Suzhou and met with over 400 representatives of our customers. During the event, the Group held a technical seminar with the participants on environmental recycling of asphalt mixture.

The Group had also participated in the Bauma China 2016, an international trade expo for construction and building-material machine industry held in Shanghai in November 2016. The Group showcased a newly designed Eco-series Monoblock asphalt mixing plant at this international industrial event.

Outlook

In 2017, we expect the PRC government to continue adopting polices to stimulate the economy and maintain currency stability. In light of growing awareness on environmental protection issues during the asphalt mixture production among the road construction and maintenance companies and the PRC government's emphasis on reducing pollution from industrial sector, we believe there is a growing demand for our recycling and environmentally-friendly products. We expect the demand for recycling asphalt plants as well as the modification services of adding recycling and environmental protection functions to existing plants to increase.

"One Belt One Road" is a core development strategy in PRC covering a broad spectrum of economic, political and social aspects of Mainland China and abroad. Investment in infrastructure overseas is a way of building up strategic partnerships with countries in the "One Belt One Road" region. The Group is actively pursuing various flagship "One Belt One Road" overseas projects led by state-owned enterprises.

In February 2017, the Group won a bid for an asphalt mixing plant to a China state-owned construction enterprise, which is a party to the major expressway construction project of the "China-Pakistan Economic Corridor". We are proud to participate in this predominant infrastructure project in connection with the "One Belt One Road" initiative. With our high quality asphalt mixing plants, on-site operation and value-added services, we will be able to bid for more upcoming projects.

Looking ahead, the Group will continue to grasp the opportunities in the "One Belt One Road" region to develop its business and explore potential overseas markets. Domestically, government funding of road construction projects will gradually be in place and the industry expects that more projects will be implemented in light of the PRC's 13th Five-Year Plan. With continuous technological innovation and investments in research and development, the Group is confident to remain as a leading player in the market and will use our best endeavors to bring better returns to the shareholders of the Company.

Financial Review

During the year ended 31 December 2016, the Group recorded an aggregate revenue of RMB321,449,000 (2015: RMB390,027,000), representing a decrease of 17.6% as compared to that of last year. Gross profit decreased by 23.3% from RMB165,408,000 for the year ended 31 December 2015 to RMB126,934,000 for the year ended 31 December 2016. Gross profit margin decreased by 2.9 percentage point from 42.4% to 39.5%.

	2016 RMB'000	2015 RMB'000	Change
Sales of asphalt mixing plants	**246,193**	321,436	-23.4%
Sales of spare parts and provision of equipment modification services	**23,625**	26,286	-10.1%
Operating lease income of asphalt mixing plants	**45,766**	42,305	+8.2%
Sales of asphalt mixtures	**5,865**	–	N/A
	321,449	390,027	-17.6%

Sales of Asphalt Mixing Plants

	2016 RMB'000	2015 RMB'000	Change
Revenue	**246,193**	321,436	-23.4%
Gross profit	**88,613**	124,771	-29.0%
Gross profit margin	**36.0%**	38.8%	-2.8pp
Number of contracts	**34**	46	-12
Average contract value	**7,241**	6,988	+3.6%

Revenue from the sales of asphalt mixing plants decreased as a result of the decrease in number of contracts recognised during the year. The decrease in revenue was mainly attributable to the fact that the government funds for infrastructure projects in China did not become available as planned in 2016, resulting in the decrease in revenue of the Group from the sales of asphalt mixing plants, spare parts and components and the provision of equipment modification services in China during the year. The high degree of customization of asphalt mixing plants required by the customers resulted in the increase in the average contract value from RMB6,988,000 to RMB7,241,000 for the projects completed during the year. Gross profit margin decreased by 2.8 percentage point during the year as a result of an increase in raw material cost.

By Type of Plants

	2016 RMB'000	2015 RMB'000	Change
Recycling Plant			
Revenue	**108,879**	174,670	-37.7%
Gross profit	**41,935**	69,416	-39.6%
Gross profit margin	**38,5%**	39.7%	-1.2pp
Number of contracts	**16**	25	-9
Average contract value	**6,805**	6,987	-2.6%
Conventional Plant			
Revenue	**137,314**	146,766	-6.4%
Gross profit	**46,678**	55,355	-15.7%
Gross profit margin	**34.0%**	37.7%	-3.7pp
Number of contracts	**18**	21	-3
Average contract value	**7,628**	6,989	+9.1%

Revenue from the sales of Recycling Plants decreased by 37.7% primarily because of the decrease in number of contracts during the year. The average contract value remained at approximately RMB6.8 million. Gross profit margin decreased by 1.2 percentage point during the year as a result of an increase in raw material cost.

Revenue from the sales of Conventional Plants decreased by 6.4% primarily because of the decrease in number of contracts offset by the increase in the average contract value during the year. The increase in average contract value mainly resulted from an increase in demand for high capacity asphalt mixing plants during the year. Gross profit margin decreased by 3.7 percentage point during the year mainly due to an increase in raw material cost.

By Geographical Location

	2016 RMB'000	2015 RMB'000	Change
PRC			
Revenue	**222,471**	263,872	-15.7%
Gross profit	**86,473**	108,117	-20.0%
Gross profit margin	**38.9%**	41.0%	-2.1pp
Number of contracts	**31**	36	-5
Average contract value	**7,176**	7,330	-2.1%
Overseas			
Revenue	**23,722**	57,564	-58.8%
Gross profit	**2,140**	16,654	-87.2%
Gross profit margin	**9.0%**	28.9%	-19.9pp
Number of contracts	**3**	10	-7
Average contract value	**7,907**	5,756	+37.4%

Revenue from the sales in the PRC decreased primarily because of the decrease in number of contracts, which was mainly attributable to the fact that the government funds for such infrastructure projects did not become available as planned in 2016. Gross profit margin decreased by 2.1 percentage point due to an increase in raw material cost during the year.

Revenue from overseas sales which included direct and indirect export sales to overseas markets decreased mainly due to the decrease in the number of overseas order. Gross profit margin decreased by 19.9 percentage point during the year as a result of an increase in raw material cost even though there was an increase in average contract value by 37.4%.

Sales of spare parts and components and provision of equipment modification services

	2016 RMB'000	2015 RMB'000	Change
Revenue	**23,625**	26,286	-10.1%
Gross profit	**9,522**	10,153	-6.2%
Gross profit margin	**40.3%**	38.6%	+1.7pp

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.

Revenue from the sales of spare parts and components and provision of equipment modification services decreased during the year mainly because of the hold-up of some road construction projects and hence a decrease in demand for modification services. Gross profit margin increased by 1.7 percentage point mainly because of an improvement in the gross profit margin for sales of spare parts and components during the year, while the gross profit margin for the sales of modification services remained steady during the year.

Operating lease of asphalt mixing plants

	2016 RMB'000	2015 RMB'000	Change
Revenue	**45,766**	42,305	+8.2%
Gross profit	**27,957**	30,484	-8.3%
Gross profit margin	**61.1%**	72.1%	-11pp
Number of plants held for operating lease	**9**	9	–

The Group offered operating lease of asphalt mixing plants directly to the customers which generally need asphalt mixing plants on a project basis. The lease contracts entered with the customers were generally with the provisions on rental per tonne and minimum production quantity commitment.

Revenue from operating lease of asphalt mixing plants increased by 8.2% primarily because of the number of operating lease agreement increased from 12 to 13 during the year. Gross profit margin decreased by 11 percentage point during the year which was mainly due to depreciation charge for the full year in 2016.

Other Income and Other(Losses)/Gains, Net

Other income mainly represented rental income and government grants. Other losses mainly represented net foreign exchange loss resulting from depreciation of offshore RMB, net loss on disposal of property, plant and equipment and fair value loss on revaluation of investment property.

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 represented 13.7% (2015: 9.9%) of revenue for the year ended 31 December 2016. Increase in distribution costs was mainly due to increase in marketing activities as discussed under the section headed "Marketing" above.

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 RMB21,198,000 from RMB84,137,000 for the year ended 31 December 2015 to RMB105,335,000 for the year ended 31 December 2016, primarily due to the increase in provision for impairment of trade and other receivables of approximately RMB21,771,000.

As the funds for the infrastructure projects did not become available as planned in 2016, the Group noted that the capital and cash flow in the road construction and maintenance industry became tighter and slower than expected. Therefore, the collection of outstanding trade receivables from the customers of the Group was slower than that of the year ended 31 December 2015. Accordingly, the Group has increased the amount of the non-cash accounting provision for impairment losses of trade receivables.

Finance Income/(Costs), net

Finance costs mainly included bank interest income and interest expenses on interest-bearing bank loans and borrowings. Increase in bank interest income was mainly due to increase in RMB deposit rate during the year.

Income Tax Expense

The income tax expense for the year ended 31 December 2016 was mainly attributable to the net profit generated by its PRC subsidiary which is a "high-technology enterprise" entitled to a preferential income tax rate of 15%.

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company amounted to approximately RMB28.5 million for the year ended 31 December 2016 compared with the profit attributable to owners of the Company of approximately RMB30.8 million for the year ended 31 December 2015. The loss for the year was mainly due to the decrease in revenue and the increase in provision for impairment loss of trade and other receivables of approximately RMB21.7 million as discussed above.

Working Capital Management

Net current assets of the Group amounted to RMB560,055,000 (2015: RMB658,393,000) with a current ratio of 3.0 (2015: 4.1) times as at 31 December 2016.

Inventories increased by RMB37,006,000 from RMB131,757,000 as at 31 December 2015 to RMB168,763,000 as at 31 December 2016. Inventory turnover days was 282 for the year ended 31 December 2016, representing an increase of 83 days as compared to 199 days for the year ended 31 December 2015. The increase in inventory turnover days was mainly because of the increase in raw materials and work in progress.

Trade and bills receivable decreased by RMB3,873,000 from RMB388,097,000 as at 31 December 2015 to RMB384,224,000 as at 31 December 2016. Trade and bills receivable turnover days was 438 for the year ended 31 December 2016, representing an increase of 110 days as compared to 328 days for the year ended 31 December 2015. The increase in trade and bills receivable turnover days was mainly due to the delay in payments from some of the PRC customers due to the slow settlement of government funding 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 and bills receivable in order to improve the collection cycle.

Trade and bills payable increased by RMB90,057,000 from RMB68,190,000 as at 31 December 2015 to RMB158,247,000 as at 31 December 2016. Trade and bills payable turnover days was 208 for the year ended 31 December 2016, representing an increase of 93 days as compared to 115 days for the year ended 31 December 2015. The increase in trade and bills payable turnover days was mainly because of the extended payment to suppliers and subcontractors.

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 31 December 2016, the Group had cash and cash equivalents and bank deposits of RMB169,261,000 (2015: RMB168,881,000) and RMB89,031,000 (2015: RMB162,439,000), respectively. In addition, the Group had interest-bearing bank borrowings of RMB63,271,000 (2015: RMB103,381,000) as at 31 December 2016. The Group's cash and cash equivalents, bank deposits and borrowings were mostly denominated in Renminbi ("RMB") and Hong Kong dollars ("HK$"). The borrowings were mainly arranged on a floating rate basis. The gearing ratio, calculated as total bank borrowings divided by equity attributable to owners of the Company, amounted to 8.6% (2015: 13.6%). The decrease in gearing ratio was mainly because of the decrease in borrowings as at 31 December 2016.

As at 31 December 2015, borrowings of RMB73,093,000 were bank borrowings from the factoring of accounts receivable as working capital for the operations of the Group. The bank borrowings were denominated in RMB, repayable within one year or on demand and interest-bearing from 3.92% to 5.87% per annum. There was no such borrowing as at 31 December 2016.

During the year ended 31 December 2016, the Group recorded a net cash outflow from operating activities of RMB8,413,000 (2015: RMB55,722,000). Net cash generated from investing activities amounted to RMB29,931,000 (2015 net cash used in investing activities: RMB90,670,000) for the year ended 31 December 2016. Net cash used in financing activities for the year ended 31 December 2016 amounted to RMB32,825,000 (2015 net cash generated from financing activities: RMB274,651,000).

Capital Commitments and Contingent Liabilities

	2016 RMB'000	2015 RMB'000
Contracted for	**2,250**	3,449
Authorised but not contracted for	**7,955**	6,032
	10,205	9,481

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 guarantees to the third-party leasing companies that in the event of customer default, the Group was required to make payments to the leasing companies for the outstanding lease payments due from the customers. At the same time, the Group was 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 31 December 2016 and 2015, the Group's maximum exposure to such guarantees were RMB6,634,000 and RMB 9,599,000, respectively. The terms of these guarantees coincided with the tenure of the lease contracts which generally ranged from one to two years. For the years ended 31 December 2016 and 2015, there was no payment made for repossession of machinery incurred under the guarantee arrangement as a result of customer default.

Pledge of Assets

As at 31 December 2016, property, plant and equipment of RMB48,947,000 (2015: Nil), land use right of RMB5,226,000 (2015: Nil), bank deposits of RMB89,031,000 (2015: RMB60,370,000) and trade receivables of nil (2015: RMB73,093,000) were pledged for borrowings and bills payable of the Group.

Foreign Exchange Risk

The reporting currency of the Group was RMB. The Group was exposed to foreign exchange risk 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 were sold to overseas market and might 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 materials from overseas. The management has continuously monitored the level of exchange rate exposure and shall adopt financial hedging instruments for hedging purpose when necessary. The Group did not use any financial instruments for hedging purpose as at 31 December 2016.

Significant Investments and Material Acquisitions or Disposals

On 17 June 2016, the Group entered into four sale and purchase agreements with Diamond Strong Limited, Mr. Chan Shing Kwong and Balama Prima Engineering Company Limited, pursuant to which the Group conditionally agreed to purchase certain properties in Hong Kong at an aggregate consideration of HK$52,800,000 (equivalent to approximately RMB45,244,000) primarily for its office use. The transactions were approved by the independent shareholders at an extraordinary general meeting held on 26 July 2016 and completed on 5 August 2016.

Save as disclosed in this Annual Report, there were no significant investments held by the Company for the year ended 31 December 2016, nor was there any plan authorized by the Board for other material investments or additions of capital assets as at the date of this Annual Report.

Environmental Policy

The Group aims to develop itself into a green company by connecting with nature, and recognises the impact on the environment and the natural resources in neighboring communities. The Group operates in an environmentally-friendly manner to promote and achieve sustainable development. Its environmental policies and measures reflect its commitment to minimising the environmental impact of its operations. The policies are guided by the following principles: clean production, energy saving, pollution prevention, and continuous improvement. This includes setting consumption targets for energy and resources, analysing processes, as well as formulating management measures to reduce energy and resources consumption to a reasonable level.

Currently, the Group complies with all applicable laws and regulations that have a significant impact on the Group while integrating environmental considerations into the business. The Group also follows the requirements and guidance of the national standard for environmental management systems for continual improvement.

The Group strives to be more consciously aware of the environmental impact of its business decisions and mitigate as much environmental impact as possible during its production process. Its commitment is demonstrated by its preventative and reduction measures. The Group seeks to continue its effort through a progressive and systematic approach and it would continue its effort to be fully aware of its environmental impact, to be a good corporate citizen, and to continue developing the Group in a sustainable manner.

Compliance with Relevant Laws and Regulations

During the year ended 31 December 2016 and up to the date of this Annual Report, to the best of knowledge of the Company, the Group has complied with all the relevant laws and regulations in Mainland China and Hong Kong which have a significant impact on the business and operations of the Group, and there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

Relationships with Stakeholders

The Group aims to align its business strategies with its stakeholders' expectations and concerns. To better understand those expectations and concerns, the Group has to communicate and involve its stakeholders in its decision-making process. During the year ended 31 December 2016, the Group has engaged with its stakeholders on an ongoing basis via various engagement methods, such as online media and Wechat.

Key stakeholder groups include shareholders, employees, customers, suppliers, education and research partners, government and other public bodies, industry associations, and community. The Group plans to expand its stakeholder engagements to suppliers, customers, education and research partners, government and other public bodies, industry associations, and community. This will include surveys, focus group discussions, and other engagement activities. The engagement would allow the Group to better understand stakeholders' views on the Company's sustainable development. The findings will further enhance the sustainability of the Group.

Principal Risks and Uncertainties

The Board is ultimately responsible for ensuring that the risk management practices of the Group are sufficient to mitigate the risks present in our businesses and operations as efficiently and effectively as possible. The Group's financial position, operations, business and prospects may be affected by the following identified principal risks and uncertainties. The Group adopts risk management policies, measures and monitoring systems to pre-empt and contain exposures associated with the identified risks.

Industry risk in the PRC

The Group generates a substantial portion of revenue from the sales of asphalt mixing plants for road construction and maintenance projects in the PRC. The asphalt mixing plants are mainly used in the road construction and maintenance sector and the development of our business depends on the sustained growth of these sectors in the PRC. Factors such as consumer, corporate and government spending, business investment, volatility and strength of the capital markets and inflation in the PRC affect the business and economic environment we are in, which affect our revenue and profitability.

If the PRC economy does not grow at the expected rate or the PRC government's spending on road construction and maintenance work declines, this could lead to less expected business and construction activity nationwide. If there are changes in the PRC laws, regulations or policies which lead to a decline in investment on infrastructure, road construction and maintenance, the demand for our products and services may decrease.

Industry risk in the overseas market

As part of the expansion strategy, the Group plans to increase our business in the overseas market by increasing the sales of our asphalt mixing plants and related services to customers in overseas markets such as India, Southeast Asia and Middle East countries, which have strong demands for asphalt mixing plants. The growth of our overseas sales of asphalt mixing plants is largely dependent on the demand for our products arising from the road construction and maintenance projects in the overseas markets.

If there is a decrease in investment in road construction and maintenance projects or a slower-than-expected economic growth and unfavorable macroeconomic conditions in these overseas markets, this could lead to less expected demand for our products and services.

Financial credit risk

The Group is subject to the risk that trade and bills receivable may not be collected in a timely manner and some of our customers may delay payment of the outstanding balances after due dates due to various reasons beyond our control, such as slow settlement of government funding for PRC road construction or maintenance projects that our customers participated in, and changes in implementation of infrastructure projects against original plan. There is credit risk exposure that provision for impairment losses may be increased because of the above-mentioned factors and other factors such as payment patterns of the customers and macroeconomic conditions. The Group continues to enhance and strengthen the credit control and collection policies to minimise the financial credit risk.

Environmental compliance risk

The PRC government has in recent years been increasingly stringent in its laws relating to environmental protection, for example, imposing carbon restrictions in the industrial and manufacturing sectors. The Group has environmental compliance policy and procedures in place to ensure the discharge of pollutants and wastes and other activities are in compliance with the relevant laws and regulations. Because of the increasingly stringent laws and regulations, our operating costs may be increased to ensure consistent compliance. We may also incur additional operating costs in order to update our waste discharge testing systems, improve our environmental protection technology and processes, and implement additional measures and assign more personnel to ensure that we comply with the PRC environmental laws.

Quality control risk

The performance, quality and safety of our products are critical to our business and development. The Group has established and maintains stringent quality control standards and internal inspection procedures. The effectiveness of our quality control system is determined by various factors, including the implementation of quality standards, quality of training programs and the adherence by our employees to our quality control policies and guidelines. In addition, our production output is highly dependent upon our quality control system and reliable and sufficient sources of high quality raw materials, parts and components. While we are able to produce the core parts and components for our products, our customers from time to time will request that we procure certain non-key parts, components and other ancillary materials for their customized products from a limited number of domestic or overseas suppliers. The Group has stringent quality control standard and measures to ensure parts, components and ancillary materials will be manufactured in accordance with our internal quality standards.

Employees and Remuneration Policy

As at 31 December 2016, the Group had approximately 438 (2015: 444) employees. The total staff costs for the year ended 31 December 2016 amounted to approximately RMB63,802,000 (2015: RMB51,515,000).

The remuneration policy of the Group was based on performance of employees, market conditions, business demands and expansion plans. The Group offered different remuneration packages to the employees based on their positions, 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 provided training to employees on a regular basis. In accordance with the relevant requirements, the Group made 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 of the Company as incentives or rewards for their service rendered to the Group. Since the adoption of the share option scheme and up to 31 December 2016, the Company granted 5,000,000 share options to its employees and 19,700,000 share options to the Directors, of which 980,000 share options were exercised.

Use of Proceeds

Net proceeds from the global offering of the Company were approximately HK$334.4 million (equivalent to approximately RMB263.9 million), after deducting the underwriting commissions and other listing expenses. As at 31 December 2016, the unutilised proceeds were deposited in licensed banks in Hong Kong and China.

Changes in Use of Proceeds

The Company announced on 1 March 2017 for the change in proposed use of the net proceeds. Set out below are details of the original allocation of the net proceeds, the revised allocation of the net proceeds and the utilisation of the net proceeds as at 31 December 2016 and 1 March 2017, respectively:

	Original allocation RMB'million	Revised allocation RMB'million	Utilised amount as at 31 December 2016 RMB'million	Utilised amount as at 1 March 2017 RMB'million	Unutilised amount as at 1 March 2017 RMB'million
Expansion of manufacturing facilities					
Acquisition of land	39.6	–	–	–	–
Development and construction of the manufacturing facilities	65.9	31.5	20.5	21.5	10.0
Purchase equipment for the manufacturing facilities	26.4	7.2	2.2	2.2	5.0
Research and development	52.8	52.8	23.3	24.3	28.5
Development of new business	26.4	72.0	6.6	21.1	50.9
Expansion of the sales and distribution networks and promotional activities	26.4	26.4	13.0	13.3	13.1
Working capital and general corporate purposes	26.4	74.0	26.4	26.4	47.6
	263.9	263.9	92.0	108.8	155.1

Reasons for the Changes in Use of Proceeds

The Company originally planned to use 50% of the net proceeds for expansion of manufacturing facilities and had utilised approximately RMB21.5 million for the development and construction of the manufacturing facilities and approximately RMB2.2 million for the purchase of equipment for the manufacturing facilities as at 1 March 2017. With the benefit of enhancement in supply chain management and network of capable outsourcing partners, we are of the view that the expansion of manufacturing facilities can be scaled down and expect that only an additional amount of approximately RMB15.0 million would be required to complete the Group's expansion of manufacturing facilities in 2017. We consider that the Group's manufacturing facilities with the scaled-down expansion should be sufficient to cope with the market demand in the near future.

In light of the fact that funding for infrastructure projects in China has been improving in the past few months, we expect market demand for our products to increase. On the other hand, it requires time for the projects' funding to be eventually in place and we expect the collection of outstanding trade receivables from the customers of the Company to remain slow in 2017. Hence, we are of the view that the Group requires additional working capital for its operations in light of the increasing market demand.

In the meantime, the Group strives to explore potential opportunities to diversify its business and broaden its income source. In 2016, the Group established two wholly-owned subsidiaries in China engaging in (i) the manufacturing and sale of asphalt mixtures; and (ii) finance leasing respectively. These two subsidiaries commenced operations in December 2016. In addition, the Group is developing the business of the manufacturing and sale of burner combustion components (which can be used for asphalt mixing plants and other purposes) and the provision of related technical support services. We consider that the increase in allocation of the net proceeds to the development of the above new businesses would enable the Group to better utilise its resources and facilitate the development of the Group in the long run.

Based on the situation as stated above, the Board has resolved on 1 March 2017 and decided to change the original proposed use of the net proceeds and reallocate the unutilised net proceeds as described above.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Choi Hung Nang, aged 78, is our co-founder, chairman and executive Director. He was appointed as an executive Director on 11 September 2014. He is primarily responsible for supervising the operations and planning the business and marketing strategies of our Group. Mr. Choi established our Group in February 1999 and has been the chairman and director of Langfang D&G since June 2011. He is also a director of certain entities of the Group.

Mr. Choi graduated from the Changsha Railway Institute, Hunan Province (currently known as Central South University) with a bachelor's degree in railway construction in July 1963. In April 2012, he was awarded the outstanding alumni award from Central South University. Since April 2012, Mr. Choi has also been appointed as a guest professor at the Central South University for a term of five years.

Prior to founding our Group, Mr. Choi had been engaged in the import and distribution of European and American branded specialised engineering equipment in Hong Kong and the PRC for over 12 years.

Mr. Choi is the father of Ms. Glendy Choi and Mr. Derek Choi and the brother of the father-in-law of Mr. Liu Tom Jing-zhi.

Ms. Choi Kwan Li, Glendy, aged 46, is our executive Director and chief executive officer. She was appointed as an executive Director on 11 September 2014. She is primarily responsible for overseeing the corporate management of our Group and the overall management and implementation of business and marketing strategies and plans. Ms. Glendy Choi has over 18 years of experience in the trading and manufacturing of specialized engineering equipment. Ms. Glendy Choi was appointed as a director and general manager of Langfang D&G in June 2009. She was also appointed as the legal representative of Langfang D&G in June 2011. She is also a director of certain entities of the Group.

Ms. Glendy Choi was awarded a bachelor's degree in management sciences from the London School of Economics and Political Science in August 1992, and a master of business administration in marketing from the City University, London in November 1993.

In November 2012, Ms. Glendy Choi was appointed as a Vice President of the China Construction Machinery Association Road Machine Chapter* (中國工程機械工業協會築路機械分會) for a term of four years. In December 2014, she has also been named by the Hebei Committee of the Communist Party of China* (中共河北省委) and the Hebei Provincial People's Government* (河北省人民政府) as one of the Hundred High-tech Private Entrepreneurs in Hebei Province* (河北省百名科技型民營企業家). Ms. Glendy Choi has been admitted as a fellow of The Hong Kong Institute of Directors since November 2014. She was admitted as a member of the Young Presidents' Organization in November 2015. Ms. Glendy Choi was awarded the Young Industrialists of Hong Kong Awards 2016 in November 2016. She is a fellow of certified risk planner of The Institute of Crisis and Risk Management, Hong Kong.

Ms. Glendy Choi is the daughter of Mr. Choi Hung Nang, the sister of Mr. Derek Choi and the cousin-in-law of Mr. Liu Tom Jing-zhi.

Mr. Choi Hon Ting, Derek (formerly known as Choi Kwan Wai, Derek), aged 48, is our executive Director. He was appointed as an executive Director on 11 September 2014. Mr. Derek Choi has over 25 years of experience in the trading of specialised engineering equipment. He is primarily responsible for overseeing the strategic business development of our Group. Mr. Derek Choi has been appointed as a director of Langfang D&G since June 2011. He is also a director of certain entities of the Group.

* *For identification purpose only*

Mr. Derek Choi was awarded a bachelor's degree in agricultural engineering from Purdue University in May 1991. Mr. Derek Choi has been an executive council member of the China New Energy Chamber of Commerce since 2012 and is the Immediate Past Chairman and Executive Subcommittee Member of the International Society of Trenchless Technologies. Mr. Derek Choi is a founding member of the China Hong Kong Society of Trenchless Technologies and served as vice-chairman, chairman, and executive secretary from 2002 to 2004. Mr. Derek Choi has been admitted as a fellow member of the Hong Kong Institute of Directors since February 2005. Mr. Derek Choi is an independent non-executive director of IPE Group Limited 國際精密集團有限公司* (Hong Kong stock code: 929). He was also appointed as an independent non-executive director of HM International Holdings Limited (listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 January 2017, stock code: 8416) on 15 December 2016.

Mr. Derek Choi is the son of Mr. Choi Hung Nang, the brother of Ms. Glendy Choi and the cousin-in-law of Mr. Liu Tom Jing-zhi.

Mr. Liu Tom Jing-zhi, aged 47, is our executive Director and chief operating officer. He was appointed as an executive Director on 11 September 2014. He is primarily responsible for overseeing daily operations of manufacturing facilities and the implementation of business strategies and plans of our Group. Mr. Liu has over 13 years of experience in corporate management and business operations. He joined our Group in August 2006 as the director and deputy general manager of Langfang D&G. He is also a director of certain entities of the Group.

In September 1999, Mr. Liu was awarded a graduate diploma in business administration from the University of Technology Sydney. Mr. Liu was recognised as a Person of Innovation* (創新人物) by the Equipment Management Institute of Hebei Province Innovation Development Committee (河北省工業設備管理創新發展峰會組委會) in June 2012. Since April 2013, Mr. Liu has been appointed as a member of the Sixth Committee of Chinese People's Political Consultative Conference, Langfang city (中國人民政治協商會議廊坊市第六屆委員會) for a term of 5 years.

Mr. Liu is the son-in-law of Mr. Choi Hung Nang's elder brother and the cousin-in-law of Ms. Glendy Choi and Mr. Derek Choi.

Mr. Lao Kam Chi, aged 55, is our executive Director and general manager (sales and marketing). He was appointed as an executive Director on 11 September 2014. He is primarily responsible for managing and implementing sales and marketing strategies. Mr. Lao has over 29 years of experience in sales and marketing. Mr. Lao joined our Group in October 2002 as the general manager of the sales and marketing team in Beijing D&G Machinery Company Limited* (北京德基機械有限公司). He has been a director of Langfang D&G since June 2011, and the general manager of our sales and marketing centre since August 2009.

In July 1982, Mr. Lao was awarded a bachelor's degree in engineering from Southwest Jiaotong University (西南交通大學), Chengdu. Mr. Lao has also been appointed as the vice-chairman of the China Highway Construction Machine Branch (中國公路學會築路機械分會) for a term of five years since May 2012.

Mr. Yu Ronghua, aged 51, is our executive Director and general manager (strategy and planning). He was appointed as an executive Director on 11 September 2014. Mr. Yu has over 17 years of experience in corporate finance and management. He is primarily responsible for overseeing the implementation of business strategies and project plans. Since June 2011, Mr. Yu was appointed as a director of Langfang D&G. He is also a director of certain entities of the Group.

Mr. Yu obtained his bachelor's degree in engineering from Shanghai University in July 1997. Mr. Yu joined the Pudong branch of Industrial and Commercial Bank of China, Shanghai where he worked for more than 5 years from August 1997 to December 2002 in business development and management. In May 2008, Mr. Yu obtained a master of business administration from the University of Southern Queensland. In March 2013, Mr. Yu was certified as a qualified independent director and as a qualified board secretary by the Shanghai Stock Exchange.

* *For identification purpose only*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Chan Lewis (formerly known as Chan Yeung), aged 46, was appointed as a non-executive Director on 15 December 2014. Mr. Chan is the managing partner of Maunakai Capital Partners (Hong Kong) Limited. He is also an executive director of DT Capital Limited (formerly known as Incutech Investments Limited) (Hong Kong stock code: 356). Mr. Chan was appointed as an independent non-executive director of Yuk Wing Group Holdings Limited (Hong Kong stock code: 1536) on 15 December 2016. He has over 17 years of experience in asset management and investment research. Mr. Chan received his bachelor's degree in economics from the University of Chicago in June 1994 and his master of arts from Columbia University in May 1996. Mr. Chan further obtained his Ph.D. from Harvard University in June 2000.

Mr. Chan was a winner of the Fama-DFA Prize of the Best Papers published in 2003 in the Journal of Financial Economics and is also a research fellow at The China Centre for Financial Research at Tsinghua University. Mr. Chan currently serves as a member of the Admissions, Budgets and Allocations Committee of the Community Chest of Hong Kong.

Mr. Alain Vincent Fontaine, aged 62, obtained a bachelor's degree in Electrical Engineering from the University of Sherbrooke in Canada in June 1979. He has been a member of the Order of Engineers of Québec since January 1980.

Mr. Fontaine serves as an executive director of Hong Kong Venture Capital and Private Equity Association. In 2000, he founded Investel Asia, a venture capital and private equity firm and served as its managing director from January 2004 to December 2006. He was the chief executive officer of Newcom LLC from January 2007 to September 2008. Mr. Fontaine served various positions within the BCE Inc. group, a communications group in Canada, including Bell Canada, Bell Ardis and Tata Cellular, for approximately 16 years of his career. Since September 2012, Mr. Fontaine has also been a member of the advisory board of Ocean Equity Partners Fund L.P., an indirect substantial shareholder interested in 50,304,000 shares of the Company, representing approximately 8.11% of the issued share capital of the Company. Mr. Fontaine has also been acting as a non-executive director of Tsaker Chemical Group Limited (Hong Kong stock code: 1986) since April 2015 and as an independent director of China Lending Corporation, a company listed on NASDAQ (ticker: CLDC) since July 2016.

Mr. Fontaine is responsible for providing advice on corporate governance and internal control matters of the Group.

Independent Non-executive Directors

Mr. Law Wang Chak, Waltery, aged 53, was appointed as our independent non-executive Director on 24 April 2015. Mr. Law is currently an executive partner of Profundas Capital Limited, a private equity and investment advisory firm. He also serves as an independent non-executive director of Orient Victory China Holdings Limited (Hong Kong stock code: 0265). Mr. Law was the chief financial officer and non-executive director of Nine Dragons Paper (Holdings) Limited (Hong Kong stock code: 2689) for the periods from June 2004 to July 2008 and August 2008 to October 2008, respectively. Mr. Law has over 29 years of experience in the accounting, financial auditing, corporate financing and corporate restructuring profession. Mr. Law also served in different key roles such as chief financial officer and vice president of the finance department in four other Hong Kong main board listed companies for over 12 years. Prior to that, Mr. Law had worked in the audit division of Coopers & Lybrand, now PricewaterhouseCoopers, for more than five years.

Mr. Law graduated from the University of London with a bachelor's degree in economics in 1991 and a master's degree in financial economics in 1995. Mr. Law was admitted as a fellow of both the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants in 1995 and 1998, respectively. Mr. Law is also an associate of The Institute of Chartered Accountants in England and Wales.

Mr. Li Zongjin, aged 64, was appointed as our independent non-executive Director on 24 April 2015. He is the professor of the Department of Civil and Environmental Engineering of the Hong Kong University of Science and Technology. Mr. Li graduated from Zhejiang University, China with a bachelor's degree in structure engineering in 1982. Mr. Li further obtained his master of science in December 1990 and his Ph.D. in December 1993 from Northwestern University, United States of America. Mr. Li is a fellow of the American Concrete Institute and was a member of the Hong Kong Institute of Engineers.

Mr. Li has over 27 years of experience in the field of civil and structural engineering and has published 6 books in the area of materials engineering. In August 2008, Mr. Li was appointed as a chief scientist under the National Basic Research Program of China (973 Project). Mr. Li's research project on geopolymer-based structural materials preparation technology was awarded second prize by the PRC Ministry of Education in January 2010.

Currently, Mr. Li is a director of Brilliant Concept International Group Limited.

Mr. Lee Wai Yat, Paco, aged 51, was appointed as our independent non-executive Director on 24 April 2015. He is the deputy general manager (investor relations and corporate investment) of Thai Union Group Public Company Limited (formerly known as Thai Union Frozen Products Public Company Limited) (Stock Exchange of Thailand code: TU). He is also the non-executive director of Avanti Feeds Limited (listed on the Bombay Stock Exchange and National Stock Exchange of India Limited, ticker: AVANTI) and Pakfood Public Company Limited (Stock Exchange of Thailand code: PPC and delisted in November 2013).

Mr. Lee has over 14 years of experience in corporate finance and management. Mr. Lee graduated from Purdue University in May 1991 with a bachelor of science in management. Mr. Lee obtained his master of business administration from the Sasin Graduate Institute of Business Administration (a joint program between the Kellogg School of Management of Northwestern University, the Wharton School of University of Pennsylvania, and Chulalongkorn University) in Bangkok in March 1993.

Mr. Lee completed the Director Certification Program held by the Thai Institute of Directors in June 2012. In 2014, Mr. Lee was awarded as the 3rd Best Chief Financial Officer in Thailand by FinanceAsia's annual Best Managed Companies Poll.

Mr. Fok Wai Shun, Wilson, aged 42, was appointed as our independent non-executive Director on 24 April 2015. He is the managing director of Challenge Capital Management Limited. Mr. Fok has over 17 years of experience in the fields of corporate finance, accounting and investment banking. Mr. Fok holds a double bachelor degrees in commerce and in laws from the University of Melbourne. Mr. Fok was admitted as a solicitor and barrister of the Supreme Court of Victoria, Australia in 1998 and is a fellow of the Hong Kong Institute of Certified Public Accountants and a member of Certified Public Accountants, Australia.

Mr. Fok previously worked in the Assurance and Corporate Finance and Recovery departments of PricewaterhouseCoopers from 2000 to 2004. From 2004 to 2010, Mr. Fok served in various positions at the investment banking division of Piper Jaffray Asia Limited. He was the executive director (corporate finance) of CCB International Capital Limited from 2010 to August 2014.

Senior Management

Mr. Tsang Chin Pang, aged 38, joined the Group in July 2016 and was appointed as the chief financial officer and company secretary of the Group on 30 November 2016. He is responsible for the financial planning and management, tax, corporate finance and company secretarial matters of the Group.

Mr. Tsang graduated from the Hong Kong University of Science and Technology with a bachelor of business administration in finance. Mr. Tsang is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tsang has over 15 years of experience in the field of finance and accounting. Prior to joining the Group, Mr. Tsang worked in the Assurance and Advisory Business Services department of Ernst & Young from September 2001 to February 2004 and PricewaterhouseCoopers from February 2004 to July 2007, respectively. Mr. Tsang also worked in the Mergers and Acquisitions Transaction Services department of Deloitte from September 2007 to February 2011. Mr. Tsang was the chief financial officer and company secretary of Realord Group Holdings Limited (Hong Kong stock code: 1196) for the period from February 2011 to July 2016.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Board has committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value, transparency and accountability and formulate its business strategies and policies.

The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

In the opinion of the Directors, throughout the year ended 31 December 2016, the Company has complied with all the code provisions as set out in the CG Code.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2016.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

Board of Directors

The Board currently comprises twelve members, consisting of six executive Directors, two non-executive Directors and four independent non-executive Directors. The executive Directors, non-executive Directors and independent non-executive Directors during the year ended 31 December 2016 were as follows:

Executive Directors:

Mr. Choi Hung Nang *(Chairman of the Board and chairman of the Nomination Committee)*
Ms. Choi Kwan Li, Glendy *(Chief Executive Officer, chairman of the Risk Management Committee and member of the Remuneration Committee)*
Mr. Choi Hon Ting, Derek
Mr. Liu Tom Jing-zhi *(Chief Operating Officer and member of the Risk Management Committee)*
Mr. Lao Kam Chi
Mr. Yu Ronghua

Non-executive Directors:

Mr. Chan Lewis
Mr. Alain Vincent Fontaine *(appointed on 15 August 2016)*

Independent Non-executive Directors:
Mr. Law Wang Chak, Waltery *(Chairman of the Audit Committee and member of the Remuneration Committee and Risk Management Committee)*
Mr. Li Zongjin *(Member of the Audit Committee and Nomination Committee)*
Mr. Lee Wai Yat, Paco *(Member of the Audit Committee and Nomination Committee)*
Mr. Fok Wai Shun, Wilson *(Chairman of the Remuneration Committee and member of the Audit Committee and Risk Management Committee)*

The biographical information of the Directors as well as the relationships between the members of the Board are set out under "Biographical Details of Directors and Senior Management" on pages 18 to 21 of this Annual Report.

Chairman and Chief Executive Officer

The positions of chairman of the Board (the "Chairman") and chief executive officer of the Company (the "Chief Executive Officer") are held by Mr. Choi Hung Nang and Ms. Choi Kwan Li, Glendy, respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

Independent Non-executive Directors

During the year ended 31 December 2016, the Board complied with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 of the CG Code states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the executive Directors, non-executive Directors and independent non-executive Directors (except Mr. Alain Vincent Fontaine) has entered into a service agreement with the Company for an initial term of three years commencing from 27 May 2015. Each of their appointments is subject to the termination at any time by either party giving to the other not less than three months' notice in writing and retirement by rotation and re-election pursuant to the articles of association of the Company (the "Articles of Association") and the Listing Rules.

The emolument of Mr. Derek Choi, which was determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group, is HK$15,000 per month with effect from 27 May 2015 plus discretionary bonus and additional HK$70,000 per month for handling the Company's operations matters with effect from 1 April 2016.

Mr. Alain Vincent Fontaine, a non-executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 15 August 2016. His appointment is subject to the termination at any time by either party giving to the other not less than three months' notice in writing and retirement by rotation and re-election pursuant to the Articles of Association and the Listing Rules.

In accordance with the Articles of Association, every Director shall be subject to retirement at an annual general meeting of the Company at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board take decisions objectively in the interests of the Company.

All Directors, including the non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

Mr. Choi Hung Nang (Chairman) is the father of Ms. Choi Kwan Li, Glendy (Chief Executive Officer) and Mr. Choi Hon Ting, Derek and the brother of the father-in-law of Mr. Liu Tom Jing-zhi. Apart from the aforesaid, there are no other financial, business, family or other material/relevant relationships among members of the Board.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive a comprehensive, formal and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading materials on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2016, all Directors had provided to the Company their training records. All Directors participated in continuous professional development exercise by way of attending seminars/conferences/forums organised by professional organisations and keep themselves updated on the roles, functions and duties of a listed company director. In addition, relevant reading materials including directors' manual, legal and regulatory update and seminar handouts have been provided to the Directors for their reference and studying. The trainings attended by the Directors are in the area of corporate governance, regulatory update, financial management or business skills and knowledge. The Company is of the view that all Directors have compiled with code provision A.6.5 of the CG Code.

Board Committees

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

Save for the Risk Management Committee, the majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this Annual Report.

Audit Committee

The Audit Committee currently comprises four members, namely, Mr. Law Wang Chak, Waltery (Chairman), Mr. Li Zongjin, Mr. Lee Wai Yat, Paco and Mr. Fok Wai Shun, Wilson (including at least one independent non-executive Directors with appropriate professional qualifications or accounting or related financial management expertise), all are independent non-executive Directors. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditor, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2016, the Audit Committee held three meetings to review annual financial results and report in respect of the year ended 31 December 2015, interim financial results and report in respect of the period ended 30 June 2016, significant issues on the financial reporting and compliance procedures, the effectiveness of the internal control and risk management systems and internal audit function, scope of work and appointment of external auditors, arrangements for employees to raise concerns about possible improprieties and to discuss the audit plan for the year ended 31 December 2016 of the Company. The attendance records of the Audit Committee are set out under "Attendance Records of Directors and Committee Members" of this Annual Report.

The Audit Committee also met the external auditor three times without the presence of the executive Directors.

Remuneration Committee

The Remuneration Committee currently comprises three members, namely, Mr. Fok Wai Shun, Wilson (Chairman) (independent non-executive Director), Ms. Choi Kwan Li, Glendy (executive Director) and Mr. Law Wang Chak, Waltery (independent non-executive Director).

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the year ended 31 December 2016, the Remuneration Committee held two meetings to make recommendations to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management, grant of share options and other related matters. The Remuneration Committee also made recommendations to the Board on the terms of service agreement of Mr. Alain Vincent Fontaine, the new non-executive Director appointed during the year. The attendance records of the Remuneration Committee are set out under "Attendance Records of Directors and Committee Members" of this Annual Report.

Details of the remuneration of the senior management for the year ended 31 December 2016 are set out in note 8(b) and note 34 in the "Notes to the Financial Statements" of this Annual Report.

Nomination Committee

The Nomination Committee currently comprises three members, namely, Mr. Choi Hung Nang (Chairman) (executive Director), Mr. Li Zongjin and Mr. Lee Wai Yat, Paco (independent non-executive Directors).

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Company's Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character and integrity, qualifications, experience, time commitments, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 December 2016, the Nomination Committee held one meeting to review the structure, size and composition of the Board, the independence of the independent non-executive Directors, the Company's Board Diversity Policy and to consider the qualifications of the retiring Directors standing for election at the annual general meeting of the Company. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained. The Nomination Committee also recommended to the Board on the appointment of Mr. Alain Vincent Fontaine as non-executive Director during the year. The attendance records of the Nomination Committee are set out under "Attendance Records of Directors and Committee Members" of this Annual Report.

Risk Management Committee

The Risk Management Committee, which was established on 30 March 2016, comprises five members, namely, Ms. Choi Kwan Li, Glendy (Chairman) (executive Director), Mr. Liu Tom Jing-zhi (executive Director), Mr. Law Wang Chak, Waltery, Mr. Fok Wai Shun, Wilson (independent non-executive Directors) and Mr. Tsang Chin Pang (chief financial officer).

The principal duties of the Risk Management Committee include reviewing and assessing the effectiveness of the Company's risk management system and discussing the risk management system with management to ensure that management has performed its duty to have effective risk management system.

During the year ended 31 December 2016, the Risk Management Committee held one meeting to review and make recommendation on the adequacy and effectiveness of the Group's risk management system. The attendance records of the Risk Management Committee are set out under "Attendance Records of Directors and Committee Members" of this Annual Report.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year ended 31 December 2016, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Records of Directors and Committee Members

The attendance records of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 December 2016 are set out in the table below:

	Attendance/Number of Meetings						
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee (Established on 30 March 2016)	Annual General Meeting	Extraordinary General Meeting
Mr. Choi Hung Nang	7/7	–	–	1/1	–	1/1	0/1
Ms. Choi Kwan Li, Glendy	7/7	–	2/2	–	1/1	1/1	1/1
Mr. Choi Hon Ting, Derek	7/7	–	–	–	–	1/1	1/1
Mr. Liu Tom Jing-zhi	4/7	–	–	–	1/1	1/1	0/1
Mr. Lao Kam Chi	3/7	–	–	–	–	0/1	0/1
Mr. Yu Ronghua	4/7	–	–	–	–	1/1	0/1
Mr. Chan Lewis	4/7	–	–	–	–	0/1	0/1
Mr. Alain Vincent Fontaine *(appointed on 15 August 2016)*	1/7	–	–	–	–	–	–
Mr. Law Wang Chak, Waltery	4/7	3/3	2/2	–	1/1	1/1	1/1
Mr. Li Zongjin	2/7	3/3	–	1/1	–	0/1	1/1
Mr. Lee Wai Yat, Paco	4/7	3/3	–	1/1	–	0/1	1/1
Mr. Fok Wai Shun, Wilson	4/7	3/3	2/2	–	1/1	1/1	1/1

Apart from regular Board meetings, the Chairman also held one meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the year ended 31 December 2016.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 46 to 50 of this Annual Report.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditor.

Auditor's Remuneration

An analysis of the fees charged by the external auditor of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended 31 December 2016 is set out below:

Service Category	**Fees** RMB'000
Audit Services	1,491
Non-audit Services	
– agreed upon procedures on preliminary announcement of annual result	69
	1,560

Risk Management and Internal Controls

Role of the Board

The Board acknowledges that it is responsible for reviewing the effectiveness of the risk management and internal control systems. The Board has the overall responsibility for evaluating and determining the nature and extent of the risks taken by the Group to achieve its strategic business objectives. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board will review the risk management and internal control systems of the Group every 12 months. The Board considered the risk management and internal control systems of the Group to be effective and adequate and did not note any material deviation during the year ended 31 December 2016. The management has confirmed to the Board, the Audit Committee and Risk Management Committee on the effectiveness of the risk management and internal control systems of the Company for the year ended 31 December 2016.

Framework of the Risk Management and Internal Control Systems

The Group's risk governance structure and the main responsibilities of each level of the structure are summarised below:

Board

- Determines the business strategies and objectives of the Group and evaluates and determines the nature and extent of risks willing to take in order to achieve the Group's strategic objectives;
- Ensures the Group establishes and maintains appropriate and effective risk management and internal control systems; and
- Oversees the design, implementation and monitoring of the risk management and internal control systems of the Group.

Audit Committee and Risk Management Committee

- Assist the Board to perform its duties on reviewing risk management and internal control systems;
- Oversee the Group's risk management and internal control systems on an on-going basis;
- Review the effectiveness of the Group's risk management and internal control systems at least annually, and such review should cover all material controls including financial, operational and compliance control;
- Ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions; and
- Consider major findings on risk management and internal control matters, and report and make recommendations to the Board.

Management

- Designs, implements and maintains appropriate and effective risk management and internal control systems;
- Identifies, evaluates and manages the risks that may potentially impact the major processes of the operations;
- Monitors risks and takes measures to mitigate risks in day-to-day operations;
- Gives prompt responses to, and follow up the findings on risk management and internal control matters raised by the internal audit team or the external risk management and internal control review adviser; and
- Provides confirmation to the Board, Audit Committee and Risk Management Committee on the effectiveness of the risk management and internal control systems.

Process Used to Review the Effectiveness of the Risk Management and Internal Control Systems

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assessed the likelihood of risk occurrence, provided remediation plans, monitored the risk management progress, and reported to the Audit Committee, the Risk Management Committee and the Board on all findings and the effectiveness of the risk management and internal control systems.

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification:

- Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment:

- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact on the business and the likelihood of their occurrence.

Risk Response:

- Prioritises the risks by comparing the results of the risk assessment; and
- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting:

- Performs on-going and periodic monitoring of the risks and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

Internal Audit Function

The Group has engaged external professionals as its risk management and internal control review adviser to provide the internal audit function and to conduct the annual review of the effectiveness of the risk management and internal control systems for the year ended 31 December 2016. Such review is conducted annually. The scope of review was previously determined and approved by the Audit Committee and Risk Management Committee. Major findings and areas for improvement have been reported to the Audit Committee and Risk Management Committee. All recommendations from the risk management and internal control review adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Group therefore considered that the risk management and internal control systems are effective and adequate.

Whistleblowing Policy

The Company is committed to achieving and maintaining the highest possible standards of openness, probity and accountability. A whistleblowing policy is in place to create a system for the employees to raise concerns, in confidence, to the Audit Committee and the Board about possible improprieties relating to the Company. The identity of the whistleblower will be treated with the strictest confidence.

Disclosure Policy

The disclosure policy is in place to ensure potential inside information is being captured and confidentiality of such information is being maintained until consistent and timely disclosure is made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Designated reporting channels from different operations informing any potential inside information to designated departments;
- Designated persons and departments to determine further escalation and disclosure as required; and
- Designated persons authorised to act as spokespersons and respond to external enquiries.

Company Secretary

Mr. Tsang Chin Pang, who is also the chief financial officer of the Company, was appointed by the Board as the company secretary of the Company following the resignation of Mr. To Kwong Yeung with effect from 30 November 2016. In accordance with Rule 3.29 of the Listing Rules, the Company has received training information from Mr. To and Mr. Tsang, pursuant to the content of which, the Company confirmed that Mr. To and Mr. Tsang had taken not less than 15 hours of relevant professional trainings to update their skills and knowledge during the year ended 31 December 2016.

Shareholders’ Rights

To safeguard shareholders’ interests and rights, a separate resolution will be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Procedure for shareholders to convene an extraordinary general meeting

Any one or more shareholder(s) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. This meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedure for shareholders to propose a person for election as a Director at a general meeting

After the publication of the notice of a general meeting by the Company, according to Article 85 of the Articles of Association, if a shareholder of the Company (other than the person to be proposed) duly qualified to attend and vote at an annual general meeting of the Company wishes to propose a person (the "Candidate") for election as a Director at the general meeting, he/she shall deposit a written notice (the "Notice") at the Company's registered office at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands, its principal place of business in Hong Kong at 7/F, Hing Lung Commercial Building, 68-74 Bonham Strand, Sheung Wan, Hong Kong or at the office of the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. The Notice (a) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (b) must be signed by the shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal information. The period for lodgement of the Notice shall commence on the date after the despatch of the notice of the general meeting and end no later than seven days prior to the date of such general meeting. In order to allow the Company's shareholders to have sufficient time to consider the proposal of election of the Candidate as a Director, shareholders who wish to make the proposal are urged to submit and lodge the Notice as early as practicable before the relevant general meeting.

Procedure for putting forward enquiries

For enquiries about shareholdings, shareholders should direct their enquiries to the Company's branch share registrar, Tricor Investor Services Limited, via its online holding enquiry service at www.tricoris.com, or send email to is-enquiries@hk.tricorglobal.com or call its hotline at (852) 2980 1333, or go in person to its public counter at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

For enquiries about corporate governance or other matters to be put to the Board and the Company, the Company will not normally deal with verbal or anonymous enquiries. Shareholders may send written enquiries to the Company, for the attention of Company Secretary, by email: ir@dgtechnology.com, by fax: (852) 2541 9078, or mail: 7/F, Hing Lung Commercial Building, 68-74 Bonham Strand, Sheung Wan, Hong Kong.

Shareholders' information may be disclosed as required by law.

Communication with Shareholders and Investors/Investor Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) will be available to meet shareholders and answer their enquiries.

To promote effective communication, the Company maintains a website at www.dgtechnology.com where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

There was no change in the Articles of Association during the year ended 31 December 2016. An up-to-date version of the Company's Memorandum and Articles of Association is also available on the Company's website and the Stock Exchange's website.

Deed Of Non-Competition Undertakings

As disclosed in the Company's prospectus (the "Prospectus") dated 14 May 2015, each of Prima DG Investment Holding Company Limited (翰名投資控股有限公司), Mr. Choi Hung Nang, Ms. Tin Suen Chu, Ms. Choi Kwan Li, Glendy and Mr. Choi Hon Ting, Derek, Controlling Shareholders (as defined in the Prospectus) of the Company, has entered into a deed of non-competition dated 6 May 2015 in favour of the Company (for itself and as trustee for its subsidiaries from time to time).

The Company has received a declaration made by the Controlling Shareholders in compliance with the deed of non-competition for the year ended 31 December 2016.

The independent non-executive Directors have conducted a review on the compliance and enforcement of the deed of non-competition by the Controlling Shareholders for the year ended 31 December 2016.

Compliance with the Sanctions Undertaking

As disclosed in the Prospectus, the Company has, amongst others, undertaken to the Stock Exchange that it would not use the proceeds from the global offering, or any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with any sanctioned country which are prohibited under international sanction laws and regulations or with any sanctioned person (the "Sanctions Undertaking"). To ensure compliance with the Sanctions Undertaking, the Company has ensured that separate books and records are in place to monitor the activities of the proceeds from the global offering.

During the year ended 31 December 2016, the internal control committee of the Company, which members are Mr. Tsang Chin Pang (chief financial officer) and Ms. Ng Po Fung (assistant to the Chief Executive Officer), held a meeting to evaluate the Group from a sanctions risk perspective and to ensure the nature and location of the activities or business, as well as the identity of the counterparties and the products involved, etc., would not violate the Sanctions Undertaking.

The Directors are pleased to present the Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

Principal Place of Business

The Company was incorporated in the Cayman Islands and is domiciled in Hong Kong and its principal place of business in Hong Kong is 7/F, Hing Lung Commercial Building, 68-74 Bonham Strand, Sheung Wan, Hong Kong. The Group's principal place of business in the PRC is at No. 12 Yinghua Road, Yongqing Industrial Park, Yongqing County, Langfang City, Hebei Province, the PRC.

Principal Activities and Business Review

The principal activities of the Group are manufacturing, distribution, research and development of asphalt mixing plants. The principal activities and other particulars of the subsidiaries are set out in note 16 to the financial statements. During the year, there was no significant change in the Group's principal activities.

Detailed business review, including discussions of the risks and uncertainties facing the Group, likely future development of the Group's business, and analysis on the financial key performance indicators, are set out in the Chairman's Statement on pages 4 to 5 of this Annual Report and the Management Discussion and Analysis on pages 6 to 17 of this Annual Report. These discussions form part of this Report of the Directors.

Results and Dividends

The loss of the Group for the year ended 31 December 2016 and the state of affairs of the Company and the Group as at 31 December 2016 are set out in the audited consolidated financial statements on pages 51 to 110 of this Annual Report.

The Directors recommend the payment of a final dividend of HK1.8 cents (equivalent to approximately RMB1.6 cents) per ordinary share, totalling RMB9,995,000 (2015: HK1.8 cents (equivalent to approximately RMB1.51 cents) per ordinary share, totalling RMB9,356,000) for the year ended 31 December 2016. The Directors do not recommend the payment of a special final dividend (2015: HK1.5 cents (equivalent to approximately RMB1.26 cents) per ordinary shares, totalling RMB7,797,000) in respect of the year ended 31 December 2016.

Five Year Financial Summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 3 of this Annual Report.

Distributable Reserves

The distributable reserves of the Company as at 31 December 2016 amounted to RMB468,217,000.

Non-current Assets

Details of acquisitions and other movements in non-current assets (including property, plant and equipment, land use right, investment property and intangible asset) during the year are set out in notes 12 to 15 to the financial statements.

Investment Property

Details of the investment property held for development and/or sale and for investment purposes are set out on page 84 of this Annual Report.

Share Issued in the Year

Details of the movements in share capital of the Company during the year are set out in note 24 to the financial statements.

Debenture Issued in the Year

No debentures were issued by the Company during the year ended 31 December 2016.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares of the Company on a pro-rata basis to existing shareholders.

Purchase, Redemption or Sale of 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 during the year ended 31 December 2016.

Major Customers and Suppliers

During the year ended 31 December 2016, aggregate sales to the Group's largest and five largest customers accounted for 6.9% and 26.9%, respectively, of the Group's total revenue for the year.

Aggregate purchases from the Group's largest and five largest suppliers accounted for 3.5% and 16.1%, respectively, of the Group's total purchases for the year ended 31 December 2016. Aggregate purchases from the Group's largest and five largest subcontractors accounted for 5.5% and 19.3%, respectively, of the Group's total purchases for the year ended 31 December 2016.

At no time during the year have the Directors, their associates or any shareholders of the Company (who or which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers, suppliers and subcontractors.

Relationship with Employees

The Group recognises employees as the most important assets of the Group. The contribution and support of employees are valued at all times. The Group regularly reviews the remuneration policies according to the market benchmarks, financial results and individual performance of employees. Other staff benefit plans are provided to enhance the employees' loyalty and satisfaction.

Directors

The Directors during the year ended 31 December 2016 and up to the date of this Annual Report were:

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 Directors
Mr. Chan Lewis
Mr. Alain Vincent Fontaine *(appointed on 15 August 2016)*

Independent Non-Executive Directors
Mr. Law Wang Chak, Waltery
Mr. Li Zongjin
Mr. Lee Wai Yat, Paco
Mr. Fok Wai Shun, Wilson

The Company has received annual confirmations of independence from each of the independent non-executive Directors, and as at the date of this Annual Report still considers them to be independent.

Pursuant to Article 83(3) of the Articles of Association, Mr. Alain Vincent Fontaine shall retire from the office at the forthcoming annual general meeting.

In addition, pursuant to Article 84 of the Articles of Association, Mr. Choi Hung Nang, Mr. Choi Hon Ting, Derek, Mr. Liu Tom Jing-zhi and Mr. Law Wang Chak, Waltery shall retire from the office by rotation at the forthcoming annual general meeting. All the retiring Directors, being eligible, will offer themselves for re-election.

Biographical Details of Directors and Senior Management

Biographical details of the Directors and the senior management of the Company are set out on pages 18 to 21 of this Annual Report.

Directors' Service Contracts

Each of the executive Directors, non-executive Directors and independent non-executive Directors (except Mr. Alain Vincent Fontaine) has entered into a service agreement with the Company for an initial term of three years commencing from 27 May 2015. Each of their appointments is subject to the termination at any time by either party giving to the other not less than three months' notice in writing and retirement by rotation and re-election pursuant to the Articles of Association and the Listing Rules.

Mr. Alain Vincent Fontaine, a non-executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 15 August 2016. His appointment is subject to the termination at any time by either party giving to the other not less than three months' notice in writing and retirement by rotation and re-election pursuant to the Articles of Association and the Listing Rules.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries other than agreements expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Remuneration

Details of the remuneration of the Directors are set out in note 34 to the financial statements, which are recommended by the Remuneration Committee of the Company with reference to the salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

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

As at 31 December 2016, the interests or short positions of the Directors, the chief executives of the Company (the "Chief Executives") and their associates in the shares of the Company (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 as set out in Appendix 10 to the Listing Rules were as follows:

(i) Interests in Shares and underlying Shares

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	Long	Interest in controlled corporation(1)	345,696,000	55.74%
	Long	Beneficial owner	6,392,000	1.03%
	Long	Beneficial owner(2)	4,000,000	0.64%
Ms. Choi Kwan Li, Glendy	Long	Beneficial owner	150,000	0.02%
	Long	Beneficial owner(2)	4,000,000	0.64%
Mr. Choi Hon Ting, Derek	Long	Beneficial owner	150,000	0.02%
	Long	Beneficial owner(2)	4,000,000	0.64%
Mr. Liu Tom Jing-zhi	Long	Interest in controlled corporation(3)	13,500,000	2.18%
	Long	Interest of spouse(3)	150,000	0.02%
	Long	Beneficial owner(4)	2,000,000	0.32%
Mr. Lao Kam Chi	Long	Interest in controlled corporation(5)	9,000,000	1.45%
	Long	Beneficial owner(4)	2,000,000	0.32%
Mr. Yu Ronghua	Long	Interest in controlled corporation(6)	13,500,000	2.18%
	Long	Beneficial owner(4)	2,000,000	0.32%
Mr. Chan Lewis	Long	Beneficial owner(7)	300,000	0.05%
Mr. Law Wang Chak, Waltery	Long	Beneficial owner	1,850,000	0.30%
	Long	Beneficial owner(8)	270,000	0.04%
Mr. Li Zongjin	Long	Beneficial owner(7)	300,000	0.05%
Mr. Lee Wai Yat, Paco	Long	Beneficial owner(7)	300,000	0.05%
Mr. Fok Wai Shun, Wilson	Long	Beneficial owner(9)	400,000	0.06%

(ii) Interests in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Long/Short position	Type of interest	Approximate percentage of shareholding interest
Mr. Choi Hung Nang	Prima DG Investment Holding Company Limited ("Prima DG")	Long	Beneficial owner	40%
Ms. Choi Kwan Li, Glendy	Prima DG	Long	Beneficial owner	20%
Mr. Choi Hon Ting, Derek	Prima DG	Long	Beneficial owner	20%

Notes:

1. The 345,696,000 Shares were held by Prima DG, which is directly held as to 40% by Mr. Choi Hung Nang. Accordingly, by virtue of the SFO, Mr. Choi Hung Nang is deemed to be interested in all the Shares in which Prima DG is interested.

2. Each of Mr. Choi Hung Nang, Ms. Choi Kwan Li, Glendy and Mr. Choi Hon Ting, Derek was granted 4,000,000 share options during the year ended 31 December 2016 under the share option scheme of the Company adopted on 6 May 2015 (the "Share Option Scheme") and was deemed to be interested in 4,000,000 underlying Shares in respect of the share options granted.

3. The 13,500,000 Shares were held by Zacks Vroom Investment Company Limited, a company wholly-owned by Mr. Liu Tom Jing-zhi. The 150,000 Shares were held by his spouse, Ms. Thai Vanny. Accordingly, by virtue of the SFO, Mr. Liu is deemed to be interested in all the Shares in which Zacks Vroom Investment Company Limited and Ms. Thai Vanny are interested.

4. Each of Mr. Liu Tom Jing-zhi, Mr. Lao Kam Chi and Mr. Yu Ronghua was granted 2,000,000 share options during the year ended 31 December 2016 under the Share Option Scheme and was deemed to be interested in 2,000,000 underlying Shares in respect of the share options granted.

5. The 9,000,000 Shares were held by Denmike Investment Company Limited, a company wholly-owned by Mr. Lao Kam Chi. Accordingly, by virtue of the SFO, Mr. Lao is deemed to be interested in all the Shares in which Denmike Investment Company Limited is interested.

6. The 13,500,000 Shares were held by Wonderful Investment Holding Company Limited, a company wholly-owned by Mr. Yu Ronghua. Accordingly, by virtue of the SFO, Mr. Yu is deemed to be interested in all the Shares in which Wonderful Investment Holding Company Limited is interested.

7. Each of Mr. Chan Lewis, Mr. Li Zongjin and Mr. Lee Wai Yat, Paco was granted 300,000 share options during the year ended 31 December 2016 under the Share Option Scheme and was deemed to be interested in 300,000 underlying Shares in respect of the share options granted.

8. Mr. Law Wang Chak, Waltery was granted 400,000 share options and 130,000 share options were exercised during the year ended 31 December 2016 under the Share Option Scheme. He was deemed to be interested in 270,000 underlying Shares in respect of the share options granted.

9. Mr. Fok Wai Shun, Wilson was granted 400,000 share options during the year ended 31 December 2016 under the Share Option Scheme and was deemed to be interested in 400,000 underlying Shares in respect of the share options granted.

Save as disclosed above, as at 31 December 2016, none of the Directors, the Chief Executives nor their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2016, so far as known to the Directors, 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[1]	Long	Beneficial owner	345,696,000	55.74%
Mr. Choi Hung Nang[1]	Long	Interest in controlled corporation	345,696,000	55.74%
	Long	Beneficial owner	6,392,000	1.03%
	Long	Beneficial owner	4,000,000	0.64%
Ms. Tin Suen Chu[1]	Long	Interest of spouse	356,088,000	57.41%
Regal Sky Holdings Limited[2]	Long	Beneficial owner	50,304,000	8.11%
Ocean Equity Partners Fund L.P.[2]	Long	Interest in controlled corporation	50,304,000	8.11%
Ocean Equity Partners Fund GP Limited[2]	Long	Interest in controlled corporation	50,304,000	8.11%

Notes:

1. Prima DG directly held 345,696,000 Shares. Prima DG is directly held as to 40% by Mr. Choi Hung Nang. Accordingly, by virtue of the SFO, Mr. Choi Hung Nang is deemed to be interested in all the Shares in which Prima DG is interested.

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

2. 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.

Save as disclosed above, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

Share Option Scheme

The Company's Share Option Scheme was adopted pursuant to the resolutions of all the shareholders passed on 6 May 2015 and shall be valid and effective for a period of 10 years commencing from 6 May 2015. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of the employees and directors of the members of the Group and other selected participants.

The Board may at its absolute discretion (subject to any conditions as it may think fit) grant options to any employee and director (including executive director, non-executive director and independent non-executive director) of any member of the Group and any other eligible participants (the "Eligible Participants") 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 period within which the Shares must be taken up under an option shall be determined by the Board at its absolute discretion and in any event, such period shall not be longer than 10 years from the date upon which any particular option is granted in accordance with the Share Option Scheme. There is no general requirement that an option must be held for any minimum period before it can be exercised.

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 date on which the Shares were listed on the main board of the Stock Exchange on 27 May 2015 (the "Listing Date") (the "Limit"), i.e. 60,000,000 Shares representing approximately 9.67% of the issued Shares as at the date of this Annual Report. Options which have lapsed in accordance with the terms of the Share Option Scheme (or any other schemes of the 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, the 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. Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme at any time shall not exceed 30% of the Shares in issue from time to time.

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 the 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.

On 20 April 2016 ("Date of Grant"), options to subscribe for an aggregate of 24,700,000 Shares were granted to certain Eligible Participants under the Share Option Scheme. The exercise price in respect of each option granted under the Share Option Scheme on the Date of Grant is HK$0.88 per share. The adjusted closing price of the Shares immediately before the Date of Grant was HK$0.866 per Share. There was no Eligible Participant with options granted in excess of the individual limit.

The fair value of the share options granted on 20 April 2016 was HK$7,823,400 (equivalent to approximately RMB6,780,000) of which the Group recognised a share option expense of approximately RMB3,921,000 (2015: nil) during the year ended 31 December 2016.

The fair value of the share options granted on 20 April 2016 was estimated as at the Date of Grant by an independent firm of professionally qualified valuers, using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted.

The binomial option pricing model required input of subjective assumption such as the expected stock price volatility. Change in subjective input may materially affect the fair value estimates.

The details of the share options granted on 20 April 2016 under the Share Option Scheme are set out in note 25 to the financial statements.

Particulars and movements of share options granted under the Share Option Scheme during the period from the Date of Grant to 31 December 2016 were as follows:

Name of Grantee	Date of Grant	Exercise Period	Exercise price per Share	Outstanding as at 1 January 2016	Granted during the year	Exercised during the year *(Note)*	Cancelled/ Lapsed during the year	Outstanding as at 31 December 2016
Directors								
Mr. Choi Hung Nang	20/4/2016	1/10/2016 - 19/4/2021	HK$0.88	–	1,300,000	–	–	1,300,000
	20/4/2016	1/10/2017 - 19/4/2021	HK$0.88	–	1,300,000	–	–	1,300,000
	20/4/2016	1/10/2018 - 19/4/2021	HK$0.88	–	1,400,000	–	–	1,400,000
Ms. Choi Kwan Li, Glendy	20/4/2016	1/10/2016 - 19/4/2021	HK$0.88	–	1,300,000	–	–	1,300,000
	20/4/2016	1/10/2017 - 19/4/2021	HK$0.88	–	1,300,000	–	–	1,300,000
	20/4/2016	1/10/2018 - 19/4/2021	HK$0.88	–	1,400,000	–	–	1,400,000
Mr. Choi Hon Ting, Derek	20/4/2016	1/10/2016 - 19/4/2021	HK$0.88	–	1,300,000	–	–	1,300,000
	20/4/2016	1/10/2017 - 19/4/2021	HK$0.88	–	1,300,000	–	–	1,300,000
	20/4/2016	1/10/2018 - 19/4/2021	HK$0.88	–	1,400,000	–	–	1,400,000
Mr. Liu Tom Jing-zhi	20/4/2016	1/10/2016 - 19/4/2021	HK$0.88	–	650,000	–	–	650,000
	20/4/2016	1/10/2017 - 19/4/2021	HK$0.88	–	650,000	–	–	650,000
	20/4/2016	1/10/2018 - 19/4/2021	HK$0.88	–	700,000	–	–	700,000
Mr. Lao Kam Chi	20/4/2016	1/10/2016 - 19/4/2021	HK$0.88	–	650,000	–	–	650,000
	20/4/2016	1/10/2017 - 19/4/2021	HK$0.88	–	650,000	–	–	650,000
	20/4/2016	1/10/2018 - 19/4/2021	HK$0.88	–	700,000	–	–	700,000
Mr. Yu Ronghua	20/4/2016	1/10/2016 - 19/4/2021	HK$0.88	–	650,000	–	–	650,000
	20/4/2016	1/10/2017 - 19/4/2021	HK$0.88	–	650,000	–	–	650,000
	20/4/2016	1/10/2018 - 19/4/2021	HK$0.88	–	700,000	–	–	700,000
Mr. Chan Lewis	20/4/2016	1/10/2016 - 19/4/2021	HK$0.88	–	100,000	–	–	100,000
	20/4/2016	1/10/2017 - 19/4/2021	HK$0.88	–	100,000	–	–	100,000
	20/4/2016	1/10/2018 - 19/4/2021	HK$0.88	–	100,000	–	–	100,000
Mr. Law Wang Chak, Waltery	20/4/2016	1/10/2016 - 19/4/2021	HK$0.88	–	130,000	(130,000)	–	–
	20/4/2016	1/10/2017 - 19/4/2021	HK$0.88	–	130,000	–	–	130,000
	20/4/2016	1/10/2018 - 19/4/2021	HK$0.88	–	140,000	–	–	140,000
Mr. Li Zongjin	20/4/2016	1/10/2016 - 19/4/2021	HK$0.88	–	100,000	–	–	100,000
	20/4/2016	1/10/2017 - 19/4/2021	HK$0.88	–	100,000	–	–	100,000
	20/4/2016	1/10/2018 - 19/4/2021	HK$0.88	–	100,000	–	–	100,000
Mr. Lee Wai Yat, Paco	20/4/2016	1/10/2016 - 19/4/2021	HK$0.88	–	100,000	–	–	100,000
	20/4/2016	1/10/2017 - 19/4/2021	HK$0.88	–	100,000	–	–	100,000
	20/4/2016	1/10/2018 - 19/4/2021	HK$0.88	–	100,000	–	–	100,000
Mr. Fok Wai Shun, Wilson	20/4/2016	1/10/2016 - 19/4/2021	HK$0.88	–	130,000	–	–	130,000
	20/4/2016	1/10/2017 - 19/4/2021	HK$0.88	–	130,000	–	–	130,000
	20/4/2016	1/10/2018 - 19/4/2021	HK$0.88	–	140,000	–	–	140,000
				–	19,700,000	(130,000)	–	19,570,000
Other employees								
In aggregate	20/4/2016	1/10/2016 - 19/4/2021	HK$0.88	–	1,650,000	(850,000)	–	800,000
	20/4/2016	1/10/2017 - 19/4/2021	HK$0.88	–	1,650,000	–	(650,000)	1,000,000
	20/4/2016	1/10/2018 - 19/4/2021	HK$0.88	–	1,700,000	–	(700,000)	1,000,000
				–	5,000,000	(850,000)	(1,350,000)	2,800,000
					24,700,000	(980,000)	(1,350,000)	22,370,000

Note: The weighted average closing price immediately before the exercise of the share options was HK$1.23.

Directors' Interests in Transactions, Arrangements or Contracts

No Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries and a Controlling Shareholder or any of its subsidiaries was a party subsisting during or at the end of the year ended 31 December 2016.

Directors' Interests in Competing Business

During the year ended 31 December 2016 and up to the date of this Annual Report, none of the Directors had an interest in a business, which competes or may compete with the business of the Group under the Listing Rules.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2016.

Equity-linked Agreements

Save for the Share Option Scheme as mentioned above, the Company has not entered into any equity-linked agreements during the year ended 31 December 2016.

Permitted Indemnity Provision

Pursuant to the Articles of Association, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his/her duty, or supposed duty, in his/her respective offices or trusts.

There is appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company.

Directors' Rights to Acquire Shares or Debentures

Apart from the Share Option Scheme and the exercise of share options as mentioned above, at no time during the year ended 31 December 2016 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company and any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company nor exercised any such right.

Connected Transactions and Continuing Connected Transactions

During the year ended 31 December 2016, the Company entered into the following sale and purchase agreements which constituted connected transactions of the Company under the Listing Rules:

Sale and Purchase Agreement I

On 17 June 2016 (after trading hours), Amazing Rush Holdings Limited ("Amazing Rush"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement ("Sale and Purchase Agreement I") with Diamond Strong Limited ("Diamond Strong"), pursuant to which Diamond Strong Limited agreed to sell and Amazing Rush agreed to purchase Office A (including the lavatory) and Office B (including the lavatory), 7th Floor, Hing Lung Commercial Building, 68-74 Bonham Strand, Hong Kong ("Property I") with a gross floor area of approximately 2,083 square feet at a consideration of HK$17.2 million.

As at the date of Sale and Purchase Agreement I, Diamond Strong was held as to 40% by Mr. Choi Hung Nang, 20% by Mr. Choi Hon Ting, Derek, 20% by Ms. Choi Kwan Li, Glendy (all being executive Directors) and 20% by Ms. Tin Suen Chu (spouse of Mr. Choi Hung Nang). Accordingly, Diamond Strong was a connected person of the Company and the purchase of Property I by Amazing Rush from Diamond Strong constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Sale and Purchase Agreement II

On 17 June 2016 (after trading hours), Elegant Station Limited ("Elegant Station"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement ("Sale and Purchase Agreement II") with Diamond Strong, pursuant to which Diamond Strong agreed to sell and Elegant Station agreed to purchase Office A and Unit B2, 10th Floor, Hing Lung Commercial Building, 68-74 Bonham Strand, Hong Kong ("Property II") with a gross floor area of approximately 1,336 square feet at a consideration of HK$11.1 million.

Please refer to the paragraph headed "Sale and Purchase Agreement I" above for details of the connected relationship between the Company and Diamond Strong. Accordingly, the purchase of Property II by Elegant Station from Diamond Strong constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Sale and Purchase Agreement III

On 17 June 2016 (after trading hours), Elegant Station, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement ("Sale and Purchase Agreement III") with Mr. Chan Shing Kwong, an independent third-party, pursuant to which Mr. Chan agreed to sell and Elegant Station agreed to purchase Unit B1 (including the lavatories), 10th Floor, Hing Lung Commercial Building, 68-74 Bonham Strand, Hong Kong ("Property III") with a gross floor area of approximately 747 square feet at a consideration of HK$6.4 million.

As the completion of Sale and Purchase Agreement III was conditional upon the completion of Sale and Purchase Agreement II, Mr. Chan was deemed, for the purpose of the acquisition of Property III, to be a connected person of the Company by virtue of Rule 14A.20 of the Listing Rules. Accordingly, the purchase of Property III by Elegant Station from Mr. Chan constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Sale and Purchase Agreement IV

On 17 June 2016 (after trading hours), Super Diamond Group Limited ("Super Diamond"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement ("Sale and Purchase Agreement IV") with Balama Prima Engineering Company Limited ("Balama Prima Engineering"), pursuant to which Balama Prima Engineering agreed to sell and Super Diamond agreed to purchase Offices A and B (including the lavatories), 17th Floor, Hing Lung Commercial Building, 68-74 Bonham Strand, Hong Kong ("Property IV") with a gross floor area of approximately 2,083 square feet at a consideration of HK$18.1 million.

As at the date of Sale and Purchase Agreement IV, Balama Prima Engineering was held as to 40% by Mr. Choi Hung Nang, 20% by Mr. Choi Hon Ting, Derek, 20% by Ms. Choi Kwan Li, Glendy (all being executive Directors) and 20% by Ms. Tin Suen Chu (spouse of Mr. Choi Hung Nang). Accordingly, Balama Prima Engineering was a connected person of the Company and the purchase of Property IV by Super Diamond from Balama Prima Engineering constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

The purpose of the aforesaid acquisitions was to satisfy the need of the Group for additional office space due to anticipated business expansion. The Directors considered the acquisitions to be beneficial to the Group as it would allow the Group to save rental expenses from a long-term perspective, broaden the fixed asset base of the Group and provide capital appreciation to the Group. Please refer to the announcement of the Company dated 17 June 2016 for more details of Sale and Purchase Agreements I to IV. The Company has complied with all the applicable requirements under Chapter 14A of the Listing Rules in respect of the aforesaid connected transactions.

Save as disclosed above, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of the Listing Rules during the year ended 31 December 2016.

Related Party Transactions

Details of the related party transactions undertaken by the Group during the year ended 31 December 2016 are set out in note 32 to the financial statements. These related party transactions either did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under the Listing Rules.

Subsequent Events

There were no significant subsequent events after the reporting period of the Group.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this Annual Report.

Auditor

The Board has appointed PricewaterhouseCoopers as the new auditor of the Company with effect from 14 July 2016 to fill the casual vacancy following the resignation of KPMG. Save as disclosed above, there was no other change of auditor of the Company after the Listing Date.

The consolidated financial statements for the year ended 31 December 2016 of the Group have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board
Choi Hung Nang
Chairman

Hong Kong
30 March 2017

SUSTAINABILITY HIGHLIGHTS

The Group believes that the healthy growth of an enterprise, or a sustainable business, is dependent on a balance between business economics, environmental protection and social contributions. The Group highly values the concept of sustainability and has undertaken various measures over the years to imbed this concept into the mindset of the organization as a whole. Top management has undertaken additional measures this past year and initiated multiple activities and campaigns to promote environmental protection and social wellbeing. The vision for these activities and campaigns go beyond any tangible results: **to educate and engage the entire organization to think from a sustainable perspective**.

Under the theme of "Paving the way to a sustainable future", the contents of the Group's second Sustainability Report revolve around 3 topics: Fostering a culture of sustainability, leading the path in technological innovation and leaving an eco-friendly footprint.

The sustainability highlights include the following

- Zero Fatal Incident
  (2^{nd} consecutive year since record)
- 1.4 Lost time injury

- 7.14 tCO2/RMB'M revenue
  (Total Greenhouse Gas emission intensity)
- 12 tons of waste recycled
- 20 kWh ('000)/RMB'M revenue
  (Energy intensity)

- Zero Customer Complaints
  (2^{nd} consecutive year since record)
- 49 registered patents
  (4 invention patents)
- 22 software copyrights

- Green Corporate Awards
- Green Initiatives
- Green Corporate Membership

The full Sustainability Report shall be published on the Group's website within 3 months of the date of this annual report.

INDEPENDENT AUDITOR'S REPORT

pwc

To the shareholders of D&G Technology Holding Company Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of D&G Technology Holding Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 51 to 110, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of trade receivables is identified as a key audit matter in our audit and details are as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables *Refer to note 4(a) Impairment of trade receivables and note 18 Trade and bills receivable to the consolidated financial statements* The Group's trade receivables are principally derived from its sales of asphalt mixing plants. As at 31 December 2016, the Group's trade receivables from third party customers amounted to RMB454 million. The Group is exposed to risk of impairment of trade receivables. As at 31 December 2016, the accumulated provision amounted to RMB71 million. Management exercised judgements on the recoverability of trade receivables and made estimates of impairment provision based on the aging pattern, credit and settlement history, financial capability of its customers, recent settlements received and the current market situation. Provision for impairment charge may have significant impact on the Group's consolidated statement of profit or loss for the year. Significant judgements and estimations are involved in determining the recoverability of trade receivables and the adequacy of impairment provision.	We evaluated the design and implementation of management control over sales and receivable cycle and tested relevant key controls on the management's credit assessment of new customer acceptance and monthly review on trade receivables aging report. We also performed testing on the aging profile, settlements received during the year and subsequent settlements of the Group's trade receivables on a sample basis. We inquired management and assessed the reasonableness of its judgements on the recoverability of trade receivables and the adequacy of impairment provision, with focus on those balances aged over one year, primarily based on the information collected by management for the purpose of its assessment including aging report, credit and settlement history, assessment on financial capability of customers and recent settlements received. We also corroborated with other underlying documentation and correspondences with the customers. Based on our work, we found the significant judgements and estimations in respect of impairment of trade receivables were supported by the audit evidence we gathered.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chu Wang Hay.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Revenue	5	**321,449**	390,027
Cost of sales	7	**(194,515)**	(224,619)
Gross profit		**126,934**	165,408
Other income and other (losses)/gains, net	6	**(4,023)**	718
Distribution costs	7	**(43,905)**	(38,695)
Administrative expenses	7	**(105,335)**	(84,137)
Operating (loss)/profit		**(26,329)**	43,294
Finance income/(costs), net	9	**378**	(931)
(Loss)/profit before income tax		**(25,951)**	42,363
Income tax expense	10	**(2,548)**	(11,575)
(Loss)/profit attributable to owners of the Company for the year		**(28,499)**	30,788
(Loss)/earnings per share attributable to owners of the Company during the year			
– basic and diluted (RMB cents)	11	**(4.60)**	5.91

The notes on pages 57 to 110 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
(Loss)/profit for the year		**(28,499)**	30,788
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Currency translation differences		**14,797**	13,549
Other comprehensive income for the year, net of tax		**14,797**	13,549
Total comprehensive (loss)/income attributable to owners of the Company for the year		**(13,702)**	44,337

The notes on pages 57 to 110 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**134,047**	85,274
Land use right	13	**5,226**	5,357
Investment property	14	**12,266**	–
Intangible assets	15	**3,890**	777
Prepayments and other receivables	19	**4,121**	1,605
Deferred income tax assets	23	**16,324**	10,860
Total non-current assets		**175,874**	103,873
Current assets			
Inventories	17	**168,763**	131,757
Trade and bills receivable	18	**384,224**	388,097
Prepayments, deposits and other receivables	19	**30,070**	19,458
Pledged bank deposits	20	**89,031**	60,370
Bank deposits with initial terms of over three months	20	**–**	102,069
Cash and cash equivalents	20	**169,261**	168,881
Total current assets		**841,349**	870,632
Total assets		**1,017,223**	974,505
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	**4,897**	4,888
Other reserves	27	**569,283**	563,667
Retained earnings	26	**161,749**	193,711
Total equity		**735,929**	762,266

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
LIABILITIES			
Current liabilities			
Borrowings	21	**63,271**	103,381
Trade and other payables	22	**214,831**	104,653
Income tax payable		**3,192**	4,205
Total liabilities		**281,294**	212,239
Total equity and liabilities		**1,017,223**	974,505

The consolidated financial statements on pages 51 to 110 were approved by the Board of Directors on 30 March 2017 and signed on its behalf.

Choi Hung Nang	**Choi Kwan Li, Glendy**
Director	*Director*

The notes on pages 57 to 110 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 December 2016

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2015	–	–	65,290	–	27,584	4,445	169,761	267,080
Comprehensive income:								
Profit for the year	–	–	–	–	–	–	30,788	30,788
Other comprehensive income:								
Currency translation differences	–	–	–	–	–	13,549	–	13,549
Total comprehensive income	–	–	–	–	–	13,549	30,788	44,337
Transactions with owners in their capacity as owners								
Capitalisation issue (Note 24)	2,984	(2,984)	–	–	–	–	–	–
Capitalisation of shareholder's loans (Note 24)	568	161,939	–	–	–	–	–	162,507
Issue of ordinary shares by initial public offering, net of issuance costs (Note 24)	1,336	287,006	–	–	–	–	–	288,342
Transfer to statutory reserve	–	–	–	–	6,838	–	(6,838)	–
Total transactions with owners	4,888	445,961	–	–	6,838	–	(6,838)	450,849
Balance at 31 December 2015	4,888	445,961	65,290	–	34,422	17,994	193,711	762,266
Balance at 1 January 2016	4,888	445,961	65,290	–	34,422	17,994	193,711	762,266
Comprehensive income:								
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(28,499)**	**(28,499)**
Other comprehensive income:								
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**14,797**	**–**	**14,797**
Total comprehensive income/(loss)	**–**	**–**	**–**	**–**	**–**	**14,797**	**(28,499)**	**(13,702)**
Transactions with owners in their capacity as owners								
Employee share option scheme – grant of share options	**–**	**–**	**–**	**3,921**	**–**	**–**	**–**	**3,921**
Employee share option scheme – exercise of share options	**9**	**752**	**–**	**–**	**–**	**–**	**–**	**761**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**3,463**	**–**	**(3,463)**	**–**
Dividends (Note 28)	**–**	**(17,317)**	**–**	**–**	**–**	**–**	**–**	**(17,317)**
Total transactions with owners	**9**	**(16,565)**	**–**	**3,921**	**3,463**	**–**	**(3,463)**	**(12,635)**
Balance at 31 December 2016	**4,897**	**429,396**	**65,290**	**3,921**	**37,885**	**32,791**	**161,749**	**735,929**

The notes on pages 57 to 110 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	29	**612**	(38,683)
Income tax paid		**(9,025)**	(17,039)
Net cash used in operating activities		**(8,413)**	(55,722)
Cash flows from investing activities			
Payments for purchases of intangible assets		**(3,342)**	–
Payments for purchase of investment property		**(12,577)**	–
Payments for purchases of property, plant and equipment		**(63,814)**	(9,674)
Proceeds from disposal of property, plant and equipment		**1,871**	15,747
Decrease/(increase) of bank deposits with initial terms of over three months		**105,578**	(102,069)
Repayment of loans from related parties		**–**	3,636
Interest income		**2,215**	1,690
Net cash generated from/(used in) investing activities		**29,931**	(90,670)
Cash flows from financing activities			
Proceeds from shareholder's loans		**–**	45,833
Proceeds from issue of ordinary shares upon exercise of share options		**761**	–
Proceeds from issue of ordinary shares by initial public offering, net of issuance costs		**–**	289,571
Payments for acquisition of equity interests in a subsidiary		**–**	(52,917)
Proceeds from borrowings		**62,186**	115,365
Repayments of borrowings		**(104,375)**	(57,976)
Repayment to hire purchase creditor		**–**	(88)
Release/(addition) of restricted bank deposits pledged for borrowings		**28,581**	(58,500)
Dividend paid		**(17,317)**	–
Interest expenses		**(2,661)**	(2,624)
Proceeds from loans from related parties		**–**	158
Repayments of loans from related parties		**–**	(4,171)
Net cash (used in)/generated from financing activities		**(32,825)**	274,651
Net (decrease)/increase in cash and cash equivalents		**(11,307)**	128,259
Cash and cash equivalents at beginning of the year		**168,881**	28,607
Exchange gains on cash and cash equivalents		**11,687**	12,015
Cash and cash equivalents at end of the year	20	**169,261**	168,881

The notes on pages 57 to 110 are an integral part of these consolidated financial statements.

1 General information

D&G Technology Holding Company Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (together, the "Group") are principally engaged in manufacturing, distribution, research and development of asphalt mixing machinery.

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").

These consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Company Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, which is carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Certain comparative figures have been represented to conform to the current year's presentation.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards are mandatory for the Group's financial year beginning on 1 January 2016. The adoption of these amendments has not had any significant impact to the results and financial position of the Group.

HKAS 1 Amendment	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 Amendment	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the Consolidation Exception
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(b) New Standards and interpretation not yet adopted

The following standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning on 1 January 2016 and have not been early adopted by the Group:

		Effective for the accounting period beginning on or after
HKAS 7 Amendment	Disclosure Initiative	1 January 2017
HKAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	to be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019

(i) HKFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control. HKFRS 15 provides specific guidance on capitalization of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition: IFRIC/HK(IFRIC) 13 Customer Loyalty Programmes, IFRIC/HK(IFRIC) 15 Agreements for the Construction of Real Estate, IFRIC/HK(IFRIC) 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- The application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.
- Certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15.
- HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is in progress of estimating the impact of the HKFRS 15 on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(b) New Standards and interpretation not yet adopted (Continued)

(ii) HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(iii) HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. The Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

The directors of the Company are now in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. There are no other HKASs, HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of significant accounting policies (Continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency'). The consolidated financial statements are presented in RMB, which is the Group's presentation currency. The Company's functional currency is Hong Kong Dollars ("HK$").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "Other income and other (losses)/gains, net".

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

2 Summary of significant accounting policies (Continued)

2.5 Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for a period of 50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use right.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation of property, plant and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, where appropriate, as follows:

Leasehold land	over the lease term
Plant and buildings	10 – 20 years
Leasehold improvements	over the shorter of the unexpired term of lease and 5 years
Machinery	3 – 10 years
Office equipment and furniture	4 – 10 years
Motor vehicles	5 years

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains or losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within "Other income and other (losses)/gains, net" in the consolidated statement of profit or loss.

2 Summary of significant accounting policies (Continued)

2.7 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated statement of profit or loss as part of a valuation gain or loss in 'Other income and other gains, net'.

2.8 Construction-in-progress

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost. Cost includes the costs of construction of buildings and the costs of plant and machinery. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.6.

2.9 Intangible assets

Separately acquired computer software is recognised at historical cost at the acquisition date. Computer software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated useful lives ranging from 5 years to 10 years.

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of significant accounting policies (Continued)

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled beyond normal business cycle after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "cash and cash equivalents" and "bank deposits" in the consolidated statement of financial position (Notes 2.14 and 2.15).

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.11.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.12 Impairment of financial assets – assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 Summary of significant accounting policies (Continued)

2.12 Impairment of financial assets – assets carried at amortised cost (Continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2 Summary of significant accounting policies (Continued)

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade and other payables

Trade and others payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Financial liabilities

Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Such financial guarantees are given to banks and third-party leasing companies on behalf of certain subsidiaries and customers. The Group does not recognise liabilities for financial guarantee at inception, but perform a liability adequacy test at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee would result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the consolidated statement of profit or loss immediately.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 Summary of significant accounting policies (Continued)

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the consolidated statement of financial position in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2 Summary of significant accounting policies (Continued)

2.21 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

(a) Defined contribution schemes

The Group companies operate various defined contribution schemes. A defined contribution plan is a pension plan under which the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(b) Performance bonus

The expected cost of bonus payment is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 Summary of significant accounting policies (Continued)

2.23 Equity-settled share-based payment transactions

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specific period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

2.24 Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 Summary of significant accounting policies (Continued)

2.25 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of goods

Revenue is recognised when goods are delivered to the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership has been transferred. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except for the rental income of operating leases of machinery which is recognised based on agreed unit rental per tonne of the machinery output. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

2 Summary of significant accounting policies (Continued)

2.26 Revenue recognition (Continued)

(iv) Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(v) Rental income

Rental income from investment properties is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the lease.

2.27 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

The method for allocating gross earnings to accounting periods is referred to as the "actuarial method". The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and the business environment of the industry in which the Group operates, and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Currency risk

The Group is exposed to currency risk arising various currency exposures, primarily with respect to RMB, HK$, United States Dollars ("USD"), Euros ("EUR") and Singapore Dollars ("SGD"). Currency risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

As at 31 December 2016, certain RMB denominated cash and deposits were held by Hong Kong group entities (2015: Same). If RMB had strengthened/weakened by 5% (2015: 5%) against HK$ with all other variables held constant, the post-tax profit for the year would have been RMB2,462,000 (2015: RMB2,667,000) higher/lower, mainly as a result of foreign exchange gains/losses on these RMB denominated cash and deposits.

The currency risk on assets and liabilities denominated in USD, which were mainly held by Hong Kong group entities, is considered to be minimal as HK$ is currently pegged to USD (2015: Same).

The currency risk on assets and liabilities denominated in EUR and SGD is considered to be minimal as the Group had limited Euro and SGD denominated assets and liabilities (2015: Same).

The currency risk on assets and liabilities denominated in HK$ is considered to be minimal as the Group had limited HK$ denominated assets and liabilities held by PRC group entities (2015: Same).

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from bank borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank deposits held at variable rates.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on consolidated statement of profit or loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

At 31 December 2016, if interest rates on borrowings had been 100 basis points higher/lower (2015: 100 basis points) with all other variables held constant, post-tax profit for the year would have been RMB361,000 (2015: RMB1,152,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk of the Group mainly arises from deposits with banks and financial institutions, as well as credit exposures to customers such as trade receivables, amounts due from related parties and other receivables. The carrying amount of these balances in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

Majority of the Group's bank deposits are placed in those banks and financial institutions which are independently rated with a high credit rating. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

Debtors of the Group may be affected by the unfavorable economic conditions and the lower liquidity situation, which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of receivables. To the extent that information is available, management has properly reflected revised estimate of expected future cash flows in their impairment assessments.

The credit quality of the customers is assessed based on its financial position, past experience and other factors. The Group has policies in place to ensure that sales of products are made to customers with appropriate credit history.

As at 31 December 2016, the top 5 customers account for 13% (2015: 20%) of the Group's total year end trade receivable balances.

The Group performs periodic credit evaluations of its customers. For the trade and other receivables proved to be impaired, management has provided sufficient provision on those balances.

Management considers the credit risk on amounts due from related companies and other receivables is minimal after considering the financial conditions of these entities. Management has performed assessment over the recoverability of these balances and does not expect any losses from non-performance by these companies other than those which have been fully provided for.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The directors aim to maintain flexibility in funding by keeping credit lines available.

Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 21) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Surplus cash held by Group entities over and above balances required for working capital management is invested in interest-bearing bank accounts and bank deposits with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The following tables analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the date of the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the date of the consolidated statement of financial position) and the earliest date the Group can be required to pay.

	At 31 December 2016 Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	**More than 1 year but less than 5 years RMB'000**	**Total RMB'000**	**Balance sheet carrying amount RMB'000**
Borrowings	**64,184**	**–**	**64,184**	**63,271**
Trade and other payables (Note)	**169,206**	**–**	**169,206**	**169,206**
	233,390	**–**	**233,390**	**232,477**

	At 31 December 2015 Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Borrowings	104,976	–	104,976	103,381
Trade and other payables (Note)	81,148	–	81,148	81,148
	186,124	–	186,124	184,529

Note: The balance presented above excludes accrued salaries, receipt in advance and other accruals.

3 Financial risk management (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital by maintaining a net cash position throughout the year.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities including trade and bills receivables, deposits and other receivables, cash and cash equivalents, pledged bank deposits, bank deposits with initial terms of over three months, trade and bills payables, other payables and borrowings approximate their fair values.

Disclosures of the investment property that is measured at fair value are set out in Note 14 to the consolidated financial statements.

3.4 Offsetting financial assets and financial liabilities

No financial assets and financial liabilities were subject to offsetting, enforceable master netting arrangements and similar agreements as at 31 December 2016 and 2015.

4 Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of trade receivables

Management estimates impairment losses of trade receivables (which are recorded in an allowance account for doubtful debts) resulting from the inability of the customers to make the required payments. Management bases its estimates on the ageing pattern, credit and settlement history, financial capability of its customers, recent settlements received and the current market situation. Provision for impairment charge may have significant impact on the Group's consolidated statement of profit or loss for the year. Significant judgements and estimations are involved in determining the recoverability of trade receivables and the adequacy of impairment provision.

4 Critical accounting estimates and judgments (Continued)

(b) Fair value of the investment property

Fair value of the investment property is determined by using valuation technique. Details of the significant judgement and assumptions were disclosed in Note 14 to the consolidated financial statements.

(c) Fair value of share options

The Group granted share options in exchange for services received from grantees during the current period. The Company used the binominal model to determine the fair value of the share options at grant date, which is to be expensed over the vesting period. Significant judgment on parameters, such as risk-free rate, dividend yield, expected volatility and expected life of share options, is required to be made by the Company in applying the binomial model.

The grant of equity instruments is conditional upon satisfying service vesting conditions. Judgment is required to take into account the vesting conditions and adjust the number of equity instruments included in the measurement of fair value of share options.

Significant assumptions are disclosed in Note 25 to the consolidated financial statements.

(d) Useful lives of property, plant and equipment, land use rights and intangible assets

The Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment, land use rights and intangible assets (other than goodwill). This estimate is based on the historical experience of the actual useful lives of property, plant and equipment, land use rights and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisation lives and therefore depreciation and amortisation expense in future periods.

(e) Impairment of property, plant and equipment, land use rights and intangible assets

Property, plant and equipment, land use rights and intangible assets (other than goodwill) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable such as declines in asset's market value and significant increase in interest rates that may affect the discount rate used in calculating the asset's recoverable amount. The recoverable amounts have been determined based on the higher of fair value less costs of disposal calculations or value in use calculations. These calculations require the use of judgements and estimates.

(f) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

5 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

The executive directors of the Company have determined that it only has one operating segment which is the sales and leasing of asphalt mixing machinery and other relevant spare parts and provision of equipment modification services and asphalt mixture.

The amount of each category of revenue is as follows:

	2016	2015
	RMB'000	RMB'000
Sales of asphalt mixing plants	**246,193**	321,436
Sales of spare parts and provision of equipment modification services	**23,625**	26,286
Operating lease income of asphalt mixing plants	**45,766**	42,305
Sales of asphalt mixture	**5,865**	–
	321,449	390,027

(a) Revenue from external customers by country

	2016	2015
	RMB'000	RMB'000
Mainland China	**296,755**	352,524
Outside Mainland China	**24,694**	37,503
	321,449	390,027

5 Segment information (Continued)

(b) Non-current assets

The geographical location of the non-current assets, excluding financial instruments and deferred tax assets, based on the physical location of the assets is as follows:

	2016 RMB'000	2015 RMB'000
Mainland China	**106,385**	92,199
Outside Mainland China	**51,509**	814
	157,894	93,013

(c) Information about major customers

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

6 Other income and other (losses)/gains, net

	2016 RMB'000	2015 RMB'000
Other income		
Rental income	**160**	–
Government grants (Note)	**3,019**	2,295
	3,179	2,295
Other (losses)/gains		
Net loss on disposal of property, plant and equipment	**(606)**	(54)
Fair value loss on revaluation of investment property (Note 14)	**(704)**	–
Net foreign exchange loss	**(6,206)**	(1,830)
Others	**314**	307
	(7,202)	(1,577)
	(4,023)	718

Note: Government grants mainly represent operating subsidies. There were no unfulfilled conditions or other contingencies attached to these grants.

7 Expenses by nature

	2016 RMB'000	2015 RMB'000
Employee benefit expense (Note 8)	**63,802**	51,515
Depreciation (Note 12)		
– Assets held for leasing out under operating leases	**8,943**	5,984
– Other assets	**4,878**	4,620
Amortisation		
– Land use rights (Note 13)	**131**	131
– Intangible assets (Note 15)	**238**	218
Provision for impairment of trade receivables, net (Note 18)	**34,622**	16,544
Provision for impairment of other receivables (Note 19)	**3,693**	–
Operating lease charges	**3,787**	2,079
Research and development costs	**14,382**	8,678
Auditor's remuneration		
– Audit services	**1,491**	2,200
– Non-audit services	**69**	2,221
Cost of inventories (Note 17)	**162,448**	212,798
Freight and transportation expense	**10,658**	7,103
Other expenses	**34,613**	33,360
Total cost of sales, distribution costs and administrative expenses	**343,755**	347,451

8 Employee benefit expenses

(a) Employee benefit expenses during the year are as follows:

	2016 RMB'000	2015 RMB'000
Wages, salaries and allowances	**49,609**	41,861
Pension costs – defined contribution plans (Note (i))	**10,272**	9,654
Share-based payment expenses	**3,921**	–
	63,802	51,515

8 Employee benefit expenses (Continued)

(a) Employee benefit expenses during the year are as follows: (Continued)

Note (i):

Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of retirement benefits associated with the schemes beyond the annual contributions described above.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included four (2015: four) directors whose emoluments are reflected in the analysis shown in Note 34. The emoluments payable to the remaining one (2015: one) individual during the year are as follows:

	2016 **RMB'000**	2015 RMB'000
Basic salaries, other allowances and benefits in kind	**1,476**	1,207
Discretionary bonuses	**–**	16
Retirement scheme contributions	**10**	15
	1,486	1,238

9 Finance income/(costs), net

	2016 **RMB'000**	2015 RMB'000
Interest on loans and borrowings	**(2,661)**	(2,397)
Interest income on bank deposits	**2,180**	1,693
Finance income in respect of discounting trade receivables	**824**	–
Others	**35**	(227)
	378	(931)

10 Income tax expense

	2016 **RMB'000**	2015 RMB'000
Current income tax:		
– PRC enterprise income tax	**8,026**	15,055
– Over-provision in prior years	**(14)**	(580)
	8,012	14,475
Deferred income tax	**(5,464)**	(2,900)
	2,548	11,575

10 Income tax expense (Continued)

	2016 RMB'000	2015 RMB'000
(Loss)/profit before tax	**(25,951)**	42,363
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to the jurisdictions concerned (i)	**(1,442)**	16,600
Tax effect of preferential tax rate (ii)	**(308)**	(6,148)
Tax losses for which no deferred income tax assets was recognised	**2,627**	–
Tax effect of non-deductible expenses	**2,764**	2,354
Additional deduction for qualified research and development expenses (iii)	**(1,079)**	(651)
Over-provision in prior years	**(14)**	(580)
	2,548	11,575

The change in weighed average applicable domestic tax rates is mainly caused by a change in mix of profit earned by different group companies which are subject to different tax.

(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.

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 the year (2015: Nil).

No provision for Singapore income tax was made for the subsidiary incorporated in Singapore as the subsidiary did not have assessable profits subject to Singapore income tax during the year (2015: Nil).

The Group's PRC subsidiaries are subject to the PRC enterprise income tax rate of 25% (2015: 25%).

(ii) According to the PRC enterprise income tax law and its relevant regulations, a wholly-owned subsidiary, Langfang D&G Machinery Company Limited ("Langfang D&G") is qualified as a high-technology enterprise under the tax law and entitled to a preferential income tax rate of 15% (2015: 15%).

(iii) Under the PRC enterprise income tax law and its relevant regulations, a 50% additional tax deduction is allowed for qualified research and development expenses.

11 (Loss)/earnings per share

(a) Basic

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to owners of the Company and on the weighted average number of ordinary shares in issue during the year.

	2016	2015
(Loss)/profit attributable to owners of the Company (RMB'000)	**(28,499)**	30,788
Weighted average number of ordinary shares in issue (Note)	**619,381,863**	521,382,997
Basic (loss)/earnings per share (expressed in RMB cents per share)	**(4.60)**	5.91

Note:

	2016 No of shares	2015 No of shares
Shares issued at the beginning of the year	**619,258,000**	8,400
Effect of capitalisation issue on the listing date	**–**	377,991,600
Effect of capitalisation of shareholder's loans on the listing date	**–**	43,200,000
Effect of shares issued by public offering on the listing date	**–**	90,000,000
Effect of shares issued by over-allotment on 22 June 2015	**–**	10,182,997
Effect of shares issued in respect of share options exercised during the year	**123,863**	–
Weighted average number of ordinary shares for basic earnings per share	**619,381,863**	521,382,997

(b) Diluted

Diluted earnings per share for the year ended 31 December 2016 is the same as the basic earnings per share as potential ordinary shares arising from share options were not treated as dilutive as the conversion to ordinary shares would not increase the loss per share from continuing operations.

Diluted earnings per share for the year ended 31 December 2015 is the same as the basic earnings per share as there were no dilutive potential ordinary shares.

12 Property, plant and equipment

	Leasehold land RMB'000	Plant and buildings RMB'000	Leasehold Improvements RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2016								
Opening net book amount	–	27,580	517	52,334	333	1,861	2,649	85,274
Additions	33,468	3,109	12	16,006	1,168	658	9,393	63,814
Disposals	–	(4)	–	(2,435)	–	(38)	–	(2,477)
Transfers	–	2,515	–	3,823	–	–	(6,338)	–
Depreciation charge for the year	(17)	(2,207)	(212)	(10,475)	(283)	(627)	–	(13,821)
Exchange differences	1,109	102	35	–	–	11	–	1,257
Closing net book amount	34,560	31,095	352	59,253	1,218	1,865	5,704	134,047
At 31 December 2016								
Cost	34,577	46,239	654	94,631	2,015	5,501	5,704	189,321
Accumulated depreciation	(17)	(15,144)	(302)	(35,378)	(797)	(3,636)	–	(55,274)
Net book amount	34,560	31,095	352	59,253	1,218	1,865	5,704	134,047

	Leasehold land RMB'000	Plant and buildings RMB'000	Leasehold Improvements RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2015								
Opening net book amount	–	29,345	–	33,149	459	1,602	–	64,555
Additions	–	334	601	26,971	22	830	2,649	31,407
Disposals	–	–	–	(38)	–	(46)	–	(84)
Transfers	–	–	–	–	–	–	–	–
Depreciation charge for the year	–	(2,099)	(84)	(7,748)	(148)	(525)	–	(10,604)
Closing net book amount	–	27,580	517	52,334	333	1,861	2,649	85,274
At 31 December 2015								
Cost	–	40,518	601	77,398	1,327	5,077	2,649	127,570
Accumulated depreciation	–	(12,938)	(84)	(25,064)	(994)	(3,216)	–	(42,296)
Net book amount	–	27,580	517	52,334	333	1,861	2,649	85,274

Depreciation expense of RMB12,088,000 (2015: RMB9,417,000) has been charged to "Cost of sales", RMB1,733,000 (2015: RMB1,187,000) to "Administrative expenses".

Leasehold land and buildings with a total net book value of RMB48,947,000 were pledged as security for bank loans as at 31 December 2016 (2015: Nil) (Note 21(i)).

13 Land use rights

	2016 RMB'000	2015 RMB'000
At 1 January	**5,357**	5,488
Amortisation charge for the year	**(131)**	(131)
At 31 December	**5,226**	5,357

Land use rights with net book value of RMB5,226,000 (2015: RMB5,357,000) represents pieces of land located in the PRC with lease periods of 50 years, which were pledged as security for bank loans as at 31 December 2016 (2015: Nil) (Note 21(i)).

14 Investment property

	2016 RMB'000	2015 RMB'000
At fair value		
Opening balance at 1 January	**–**	–
Additions	**12,577**	–
Fair value loss (Note 6)	**(704)**	–
Exchange differences	**393**	–
Closing balance at 31 December	**12,266**	–

An independent valuation of the Group's investment property was performed by the valuer, APAC Asset Valuation and Consulting Limited, to determine the fair value of the investment property as at 31 December 2016 with reference to the comparable sales as available on the relevant market and where applicable, valued on the basis of capitalisation of future rental income.

The level of inputs to valuation technique used to measure the fair value are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The valuation technique used by the valuer is a combination of direct comparison and income capitalisation approach, under which the fair value is estimated by assuming sale of property interest in its existing stake by making reference to comparable sales transactions and market rental rates as available in the relevant market.

The significant unobservable inputs are average market values ranging from HK$7,902 to HK$9,317 per square foot (2015: Nil) and average market rental rates ranging from HK$22.9 to HK$24.0 per square foot (2015: Nil). An increase average market value or average market rental rate per square foot will result in an increase of fair value of the investment property.

The fair value of the investment property at 31 December 2016 using significant unobservable inputs (Level 3) amounted to HK$13,700,000 (equivalent to RMB12,266,000). Revaluation losses is included in "Other (losses)/gains, net" in the consolidated statement of profit or loss (Note 6).

The investment property represents office premises located in Hong Kong. Rental income recognised in the consolidated statement of profit or loss for the year ended 31 December 2016 amounted to RMB160,000 (2015: Nil).

15 Intangible assets

	RMB'000
Year ended 31 December 2015	
Opening net book amount	620
Additions	375
Amortisation charge (Note 7)	(218)
Closing net book amount	777
At 31 December 2015	
Cost	1,650
Accumulated amortisation	(873)
Net book amount	777
Year ended 31 December 2016	
Opening net book amount	**777**
Additions	**3,342**
Amortisation charge (Note 7)	**(238)**
Exchange difference	**9**
Closing net book amount	**3,890**
At 31 December 2016	
Cost	**5,002**
Accumulated amortisation	**(1,112)**
Net book amount	**3,890**

The Group's intangible assets mainly represent computer software. Amortisation of approximately RMB238,000 (2015: RMB218,000) is included in administrative expenses.

16 Subsidiaries

The directors are of the opinion that a complete list of the particulars of all the subsidiaries will be of excessive length and therefore the following list contains only the particulars of the subsidiaries which materially affect the results or assets of the Group.

Particulars of the principal subsidiaries as at 31 December 2016 are shown as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital/ registered capital	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)
Rich Benefit International Limited ("Rich Benefit") (萬利國際有限公司)	British Virgin Islands	Investment holding	100 shares of US$1 each	100%	100%
Topp Financial Services Holdings Company Limited ("Topp Financial") (拓菩投資控股有限公司) (formerly known as Hong Kong D&G Machinery Company Limited)	Hong Kong	Investment holding	HK$50,000	–	100%
BW Enterprise Company Limited ("BW Enterprise") (百威企業有限公司)	Hong Kong	Investment holding/ sales of asphalt mixing plants	HK$30,000,000	–	100%
Zacks Vroom Investment Co., Limited ("Zacks Vroom") (鴻豐隆投資有限公司)	Hong Kong	Investment holding	HK$3,730,000	–	100%
Well Silver Corporation Limited ("Well Silver") (銀佳興業有限公司)	Hong Kong	Investment holding	HK$12,100,000	–	100%
Denmike Investment Co., Limited ("Denmike") (丹麥投資有限公司)	Hong Kong	Investment holding	HK$2,480,000	–	100%
Langfang D&G Machinery Technology Co., Ltd ("LFDG")* (廊坊德基機械科技有限公司)	The PRC	Manufacture and sales of asphalt mixing plants	Registered and total paid-in capital of RMB200,000,000	–	100%

16 Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital/ registered capital	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares held by the Group (%)
Tianjin D&G Machinery Equipment Leasing Company Limited ("TJDG")* (天津德基機械設備租賃有限公司)	The PRC	Leasing of asphalt mixing plants	Registered and total paid-in capital of RMB2,563,680	–	100%
Eco System Enterprises Ltd. ("ECO")	British Virgin Islands	Investment holding	1 share of US$1each	–	100%
Primach Technology Pte Ltd ("Primach")	Singapore	Sales of asphalt mixing plants	10,000 shares of SGD 1 each	–	100%
Eastern Time Enterprises Ltd	British Virgin Islands	Investment holding	100 shares of US$1each	–	100%
Amazing Rush Holdings Limited	British Virgin Islands	Investment holding	100 shares of US$1each	–	100%
Elegant Station Limited	British Virgin Islands	Investment holding	100 shares of US$1each	–	100%
Super Diamond Group Ltd	British Virgin Islands	Leasing of property	100 shares of US$1each	–	100%
Topp Financial Leasing (Shanghai) Co., Ltd.* (拓菩融資租賃(上海)有限公司)	The PRC	Leasing of asphalt mixing plants	Registered capital of RMB70,000,000 and total paid-in capital of RMB20,000,000	–	100%
Binzhou Detai Road Materials Co., Ltd. * (濱州市德泰道路材料有限公司)	The PRC	Sales of asphalt mixture	Registered capital of RMB5,000,000	–	100%

* The official names of these companies are in Chinese. The English translation of the name is for reference only.

All subsidiaries of the Group are wholly-owned, there are no non-controlling interest as at 31 December 2016 (2015: Nil).

17 Inventories

	2016 RMB'000	2015 RMB'000
Raw materials	**73,660**	61,734
Work in progress	**89,333**	60,603
Finished goods	**5,770**	9,420
	168,763	131,757

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately RMB162,448,000 (2015: RMB212,798,000).

The inventory as at 31 December 2016 and 2015 were stated at cost.

No inventory provision was made as at 31 December 2016 and 2015.

18 Trade and bills receivable

	2016 RMB'000	2015 RMB'000
Trade receivables from third parties (Notes (a) and (b))	**454,277**	423,471
Less: provision for impairment (Note (e))	**(71,053)**	(36,431)
	383,224	387,040
Bills receivable	**1,000**	1,057
Total trade and bills receivable	**384,224**	388,097

The carrying amounts of trade and bills receivable approximate their fair values.

(a) 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 fulfilment of conditions as stipulated in the respective sales contracts. Credit terms up to 18 months were generally granted to majority of the customers.

18 Trade and bills receivable (Continued)

(b) Ageing analysis based on billing date of trade receivables (net of provision for impairment) is as follows:

	2016 **RMB'000**	2015 RMB'000
Less than 3 months	**64,606**	84,205
3 to 6 months	**59,379**	51,247
6 to 12 months	**80,759**	127,702
1 to 2 years	**137,899**	112,671
Over 2 years	**40,581**	11,215
	383,224	387,040

(c) 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:

	2016 **RMB'000**	2015 RMB'000
Neither past due nor impaired	**89,686**	165,392
Less than 3 months past due	**39,534**	47,799
3 to 12 months past due	**101,692**	51,372
Over 12 months past due	**22,047**	9,920
Total amount past due but not impaired	**163,273**	109,091
Total amount of trade receivables with provision for impairment losses made	**130,265**	112,557
	383,224	387,040

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 original or amended 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.

18 Trade and bills receivable (Continued)

(d) The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2016	2015
	RMB'000	RMB'000
RMB	**382,454**	386,044
USD	**422**	637
EUR	**348**	359
	383,224	387,040

(e) The movement in the provision for impairment during the year is as follows:

	2016	2015
	RMB'000	RMB'000
Balance at 1 January	**36,431**	19,887
Impairment loss	**40,477**	16,999
Reversal of impairment loss	**(5,855)**	(455)
Balance at 31 December	**71,053**	36,431

The creation and release of provision for impaired receivables has been included in administrative expenses in the consolidated statement of profit or loss (Note 7). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date was the carrying values of each class of receivable mentioned above. As at 31 December 2016, the Group did not hold any collateral as security. As at 31 December 2015, trade receivables of RMB73,093,000 (Note 21(i)) were pledged to bank borrowings. The Group did not hold any other collateral as security.

19 Prepayments, deposits and other receivables

	2016 RMB'000	2015 RMB'000
Non-current:		
Prepayments for purchase of property, plant and equipment	**2,465**	1,605
Finance lease receivables (Note (i))	**1,656**	–
	4,121	1,605
Current:		
Prepayments to suppliers	**19,696**	13,426
Other receivables and deposits	**8,567**	6,032
Finance lease receivables (Note (i))	**1,694**	–
	29,957	19,458
Amounts due from related parties (Note 32(b))	**113**	–
Total current portion	**30,070**	19,458
Total prepayments, deposits and other receivables	**34,191**	21,063

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

The carrying amounts of the Group's prepayments, deposits and other receivables are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
RMB	**31,901**	19,205
HK$	**2,162**	1,656
USD	**128**	202
	34,191	21,063

19 Prepayments, deposits and other receivables (Continued)

The movement in the provision for impairment during the year is as follows:

	2016 **RMB'000**	2015 RMB'000
Balance at 1 January	**–**	–
Impairment loss	**3,693**	–
Balance at 31 December	**3,693**	–

As at 31 December 2016, a deposit of RMB3,693,000 was impaired as management considers the deposit irrecoverable (Note 7).

The maximum exposure to credit risk at the reporting date was the carrying values of each class of receivable mentioned above. The Group did not hold any collateral as security.

(i) Finance lease receivables

	2016 **RMB'000**	2015 RMB'000
Non-current		
Finance leases – gross receivables	**1,701**	–
Unearned finance income	**(45)**	–
	1,656	–
Current		
Finance leases – gross receivables	**1,855**	–
Unearned finance income	**(161)**	–
	1,694	–

19 Prepayments, deposits and other receivables (Continued)

(i) Finance lease receivables (Continued)

	2016 RMB'000	2015 RMB'000
Gross receivables from finance leases:		
Not later than 1 year	**1,855**	–
Later than 1 year and not later than 5 years	**1,701**	–
	3,556	–
Unearned future finance income on finance leases	**(206)**	–
Net investment in finance leases	**3,350**	–
The net investment in finance leases is analysed as follows:		
Not later than 1 year	**1,694**	–
Later than 1 year and not later than 5 years	**1,656**	–
	3,350	–

20 Cash and bank balances

The Group's cash and bank balances comprise the following:

	2016 RMB'000	2015 RMB'000
Cash at bank and on hand	**169,261**	168,881
Restricted bank deposits pledged in respect of bank borrowings (Note 21)	**29,919**	58,500
Restricted bank deposits pledged in respect of bills payable	**59,112**	1,870
Unrestricted bank deposits with an initial term of over three months but within one year	**–**	102,069
	258,292	331,320

The effective interest rate on short-term bank deposits was 3.5% (2015: 0.23%) per annum.

The pledged bank deposits will be released upon the settlement of relevant bills payable and borrowings.

20 Cash and bank balances (Continued)

The Group's cash and bank balances are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
RMB	**143,438**	210,812
HKD	**89,470**	115,305
EUR	**896**	1
SGD	**914**	699
USD	**23,574**	4,503
	258,292	331,320

Significant restrictions

The bank balances of the Group amounting to RMB82,664,000 (2015: RMB155,402,000) are placed with certain banks in the PRC. The remittance of these balances is subject to the foreign exchange control restrictions imposed by the PRC government.

21 Borrowings

Borrowings repayable within one year or repayable beyond one year but with repayment on demand clause can be analysed as follows:

	2016 RMB'000	2015 RMB'000
Secured bank loans (i)	**43,271**	97,015
Bank loan guaranteed by the Company	**20,000**	6,366
	63,271	103,381

At 31 December 2016, all borrowings were on floating interest rate except loan of RMB20,000,000 which was at fixed interest rate. At 31 December 2015, all borrowings were at fixed interest rates.

21 Borrowings (Continued)

(i) Borrowings were secured by the following assets of the Group:

	2016 **RMB'000**	2015 RMB'000
Property, plant and equipment	**48,947**	–
Land use rights	**5,226**	–
Pledged bank deposits	**29,919**	58,500
Trade receivables	**–**	73,093
	84,092	131,593

At 31 December 2016, the Group's borrowings, without considering the repayment on demand clause, were repayable as follows:

	2016 **RMB'000**	2015 RMB'000
Within 1 year	**50,481**	103,381
Between 1 and 2 years	**936**	–
Between 2 and 5 years	**2,807**	–
Over 5 years	**9,047**	–
	63,271	103,381

21 Borrowings (Continued)

The carry amounts of the Group's borrowings are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
RMB	**20,000**	103,381
HKD	**43,271**	–
	63,271	103,381

The effective interest rates per annum of the Group's borrowings as at the reporting date in the respective currencies are as follows:

	2016	2015
RMB	**4.13%**	4.11%
HKD	**1.78%**	4.00%

At 31 December 2016, the Group has undrawn borrowing facilities amounting to RMB117,273,000 (2015: RMB52,920,000).

22 Trade and other payables

	2016 RMB'000	2015 RMB'000
Trade and bills payable (i)	**158,247**	68,190
Amounts due to related parties (Note 32(b))	**584**	142
Other payables and accruals	**56,000**	36,321
	214,831	104,653

(i) At 31 December 2016, the ageing analysis of trade and bills payable based on invoice date is as follows:

	2016 RMB'000	2015 RMB'000
Within 3 months	**58,890**	52,197
After 3 months but within 6 months	**51,518**	14,637
After 6 months but within 1 year	**47,839**	1,356
	158,247	68,190

22 Trade and other payables (Continued)

(ii) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
RMB	**178,886**	100,923
HKD	**35,846**	3,695
USD	**99**	35
	214,831	104,653

23 Deferred income tax

(a) Deferred tax assets recognised:

The movement in deferred income tax assets during the year is as follows:

Deferred tax assets arising from:	Provision for impairment of trade receivables RMB'000	Unrealised profit RMB'000	Accrued expenses and other payables RMB'000	Product warranty provision RMB'000	Others RMB'000	Total RMB'000
Balance at 1 January 2015	3,400	1,771	2,386	231	172	7,960
Credited/(charged) to profit or loss	2,092	546	327	(16)	(49)	2,900
Balance at 31 December 2015	5,492	2,317	2,713	215	123	10,860
Balance at 1 January 2016	**5,492**	**2,317**	**2,713**	**215**	**123**	**10,860**
Credited/(charged) to profit or loss	**6,248**	**(309)**	**(845)**	**(16)**	**386**	**5,464**
Balance at 31 December 2016	**11,740**	**2,008**	**1,868**	**199**	**509**	**16,324**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB2,627,000 (2015: Nil) (Note 10) in respect of losses amounting to RMB15,921,000 (2015: Nil) that can be carried forward against future taxable income. Total unrecognised tax losses of RMB2,399,000 (2015: Nil) can be carried forward indefinitely while unrecognised tax losses of RMB228,000 (2015: Nil) will expire in 2021.

As at 31 December 2016 and 2015, deferred income tax assets are to be settled after more than 12 months.

23 Deferred income tax (Continued)

(b) Deferred tax liabilities not recognised:

The PRC enterprise income tax law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings of PRC enterprises accumulated from 1 January 2008 to overseas shareholders. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. The Group has not recognised deferred tax liabilities in respect of the undistributed earnings of the Company's PRC subsidiaries of RMB315,007,000 at 31 December 2016 (2015: RMB273,903,000) as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

24 Share capital

Authorised:

	Number of ordinary shares of HK$0.01 each	Nominal value of ordinary shares HK$
At 1 January 2015	1,000,000	10,000
Increase in authorised share capital	1,999,000,000	19,990,000
At 31 December 2015 and 2016	2,000,000,000	20,000,000

Issued and fully paid:

	Number of shares ('000)	HK$'000	RMB'000
At 1 January 2015	8	–	–
Capitalisation issue (Note (i))	377,992	3,780	2,984
Capitalisation of shareholder's loans (Note (i))	72,000	720	568
Public offering and over-allotment (Note (ii))	169,258	1,693	1,336
At 31 December 2015 and 1 January 2016	619,258	6,193	4,888
Employee share option scheme:			
Shares issued in respect of exercise of share options	980	10	9
At 31 December 2016	620,238	6,203	4,897

24 Share capital (Continued)

Notes:

(i) 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 the resolution, a sum of approximately HK$3,780,000 (equivalent to approximately RMB2,984,000) 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 approximately HK$205,862,000 (equivalent to approximately RMB162,507,000). Consequently, HK$720,000 (equivalent to approximately RMB568,000) and HK$205,142,000 (equivalent to approximately RMB161,939,000) were credited to share capital and share premium, respectively.

(ii) 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 credited to share capital and share premium, respectively.

25 Share-based payments

The Group has adopted a share option scheme ("Share Option Scheme") under which directors, employees and other selected participants may be granted options to subscribe for shares of the Company as incentives for their services rendered to the Group pursuant to the shareholder resolution passed on 6 May 2015 and shall be valid and effective for a period of 10 years commencing from 6 May 2015.

On 20 April 2016 ("Date of Grant"), options to subscribe for an aggregate of 24,700,000 shares were granted to certain eligible participants under the share option scheme. The exercise price in respect of each option granted under the Share Option Scheme on the Date of Grant is HK$0.88 per share. Options are conditional on participants' service to the Group and are vested in three tranches on 1 October 2016, 2017 and 2018 if participants are still in employment with the Group on the respective dates.

25 Share-based payments (Continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016 Average exercise price in HK$ per share option	Number of share options ('000)
At 1 January 2016		
Granted	0.88	24,700
Exercised	0.88	(980)
Forfeited	0.88	(1,350)
At 31 December 2016	0.88	22,370

As of 31 December 2016, out of the 22,370,000 outstanding options, 7,080,000 options were exercisable (2015: Nil).

All share options outstanding as at 31 December 2016 will expire on 19 April 2021.

The weighted average fair value of options granted during the period determined using the binomial valuation model was HK$0.32 per option (2015: Nil). The significant inputs into the model were share price of HK$0.86 at the grant date (2015: Nil), exercise price shown above (2015: Nil), dividend yield of 2% (2015: Nil), volatility of 51% (2015: Nil), expected option life of five years (2015: Nil) and annual risk-free interest rate of 0.94% (2015: Nil).

26 Retained earnings

	RMB'000
At 1 January 2015	169,761
Profit for the year	30,788
Transfer to statutory reserve	(6,838)
At 31 December 2015	193,711
At 1 January 2016	**193,711**
Loss for the year	**(28,499)**
Transfer to statutory reserve	**(3,463)**
At 31 December 2016	**161,749**

27 Other reserves

	Share premium RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Total RMB'000
Balance at 1 January 2015	–	65,290	–	27,584	4,445	97,319
Total comprehensive income for the year	–	–	–	–	13,549	13,549
Capitalisation issue (Note 24(i))	(2,984)	–	–	–	–	(2,984)
Capitalisation of shareholder's loans (Note 24(i))	161,939	–	–	–	–	161,939
Issue of ordinary shares by initial public offering, net of issuance costs (Note 24(ii))	287,006	–	–	–	–	287,006
Transfer to statutory reserve	–	–	–	6,838	–	6,838
Balance at 31 December 2015 and 1 January 2016	**445,961**	**65,290**	**–**	**34,422**	**17,994**	**563,667**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**14,797**	**14,797**
Employee share option scheme – grant of share options	**–**	**–**	**3,921**	**–**	**–**	**3,921**
Employee share option scheme – exercise of share options	**752**	**–**	**–**	**–**	**–**	**752**
Transfer to statutory reserve	**–**	**–**	**–**	**3,463**	**–**	**3,463**
Dividends (Note 28)	**(17,317)**	**–**	**–**	**–**	**–**	**(17,317)**
Balance at 31 December 2016	**429,396**	**65,290**	**3,921**	**37,885**	**32,791**	**569,283**

28 Dividends

Dividends to shareholders of the Company are as follows:

	2016 RMB'000	2015 RMB'000
Final dividend proposed after the end of reporting period of HK1.8 cents (equivalent to RMB1.6 cents) (2015: HK1.8 cents (equivalent to RMB1.5 cents)) per ordinary share	**9,995**	9,356
Special final dividend proposed after the end of reporting period of Nil (2015: HK1.5 cents (equivalent to RMB1.3 cents)) per ordinary share	**–**	7,797
	9,995	17,153

The final dividend proposed after 31 December 2016 and the final dividend and special final dividend proposed after 31 December 2015 were not recognised as a liability as at 31 December 2016 and 2015 respectively.

29 Cash generated from/(used in) operation

	Note	2016 RMB'000	2015 RMB'000
(Loss)/profit before taxation		**(25,951)**	42,363
Adjustments for:			
– Depreciation		**13,821**	10,604
– Amortisation		**369**	349
– Finance costs		**2,661**	2,624
– Interest income		**(3,039)**	(1,693)
– Share-based payment expenses		**3,921**	–
– Provision for impairment of trade and other receivables, net		**38,315**	16,544
– Loss on disposal of property, plant and equipment		**606**	54
– Fair value loss on revaluation of investment property		**704**	–
Changes in working capital:			
– Inventories		**(37,006)**	(41,714)
– Trade and other receivables		**(46,632)**	(81,225)
– Restricted bank deposits pledged for bills payable		**(57,242)**	4,705
– Trade and other payables		**110,085**	8,706
Cash generated from/(used in) operations		**612**	(38,683)

30 Commitments

(a) Capital commitments outstanding at 31 December 2016 not provided for in the financial statements were as follows:

	2016	2015
	RMB'000	RMB'000
Property, plant and equipment:		
Contracted for	**2,250**	3,449
Authorised but not contracted for	**7,955**	6,032
	10,205	9,481

(b) Operating lease commitments – as lessee

At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases were as follows:

	2016	2015
	RMB'000	RMB'000
Within 1 year	**798**	1,948
After 1 year but within 5 years	**30**	2,597
After 5 years	**–**	1,127
	828	5,672

(c) Operating lease commitments – as lessor

At 31 December 2016, the total future minimum lease receivables in respect of the Group's investment property and machinery under non-cancellable operating leases were as follows:

	2016	2015
	RMB'000	RMB'000
Within 1 year	**6,834**	7,895
After 1 year but within 5 years	**56**	–
	6,890	7,895

31 Contingent liabilities

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 arrangements, the Group provides guarantee to the third-party leasing companies that in the event of customer default, the third-party leasing companies have the right to demand the Group to repay the outstanding lease payments due from the customers for the repossession of the leased machinery. As at 31 December 2016, the Group's maximum exposure to such guarantees was approximately RMB6,634,000 (31 December 2015: RMB9,599,000).

32 Related party transactions

The Group is controlled by Prima DG Investment Holding Company Limited (incorporated in the British Virgin Islands), which owns approximately 56% of the Company's issued share capital. The ultimate controlling party of the Group is Choi Family (Mr. Choi Hung Nang, Ms. Tin Suen Chu, Mr. Choi Hon Ting, Derek and Ms. Choi Kwan Li, Glendy).

(a) Transactions with related parties

During the year, save as disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties in the ordinary course of business:

	2016 RMB'000	2015 RMB'000
Rental expense to related parties:		
– Mr. Choi Hung Nang	**203**	203
– Entities controlled by Choi Family	**631**	174
	834	377

The rental expense was incurred at terms mutually agreed with these related parties in the ordinary course of the Group's business.

During the year ended 31 December 2016, the Group entered into sale and purchase agreements with entities controlled by Choi Family to acquire leasehold land, buildings and investment property at a total consideration of HK$46,400,000 (equivalent to RMB40,210,000).

32 Related party transactions (Continued)

(b) Year end balances

	2016 RMB'000	2015 RMB'000
Included in other receivables:		
Amounts due from related parties		
– Ms. Choi Kwan Li, Glendy	**32**	–
– Entity controlled by Choi Family	**3**	–
– Mr. Lao Kam Chi	**78**	–
	113	–
Included in other payables:		
Amounts due to related parties		
– Mr. Choi Hung Nang	**344**	142
– Entities controlled by Choi Family	**240**	–
	584	142

The amounts due from/to related parties are unsecured, interest free and repayable on demand.

(c) Key management compensation

The details of remuneration for key management personnel of the Group are set out in Note 34 and Note 8(b) to the consolidated financial statements.

33 Statement of financial position and reserve movement of the Company

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Interests in subsidiaries		**442,640**	445,302
Total non-current assets		**442,640**	445,302
Current assets			
Other receivables		**489**	398
Pledged bank deposits		**–**	29,992
Cash and cash equivalents		**30,987**	10,912
Total current assets		**31,476**	41,302
Total assets		**474,116**	486,604
Equity	(a)		
Share capital		**4,897**	4,888
Reserves		**468,217**	460,164
		473,114	465,052
Current liabilities			
Borrowings		**–**	20,107
Other payables		**1,002**	1,445
Total liabilities		**1,002**	21,552
Total equity and liabilities		**474,116**	486,604

The statement of financial position of the Company was approved by the Board of Directors on 30 March 2017 and signed on its behalf.

Choi Hung Nang	**Choi Kwan Li, Glendy**
Director	*Director*

33 Statement of financial position and reserve movement of the Company

(a) Reserve movements of the Company

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2015	–	–	7,888	–	–	(2,199)	5,689
Total comprehensive income for the year	–	–	–	–	28,133	(19,619)	8,514
Capitalisation issue	2,984	(2,984)	–	–	–	–	–
Capitalisation of shareholder's loans	568	161,939	–	–	–	–	162,507
Issue of ordinary shares by initial public offering, net of issuance costs	1,336	287,006	–	–	–	–	288,342
Balance at 31 December 2015 and 1 January 2016	**4,888**	**445,961**	**7,888**	**–**	**28,133**	**(21,818)**	**465,052**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**32,133**	**(11,436)**	**20,697**
Employee share option scheme – grant of share options	**–**	**–**	**–**	**3,921**	**–**	**–**	**3,921**
Employee share option scheme – exercise of share options	**9**	**752**	**–**	**–**	**–**	**–**	**761**
Dividends	**–**	**(17,317)**	**–**	**–**	**–**	**–**	**(17,317)**
Balance at 31 December 2016	**4,897**	**429,396**	**7,888**	**3,921**	**60,266**	**(33,254)**	**473,114**

34 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules)

The remuneration of each director and the chief executive officer is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking for the year ended 31 December 2016				
	Director's fees RMB'000	Salaries, allowances and benefits in kind (including share-based compensation) RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Choi Hung Nang (Chairman)	156	2,303	–	–	2,459
Mr. Choi Hon Ting, Derek	156	1,181	–	20	1,357
Ms. Choi Kwan Li, Glendy (Chief Executive Officer)	156	1,899	–	24	2,079
Mr. Liu Tom Jing-zhi	156	1,150	–	24	1,330
Mr. Yu Ronghua	156	1,160	–	8	1,324
Mr. Lao Kam Chi	156	1,320	–	24	1,500
Non-executive directors					
Mr. Chan Lewis	156	48	–	–	204
Mr. Alain Vincent Fontaine (appointed on 15 August 2016)	59	–	–	–	59
Independent non-executive directors					
Mr. Law Wang Chak, Waltery	156	64	–	–	220
Mr. Li Zongjin	156	48	–	–	204
Mr. Lee Wai Yat, Paco	156	48	–	–	204
Mr. Fok Wai Shun, Wilson	156	64	–	–	220
	1,775	9,285	–	100	11,160

34 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (Continued)

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking for the year ended 31 December 2015				
	Director's fees RMB'000	Salaries, allowances and benefits in kind (including share-based compensation) RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Choi Hung Nang (Chairman)	97	708	–	–	805
Mr. Choi Hon Ting, Derek	97	–	–	5	102
Ms. Choi Kwan Li, Glendy (Chief Executive Officer)	97	819	–	25	941
Mr. Liu Tom Jing-zhi	97	533	–	25	655
Mr. Yu Ronghua	97	954	–	37	1,088
Mr. Lao Kam Chi	97	557	–	14	668
Non-executive director					
Mr. Chan Lewis	145	–	–	–	145
Independent non-executive directors					
Mr. Law Wang Chak, Waltery	97	–	–	–	97
Mr. Li Zongjin	97	–	–	–	97
Mr. Lee Wai Yat, Paco	97	–	–	–	97
Mr. Fok Wai Shun, Wilson	97	–	–	–	97
	1,115	3,571	–	106	4,792

There were no amounts paid during the year to the directors in connection with their retirement from employment or compensation for loss of office with the Company, or inducement to join (2015: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2015: Nil).

No emoluments were paid or receivable in respect of directors' other services in connection with the management of affairs of the Company or its subsidiary undertakings affairs of the Company or its subsidiary undertakings during the year ended 31 December 2016 (2015: Nil).

There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate are connected entities (2015: Nil).

Except disclosed in Note 32(a), no significant transactions, arrangements and contracts relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2015: Nil).