德基科技
D&G TECHNOLOGY

D&G TECHNOLOGY HOLDING COMPANY LIMITED

<INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY>

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2023
INTERIM REPORT

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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

Non-Executive Directors

Mr. Chan Lewis
Mr. Alain Vincent Fontaine

Independent Non-Executive Directors

Mr. O'Yang Wiley
Mr. Li Zongjin
Mr. Lee Wai Yat, Paco
Mr. Fok Wai Shun, Wilson

AUDIT COMMITTEE

Mr. O'Yang Wiley *(Chairman)*
Mr. Li Zongjin
Mr. Lee Wai Yat, Paco
Mr. Fok Wai Shun, Wilson

REMUNERATION COMMITTEE

Mr. Fok Wai Shun, Wilson *(Chairman)*
Ms. Choi Kwan Li, Glendy
Mr. O'Yang Wiley

NOMINATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

Ms. Choi Kwan Li, Glendy *(Chairman)*
Mr. Liu Tom Jing-zhi
Mr. O'Yang Wiley
Mr. Fok Wai Shun, Wilson
Mr. Chung Man Lai

COMPANY SECRETARY

Mr. Chung Man Lai

AUTHORISED REPRESENTATIVES

Ms. Choi Kwan Li, Glendy
Mr. Chung Man Lai

REGISTERED OFFICE

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CORPORATE INFORMATION

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17/F, Far East Finance Centre,
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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

AUDITOR

PricewaterhouseCoopers
Certified Public Accountant and Registered PIE Auditor

LEGAL ADVISOR

MinterEllison LLP

PRINCIPAL BANKERS

Bank of Cangzhou Co., Ltd.
Industrial Bank Co., Ltd.
Nanyang Commercial Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

COMPANY WEBSITE

www.dgtechnology.com

BUSINESS REVIEW

General Review

In the first half of 2023, D&G Technology Holding Company Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") continued to be a leading market player in the road construction and maintenance machinery industry in the People's Republic of China ("**PRC**", "**China**" or "**Mainland China**") and overseas markets. It provided smart road construction and conservation solution for different clients by offering a full range of asphalt mixing plants from small to large-scale, recycled asphalt pavement ("**RAP**") crushing equipment and sand manufacturing machine, as well as modification services of adding recycling and environmental protection functions, such as bitumen foaming device for warm mix asphalt to existing plants.

The asphalt mixing plants, being the core products are divided into two main categories: (i) conventional hot-mix asphalt mixing plant ("**Conventional Plant**") and (ii) recycling hot-mix asphalt mixing plant ("**Recycling Plant**"). The 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. The Recycling Plants of the Group, in addition to producing regular asphalt mixtures, can also produce recycled asphalt mixtures which contain a combination of reclaimed asphalt pavement and new materials such as bitumen, aggregates and fillers. The use of Recycling Plants achieves the objectives of resources recycling and cost saving in the production of asphalt mixtures. In addition, RAP crushing equipment and sand manufacturing machine are newly developed products, which combined with our existing advanced asphalt mixture technology to be a comprehensive solution for our customers.

During the six months ended 30 June 2023, business environment was more challenging than the same period in 2022. Following the full lifting of epidemic prevention measures in PRC, local governments have been focused on restoring economic and livelihood activities, resulting in cautious projects investments. In addition, intense competition within the industry has created obstacles for our Group in securing additional orders. Against this backdrop, overall revenue declined year-on-year.

Despite the challenging conditions, the Group did not halt its progress and continued to participate in top-tier highways construction and maintenance projects in the PRC and overseas countries. The Group also seized the opportunities to actively improve its products, expand its customer base, and enhance operational efficiency, thereby expanding their competitive advantages. During the period, clients have shown interest in adopting the one-stop road construction and conservation solution with the new products. Gross profit margin increased to 36.9% (six months ended 30 June 2022: 29.4%). The Group also further expanded the orders from overseas customers, in particular Europe with strengthening sales efforts. In overall, thirteen (six months ended 30 June 2022: seventeen) sales contracts of asphalt mixing plants were completed during the period and the asphalt mixing plants were used in major highway construction and maintenance projects such as Hefei-Zhoukou Expressway(合周高速), Luanchuan-Lushi Expressway(欒盧高速公路) and Liwen Expressway(梨溫高速公路), etc.

Internally, the Group took steps to improve operational efficiency, which included adjusting service pricing to remain competitive, reducing operating expenses and costs, and optimizing personnel deployment. These actions resulted in an overall improvement in the Group's operational efficiency. Due to the decreasing number of construction and maintenance projects and the postponement of customers' project delivery schedules, the Group has developed several policies to closely keep track of the inventory level and expects it to be improved continuously.

The Group has been closely monitoring the collection of trade receivables to enhance the cash cycle. During the period, the Group kept making efforts in its receivable collection and tightening its credit controls on its customers. The overall settlement from customers has been gradually improved. The Group shall strictly comply with its credit policy and continuously improve its internal control procedures, thus enhancing the receivable collection cycle and shortening the debtors' turnover days.

The Group has also been working with several strategic partners with extensive overseas network to extend the business footprint. For instance, the Group has been leveraging on LiuGong Wuxi Road Equipment Co., Ltd.* ("**LiuGong Road Equipment**")'s well-established distribution network and strong financial services capabilities to expand the sales to domestic and overseas markets.

* *For identification purpose only*

Development of combustion technology

During the period, the Group continued to conduct research on the combustion technology in order to develop the business of manufacturing and sale of burner combustion equipment 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. As at 30 June 2023, fifty-four (31 December 2022: forty) patents of combustion technology were registered, two patents were pending registration.

*Investment in a convertible bond (the "**Convertible Bond**")*

On 10 August 2020, the Group's wholly owned subsidiary, Langfang D&G Machinery Technology Company Limited* ("**Langfang D&G**") (as the lender), has entered into a convertible bond agreement with Zhejiang Zhengfang Asphalt Concrete Technology Limited* (the "**Zhengfang ACT**") (as the borrower). It is a wholly owned subsidiary of Zhejiang Zhengfang Holding Limited, as a guarantor in the convertible bond agreement, a road construction company in Zhejiang, China which is an existing customer of Langfang D&G.

The principal amount of the Convertible Bond is in a total amount of RMB20 million. The Convertible Bond is interest bearing at 6% per annum and the maturity date is 30 April 2024.

During the tenure of the Convertible Bond, the Zhengfang ACT shall purchase no less than five sets of asphalt mixing plants from Langfang D&G. As at 30 June 2023, two asphalt mixing plants sales contracts have been completed.

Pursuant to the convertible bond agreement, at 30 April 2024, Langfang D&G has the right to exercise its equity conversion option at the conversion ratio of the higher of (i) 1.5 times of the net assets of the Zhengfang ACT as at 31 December 2023 or (ii) 6 times of the weighted average of its net profits for the years ended 31 December 2022 and 2023, both of which are calculated with reference to its audited accounts prepared in accordance with the PRC generally accepted accounting principles.

* *For identification purpose only*

Partnership with LiuGong Road Equipment

In May 2021, the Group has entered into an agreement with LiuGong Road Equipment to become the exclusive supplier of asphalt mixing plant for LiuGong Road Equipment. The Group will research and develop, design and manufacture products under the label of "LiuGong", by leveraging its technical strength, as well as LiuGong Road Equipment's well-established distribution network and strong financial services capabilities, to sell the products to domestic and overseas markets. The Group expects this strategic partnership will further penetrate the mid-end asphalt mixing plant market to win more orders and expand its revenue stream. Furthermore, the collaboration enables LiuGong Road Equipment to enrich and improve its one-stop road construction equipment solution to achieve a win-win situation.

Research and Development

To maintain its 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 its strong research and development capabilities. As at 30 June 2023, the Group had two hundred and eight registered patents in the PRC (of which four were invention patents and four were appearance patents) and twenty-seven software copyrights. In addition, the registration of twenty-three patents were pending approval as at 30 June 2023.

Marketing and Awards

The Group places great emphasis on the marketing and promotion of its brands, products and services offered and leverages different online platforms, including global trading B2B online platforms, mobile websites, LinkedIn and the WeChat platform to offer better services to customers and establish a better brand image in both the PRC and overseas markets.

During the period, the Group participated in various promotional events, technical seminars and corporate social responsibility events such as the DG customers technical training in Ningbo, Xi'an Luchangtong Deji Machinery Technology Exchange Conference, Asphalt Pavement Construction Equipment New Product Technology Exchange Meeting in Zhejiang, the Bauma CTT Russia 2023 held in Russia, the World Environment Day and the Green Day 2023.

In March 2023, the Group was awarded the "5 Years Plus Caring Company" which was organised by the Hong Kong Council of Social Service. In August 2023, the Group was awarded as an "EcoChallenger" and "5 Years+ EcoPioneer" in the BOCHK Corporate Environmental Leadership Awards which was organised by the Federation of Hong Kong Industries and Bank of China (Hong Kong). The awards are recognition of the Group's contribution to the promotion of environmental protection.

Outlook

Looking forward, PRC and overseas economies are facing significant challenges with the sharp rise in global inflation, ongoing Russia-Ukraine War, and Sino-US competition. The operating environment will be increasingly difficult. Nevertheless, the Group remains optimistic yet cautious about the market development since the Chinese government has planned billions of dollars on infrastructure to boost its economic growth.

In 2023, the central government reiterated its goal of "accelerating the construction of a strong transportation country," stating that the national fixed investment in transportation exceeded RMB 3.8 trillion in 2022, an increase of over 6% year-on-year. By 2035, the national road network is planned to reach a scale of 461,000 kilometers, providing support for the development of urban clusters and metropolitan areas.

According to the "National 14th Five-Year Plan", 11 major transportation projects are still ongoing, including promoting the expansion and reconstruction of the main line of the Beijing-Shanghai, Beijing-Hong Kong-Macao, Changchun-Shenzhen, and other national highways with earlier construction years, large traffic volume, heavy traffic congestion.

National road construction will continue to play a crucial role in driving effective investment and providing strong support for stabilizing the economy. The Group will further maintain the long-term relationship with existing customers to seize the coming valuable marketing opportunities raised by the national economic plans.

Besides, the Group will explore new emerging markets with strategic partners including state-owned enterprises which can also promote business performance in the future. The Group is working with LiuGong Road Equipment to explore the mid-end asphalt mixing equipment market and secure more orders, with the aim to expand its revenue stream. Moreover, the Group is also studying, manufacturing, promoting, and distributing high-performance ultra-low NOx burners with Tsinghua University. In the future, the Group will strive to diversify our business segment as well as expand our brand customers with several strategic partnerships.

Furthermore, the Group will maintain strict cost-control measures and streamline operations to ensure efficient and steady business development. The Group will capitalise on local and overseas market opportunities and conduct regular internal assessments to maximize profitability.

FINANCIAL REVIEW

During the six months ended 30 June 2023, the Group recorded a total revenue of RMB118,965,000 (2022: RMB193,779,000), representing a decrease of approximately 38.6% as compared to the last corresponding period. Gross profit decreased from RMB56,883,000 for the six months ended 30 June 2022 to RMB43,875,000 for the six months ended 30 June 2023, representing a decrease of approximately 22.9%. Gross profit margin increased by 7.5 percentage points from 29.4% to 36.9%. The Group recorded a net loss attributable to owners of the Company of RMB6,908,000 compared with a net loss of RMB2,509,000 in the last corresponding period.

	Six months ended 30 June		
	2023	2022	Change
	RMB'000	*RMB'000*	
Sales of asphalt mixing plants	**67,270**	175,204	-61.6%
Sales of spare parts and modified equipment	**32,990**	18,575	77.6%
Sales of other asphalt specialty equipment	**18,705**	–	N/A
	118,965	193,779	-38.6%

Sales of Asphalt Mixing Plants

	Six months ended 30 June		
	2023	2022	Change
	RMB'000	*RMB'000*	
Revenue	**67,270**	175,204	-61.6%
Gross profit (Note)	**20,797**	55,572	-62.6%
Gross profit margin	**30.9%**	31.7%	-0.8pp
Number of contracts	**13**	17	-4
Average contract value	**5,175**	10,306	-49.8%

Revenue from the sales of asphalt mixing plants decreased as a result of the decrease in number of contracts completed and the decrease in the average contract value. The decrease in number of contracts was mainly due to that following the full lifting of epidemic prevention measures in PRC, local governments have been focused on restoring economic and livelihood activities, resulting in cautious projects investments. In addition, intense competition within the industry has created obstacles for our Group in securing additional orders. The decrease in average contract value was due to more small scale plants were sold in the current period. The decrease in the gross profit margin was primarily due to the proportional decrease in the number of sales with higher capacity (usually with higher gross profit margin).

Note: Impairment of inventories of RMB415,000 was made during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB6,010,000) and charged to the "Cost of sales". The gross profit of the sales of asphalt mixing plants presented above and in this section has excluded the provision for impairment of inventories for analysis purpose.

By Types of Plants

	Six months ended 30 June		
	2023	2022	Change
	RMB'000	*RMB'000*	
Recycling Plant			
Revenue	**18,681**	90,656	-79.4%
Gross profit	**4,202**	27,637	-84.8%
Gross profit margin	**22.5%**	30.5%	-8.0pp
Number of contracts	**2**	7	-5
Average contract value	**9,341**	12,951	-27.9%
Conventional Plant			
Revenue	**48,589**	84,548	-42.5%
Gross profit	**16,595**	27,935	-40.6%
Gross profit margin	**34.2%**	33.0%	1.2pp
Number of contracts	**11**	10	1
Average contract value	**4,417**	8,455	-47.8%

Revenue from the sales of Recycling Plants decreased by 79.4% which was mainly due to the decrease in the number of contracts completed and the decrease in the average contract value. The gross profit margin decreased by 8.0 percentage points to 22.5% was mainly due to the increase in market competition during the period.

Revenue from the sales of Conventional Plants decreased by 42.5% primarily because of the decrease in the average contract value. Most of the conventional plant sold during the period are relatively small model. The gross profit margin increased by 1.2 percentage points to 34.2% was mainly due to proportional increase in the number of overseas sales which generally had higher gross profit margin as compared to the last corresponding period.

By Geographical Location

	Six months ended 30 June		
	2023	2022	Change
	RMB'000	*RMB'000*	
PRC			
Turnover	**28,477**	169,045	-83.2%
Gross profit	**8,197**	53,592	-84.7%
Gross profit margin	**28.8%**	31.7%	-2.9pp
Number of contracts	**3**	16	-13
Average contract value	**9,492**	10,565	-10.2%
Overseas			
Turnover	**38,793**	6,159	529.9%
Gross profit	**12,600**	1,980	536.4%
Gross profit margin	**32.5%**	32.1%	0.4pp
Number of contracts	**10**	1	9
Average contract value	**3,879**	6,159	-37.0%

Revenue from the PRC sales decreased primarily because of the decrease in the number of contracts completed and the decrease in the average contract value. The gross profit margin decreased by 2.9 percentage points to 28.8% was mainly due to the decrease in the number of sales with higher capacity sold during the period.

Revenue from the overseas sales increased mainly because of the increase in the number of contracts completed and partially offset by decrease in the average contract value. The increase in overseas revenue was a result of our dedicated efforts to expand into the overseas market. The gross profit margin increased by 0.4 percentage points to 32.5% and relatively stable because most asphalt mixing plants sold were all PM model series which were similar in the last corresponding period.

Sales of Spare Parts and Components and Modified Equipment

	Six months ended 30 June		
	2023	2022	Change
	RMB'000	*RMB'000*	
Revenue	**32,990**	18,575	77.6%
Gross profit	**18,864**	7,321	157.7%
Gross profit margin	**57.2%**	39.4%	17.8pp

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

During the period, the revenue from sales of spare parts and components amounted to RMB17,136,000 (six months ended 30 June 2022: RMB10,033,000) and the revenue from sales of modified equipment amounted to RMB15,854,000 (six months ended 30 June 2022: RMB8,542,000). The increase in revenue was mainly due to the increase in the number of customers demand for spare parts, components and modification of existing Conventional Plants. The gross profit margin increased by 17.8 percentage points during the period was mainly due to the improvement in gross profit margin of sales of modified equipment and more relatively high gross profit margin overseas sales were made.

Sales of other Asphalt Specialty Equipment

	Six months ended 30 June		
	2023	2022	Change
	RMB'000	*RMB'000*	
Revenue	**18,705**	–	N/A
Gross profit	**4,629**	–	N/A
Gross profit margin	**24.7%**	–	N/A
Number of contracts	**5**	–	N/A
Average contract value	**3,741**	–	N/A

The Group published several new series of brand of asphalt specialty equipment since 2021 which included the LiuGong Asphalt Plant ("**LAP**") series asphalt mixing plants, the RAP crushing equipment and the sand manufacturing machine.

The Group has become the exclusive supplier of the LAP series asphalt mixing plants since May 2021. This strategic partnership will further penetrate the mid-end asphalt mixing plant market to win more orders and expand its revenue stream. There were two sales contracts completed during the period. We continue to explore more business opportunities with the sales channel with LiuGong in our coming future.

The Group considered the sales of RAP crushing equipment and the sand manufacturing machine as the new source of revenue for domestic and overseas asphalt mixing plants markets and to its customers as value-added services as well as provided solutions to meet the diversified needs of the customers. Two RAP crushing equipment and one sand manufacturing machine were sold during the period. As both equipment were new to the market, we expect to give proactive and determined effort to offer this comprehensive asphalt solution to the customers.

Other Income and Other Gains, Net

During the period, other income and other gains, net, mainly represented government grants, fair value gain on a financial asset at fair value through profit or loss, net off with the net exchange loss. The decrease was mainly due to the increase in net foreign exchange loss to RMB0.9 million (2022: exchange gain of RMB0.7 million) and the absence of net gain on disposal of non-current assets classified as asset held for sale (2022: RMB1.0 million).

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. Decrease in distribution costs was mainly due to the decrease in sales of asphalt mixing plants through distributors and the decrease in marketing expenses, which account for a significant portion of expenses in the promotion of new products in comparative period.

Administrative Expenses

Administrative expenses mainly included staff costs, research and development expenses and legal and professional fees. During the period, administrative expenses increased by approximately RMB2.3 million mainly due to the increase in employee compensation resulting from the organizational restructuring.

Net Reversal of Impairment Losses on Trade Receivables

The amount represented the net reversal of impairment losses on trade receivables of RMB3,920,000 (2022: RMB4,948,000). The reversal of provision for impairment loss was mainly due to the settlement of long overdue trade receivables during the period.

Share of Profit of an Associate

The amount represented the share of the profit of Topp Financial Leasing (Shanghai) Co., Ltd.* ("**Shanghai Topp**") of RMB901,000 (2022: RMB861,000).

Finance Income, Net

Finance income, net mainly included bank interest income and interest income on unwinding discounted trade receivables offset by interest expenses on interest-bearing bank borrowings. The slightly increase in finance income, net, during the period was mainly due to the decrease in interest expenses as there was a decrease in borrowings.

* *For identification purpose only*

Income Tax Expense

The income tax expense for the six months ended 30 June 2023 was mainly attributable to the deferred tax expense arisen from the reversal of impairment losses of trade receivables offset by the reversal of income tax expenses incurred by a Pakistan subsidiary.

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company amounted to approximately RMB6,908,000 for the six months ended 30 June 2023 compared with the loss attributable to owners of the Company of approximately RMB2,509,000 for the six months ended 30 June 2022. The increase in loss for the period was mainly due to the decrease in revenue and gross profit offset by the decrease in distribution costs as discussed above.

Working Capital Management

Net current assets of the Group amounted to RMB438,333,000 (31 December 2022: RMB423,444,000) with a current ratio of 2.6 times (31 December 2022: 2.9 times) as at 30 June 2023.

Inventories increased by RMB33,242,000 from RMB223,885,000 as at 31 December 2022 to RMB257,127,000 as at 30 June 2023. Inventory turnover days was 580 days for the six months ended 30 June 2023, representing an increase of 244 days as compared to 336 days for the year ended 31 December 2022. The increase in inventories and inventory turnover days was mainly due to the increase in raw materials purchased and work in progress for sales contracts signed but not yet recognised.

Trade and bills receivables decreased by RMB46,764,000 from RMB124,827,000 as at 31 December 2022 to RMB78,063,000 as at 30 June 2023. Trade and bills receivables turnover days was 154 days for the six months ended 30 June 2023, representing a decrease of 16 days as compared to 170 days for the year ended 31 December 2022. The decrease in trade and bills receivables turnover days during the period was primarily due to the settlement from some of the PRC customers offset by the decrease in number of sales contracts completed. The Group will continue to cautiously monitor the trade receivables collection process so as to improve the collection cycle.

Trade and bills payables increased by RMB9,635,000 from RMB103,631,000 as at 31 December 2022 to RMB113,266,000 as at 30 June 2023. Trade and bills payables turnover days was 206 days for the six months ended 30 June 2023, representing an increase of 27 days as compared to 179 days for the year ended 31 December 2022. The increase in trade and bills payables and turnover days was mainly because of extended payments to suppliers and sub-contractors and the decreased sales orders and hence the cost of goods sold.

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 are to lower finance costs while enhancing returns on financial assets under a prudent and conservative approach.

As at 30 June 2023, the Group had cash and cash equivalents of RMB226,826,000 (31 December 2022: RMB199,942,000) and pledged bank deposits of RMB50,014,000 (31 December 2022: RMB44,777,000). In addition, the Group had interest-bearing bank borrowings of RMB7,902,000 (31 December 2022: RMB11,506,000). The Group's cash and cash equivalents, pledged bank deposits and borrowings were mostly denominated in Renminbi, Hong Kong dollars and United States dollars. The borrowings were mainly arranged on a floating rate basis. The gearing ratio, calculated as total borrowings divided by equity attributable to the owners of the Company, amounted to 1.3% (31 December 2022: 1.8%).

During the six months ended 30 June 2023, the Group recorded cash used in operating activities of RMB29,568,000 (six months ended 30 June 2022: cash generated from operating activities of RMB3,223,000). Net cash generated from investing activities amounted to RMB2,820,000 (six months ended 30 June 2022: RMB1,936,000) for the six months ended 30 June 2023. Net cash used in financing activities for the six months ended 30 June 2023 amounted to RMB6,565,000 (six months ended 30 June 2022: RMB17,181,000).

Capital Commitments and Contingent Liabilities

Capital commitments as at 30 June 2023 and 31 December 2022 not provided for in the consolidated financial statements were follows:

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
Contracted for		
– Property, plant and equipment	**658**	382

As at 30 June 2023, there is no capital commitments authorised but not contracted for (31 December 2022: same).

Certain customers of Langfang D&G, a principal operating subsidiary of the Group, financed their purchases of the Group's plants through finance leases provided by Shanghai Topp. Under the leasing arrangements, Langfang D&G provided guarantee to Shanghai Topp that in the event of customer default, Shanghai Topp have the rights to demand Langfang D&G to repay the outstanding lease payments due from the customers for the repossession of the leased plants. As at 30 June 2023, the Group's maximum exposure to such guarantees was approximately RMB115,844,000 (31 December 2022: RMB109,530,000).

Pledge of Assets

As at 30 June 2023, property, plant and equipment of RMB43,125,000 (31 December 2022: RMB41,994,000), land use right of RMB4,377,000 (31 December 2022: RMB4,442,000) and bank deposits of RMB50,014,000 (31 December 2022: RMB44,777,000) were pledged for borrowings and bills payables of the Group.

Foreign Exchange Risk

The reporting currency of the Group was Renminbi. The Group was exposed to foreign exchange risk through sales and purchases which were denominated in a foreign currency including US dollars and Euros. The appreciation or depreciation of Renminbi 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 Renminbi 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 for the six months ended 30 June 2023.

Significant Investments and Material Acquisitions or Disposals

During the six months ended 30 June 2023, the Group did not have any significant investments or material acquisitions or disposals (six months ended 30 June 2022: same).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests or short positions of the directors of the Company (the "**Directors**"), the chief executives of the Company (the "**Chief Executives**") and their associates in the shares 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 of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

(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	54.07%
	Long	Interest of spouse(2)	620,000	0.10%
	Long	Beneficial owner	51,768,000	8.10%
	Long	Beneficial owner(3)	4,000,000	0.63%
Ms. Choi Kwan Li, Glendy	Long	Beneficial owner(3)	4,150,000	0.65%
Mr. Choi Hon Ting, Derek	Long	Beneficial owner(3)	4,150,000	0.65%
Mr. Liu Tom Jing-zhi	Long	Interest in controlled corporation(4)	13,500,000	2.11%
	Long	Interest of spouse(4)	150,000	0.02%
	Long	Beneficial owner	2,000,000	0.31%
Mr. Lao Kam Chi	Long	Interest in controlled corporation(5)	9,000,000	1.41%
	Long	Beneficial owner	2,000,000	0.31%
Mr. Chan Lewis	Long	Beneficial owner	300,000	0.05%

Name of Director	Long/ Short position	Type of interest	Number of Shares and underlying shares held	Approximate percentage of shareholding in the Company
Mr. Li Zongjin	Long	Beneficial owner	300,000	0.05%
Mr. Lee Wai Yat, Paco	Long	Beneficial owner	300,000	0.05%
Mr. Fok Wai Shun, Wilson	Long	Beneficial owner	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. The 620,000 Shares were held by his spouse, Ms. Tin Suen Chu. Accordingly, by virtue of the SFO, Mr. Choi Hung Nang is deemed to be interested in all the Shares in which Ms. Tin Suen Chu is interested.

3. 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 and 4,000,000 share options during the year ended 31 December 2018 under the share option scheme of the Company adopted on 6 May 2015 (the "**Share Option Scheme**"). 4,000,000 share options were exercised during the year ended 31 December 2021 and 4,000,000 shares options were forfeited during the six months ended 30 June 2023.

4. 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.

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.

Save as disclosed above, as at 30 June 2023, 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 30 June 2023, 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	54.07%
Mr. Choi Hung Nang[1]	Long	Interest in controlled corporation	345,696,000	54.07%
	Long	Interest of spouse	620,000	0.10%
	Long	Beneficial owner	51,768,000	8.10%
	Long	Beneficial owner[2]	4,000,000	0.63%
Ms. Tin Suen Chu[1]	Long	Interest of spouse	401,464,000	62.79%
	Long	Beneficial owner	620,000	0.10%
Regal Sky Holdings Limited[3]	Long	Beneficial owner	48,922,000	7.65%
Ocean Equity Partners Fund L.P.[3]	Long	Interest in controlled corporation	48,922,000	7.65%
Ocean Equity Partners Fund GP Limited[3]	Long	Interest in controlled corporation	48,922,000	7.65%

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

   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. Mr. Choi Hung Nang was granted 4,000,000 share options during the year ended 31 December 2016 and 4,000,000 share options during the year ended 31 December 2018 under the Share Option Scheme. 4,000,000 share options were exercised during the year ended 31 December 2021 and 4,000,000 shares options were forfeited during the six months ended 30 June 2023.

3. 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, as at 30 June 2023, 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 of Directors (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 "**Limit**"), i.e. 60,000,000 Shares representing approximately 9.38% of the issued Shares as at the date of this interim 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 and 5 June 2018 (the "**Dates of Grant**"), options to subscribe for an aggregate of 24,700,000 Shares and 23,100,000 Shares were granted respectively to certain Eligible Participants under the Share Option Scheme. The exercise price in respect of each option granted under the Share Option Scheme on 20 April 2016 and 5 June 2018 was HK$0.88 and HK$1.12 per Share respectively. The adjusted closing price of the Shares immediately before the Dates of Grant was HK$0.866 and HK$1.120 per Share respectively. There was no Eligible Participant with options granted in excess of the individual limit.

During the six months ended 30 June 2023, none of the above share options was cancelled or exercised while 20,000,000 share options lapsed. No share option has been granted under the Share Option Scheme.

The fair values of the share options granted on 20 April 2016 and 5 June 2018 were HK$7,823,400 (equivalent to approximately RMB6,780,000) and HK$10,279,500 (equivalent to approximately RMB8,391,300) respectively.

The fair value of the share options granted on 20 April 2016 and 5 June 2018 were estimated as at that date by an independent firm of professionally qualified valuers using the binomial option pricing model and 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.

Particulars and movements of share options granted under the Share Option Scheme for the six months ended 30 June 2023 were as follows:

Name of Grantee	Date of Grant	Exercise Period	Exercise Price per Share	Outstanding as at 1 January 2023	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30 June 2023
Directors								
Mr. Choi Hung Nang	5/6/2018	1/10/2019 – 4/6/2023	HK$1.12	2,000,000	–	–	(2,000,000)	–
	5/6/2018	1/10/2020 – 4/6/2023	HK$1.12	2,000,000	–	–	(2,000,000)	–
Ms. Choi Kwan Li, Glendy	5/6/2018	1/10/2019 – 4/6/2023	HK$1.12	2,000,000	–	–	(2,000,000)	–
	5/6/2018	1/10/2020 – 4/6/2023	HK$1.12	2,000,000	–	–	(2,000,000)	–
Mr. Choi Hon Ting, Derek	5/6/2018	1/10/2019 – 4/6/2023	HK$1.12	2,000,000	–	–	(2,000,000)	–
	5/6/2018	1/10/2020 – 4/6/2023	HK$1.12	2,000,000	–	–	(2,000,000)	–
Mr. Liu Tom Jing-zhi	5/6/2018	1/10/2019 – 4/6/2023	HK$1.12	1,000,000	–	–	(1,000,000)	–
	5/6/2018	1/10/2020 – 4/6/2023	HK$1.12	1,000,000	–	–	(1,000,000)	–
Mr. Lao Kam Chi	5/6/2018	1/10/2019 – 4/6/2023	HK$1.12	1,000,000	–	–	(1,000,000)	–
	5/6/2018	1/10/2020 – 4/6/2023	HK$1.12	1,000,000	–	–	(1,000,000)	–

Name of Grantee	Date of Grant	Exercise Period	Exercise Price per Share	Outstanding as at 1 January 2023	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30 June 2023
Mr. Alain Vincent Fontaine	5/6/2018	1/10/2019 – 4/6/2023	HK$1.12	150,000	–	–	(150,000)	–
	5/6/2018	1/10/2020 – 4/6/2023	HK$1.12	150,000	–	–	(150,000)	–
Mr. Chan Lewis	5/6/2018	1/10/2019 – 4/6/2023	HK$1.12	150,000	–	–	(150,000)	–
	5/6/2018	1/10/2020 – 4/6/2023	HK$1.12	150,000	–	–	(150,000)	–
Mr. Li Zongjin	5/6/2018	1/10/2019 – 4/6/2023	HK$1.12	150,000	–	–	(150,000)	–
	5/6/2018	1/10/2020 – 4/6/2023	HK$1.12	150,000	–	–	(150,000)	–
Mr. Lee Wai Yat, Paco	5/6/2018	1/10/2019 – 4/6/2023	HK$1.12	150,000	–	–	(150,000)	–
	5/6/2018	1/10/2020 – 4/6/2023	HK$1.12	150,000	–	–	(150,000)	–
Mr. Fok Wai Shun, Wilson	5/6/2018	1/10/2019 – 4/6/2023	HK$1.12	200,000	–	–	(200,000)	–
	5/6/2018	1/10/2020 – 4/6/2023	HK$1.12	200,000	–	–	(200,000)	–
				17,600,000	–	–	(17,600,000)	–
Other employees in aggregate	5/6/2018	1/10/2019 – 4/6/2023	HK$1.12	1,200,000	–	–	(1,200,000)	–
	5/6/2018	1/10/2020 – 4/6/2023	HK$1.12	1,200,000	–	–	(1,200,000)	–
				2,400,000	–	–	(2,400,000)	–
				20,000,000	–	–	(20,000,000)	–

OTHER INFORMATION

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this interim report, the Company has maintained a sufficient public float of not less than 25% of the Company's issued Shares as required under the Listing Rules for the six months ended 30 June 2023.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had approximately 344 employees (31 December 2022: 384). The total staff costs for the six months ended 30 June 2023 amounted to approximately RMB37,706,000 (six months ended 30 June 2022: RMB30,712,000).

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, which includes 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 Company has adopted a share option scheme of the Company pursuant to which employees may be granted options to subscribe for shares of the Company as incentives or rewards for their services rendered to the Group. No option has been granted during the six months ended 30 June 2023 and 2022.

INTERIM DIVIDEND

No interim dividend was proposed by the Board for the six months ended 30 June 2023 (six months ended 30 June 2022: same).

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023 (six months ended 30 June 2022: same).

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. During the six months ended 30 June 2023, the Company has, in the opinion of the Directors, complied with the code provisions as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors. Specific enquiry has been made to all the Directors and all the Directors have confirmed that they have complied with the Model Code throughout the period.

REVIEW OF INTERIM RESULTS

The Company has an audit committee (the "**Audit Committee**") which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting system, risk management and internal control systems. The Audit Committee comprises four members, namely Mr. O'Yang Wiley (Chairman), Mr. Li Zongjin, Mr. Lee Wai Yat, Paco and Mr. Fok Wai Shun, Wilson. All of them are independent non-executive Directors. The interim results of the Group for the six months ended 30 June 2023 have been reviewed by the Audit Committee.

The Company's auditor, PricewaterhouseCoopers, has also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CHANGE OF DIRECTORS' INFORMATION

There is no change of director's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF D&G TECHNOLOGY HOLDING COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 31 to 56 which comprises the interim condensed consolidated statement of financial position of D&G Technology Holding Company Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as at 30 June 2023 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Unaudited Six months ended 30 June	
	Note	**2023** **RMB'000**	2022 RMB'000
Revenue	6	**118,965**	193,779
Cost of sales		**(75,090)**	(136,896)
Gross profit		**43,875**	56,883
Other income and other gains, net	7	**2,385**	2,678
Distribution costs		**(32,414)**	(45,189)
Administrative expenses		**(31,054)**	(28,777)
Net reversal of impairment losses on trade receivables	8	**3,920**	4,948
Operating loss		**(13,288)**	(9,457)
Finance income, net		**6,246**	7,234
Share of profit of an associate	12	**901**	861
Loss before income tax		**(6,141)**	(1,362)
Income tax expense	9	**(767)**	(1,147)
Loss for the period attributable to owners of the Company		**(6,908)**	(2,509)
Loss per share attributable to owners of the Company during the period			
– Basic and diluted *(RMB cents)*	10	**(1.08)**	(0.39)

The above interim condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Loss for the period	**(6,908)**	(2,509)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation differences	**1,376**	2,975
Other comprehensive income for the period, net of tax	**1,376**	2,975
Total comprehensive (loss)/income attributable to owners of the Company for the period	**(5,532)**	466

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	**Unaudited 30 June 2023** ***RMB'000***	Audited 31 December 2022 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	11	**108,087**	109,423
Intangible assets	11	**2,571**	2,892
Investment in an associate	12	**61,160**	60,259
Financial asset at fair value through profit or loss	13	**–**	19,040
Deferred tax assets		**13,412**	14,418
Total non-current assets		**185,230**	206,032
Current assets			
Inventories		**257,127**	223,885
Financial asset at fair value through profit or loss	13	**19,963**	–
Trade and bills receivables	14	**78,063**	124,827
Prepayments, deposits and other receivables		**74,639**	56,533
Income tax receivable		**–**	258
Pledged bank deposits		**50,014**	44,777
Cash and cash equivalents		**226,826**	199,942
Total current assets		**706,632**	650,222
Non-current asset classified as asset held for sale		**1,844**	1,844
Total assets		**893,706**	858,098
EQUITY			
Share capital	17	**5,059**	5,059
Other reserves		**566,671**	578,634
Retained earnings		**48,473**	42,042
Total equity		**620,203**	625,735

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	**Unaudited 30 June 2023 *RMB'000***	Audited 31 December 2022 *RMB'000*
LIABILITIES			
Non-current liabilities			
Lease liabilities		**704**	1,085
Deferred tax liabilities		**4,500**	4,500
Total non-current liabilities		**5,204**	5,585
Current liabilities			
Borrowings	15	**7,902**	11,506
Trade and other payables	16	**147,551**	140,146
Contract liabilities	16	**111,595**	73,878
Lease liabilities		**1,251**	1,248
Total current liabilities		**268,299**	226,778
Total liabilities		**273,503**	232,363
Total equity and liabilities		**893,706**	858,098

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Unaudited							
	Attributable to owners of the Company							
	Share capital *RMB'000* Note 17(a)	Share premium *RMB'000* Note 17(b)	Capital reserve *RMB'000* Note 17(c)	Statutory reserve *RMB'000* Note 17(d)	Exchange reserve *RMB'000*	Share options reserve *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
Unaudited:								
Balance at 1 January 2022	5,059	433,689	65,290	46,614	20,083	13,339	83,116	667,190
Comprehensive loss								
– Loss for the period	–	–	–	–	–	–	(2,509)	(2,509)
Other comprehensive income								
– Currency translation differences	–	–	–	–	2,975	–	–	2,975
Total comprehensive income/(loss)	–	–	–	–	2,975	–	(2,509)	466
Transfer to statutory reserve	–	–	–	387	–	–	(387)	–
Dividends	–	(6,555)	–	–	–	–	–	(6,555)
Balance at 30 June 2022	5,059	427,134	65,290	47,001	23,058	13,339	80,220	661,101
Unaudited:								
Balance at 1 January 2023	**5,059**	**427,134**	**65,290**	**46,900**	**25,971**	**13,339**	**42,042**	**625,735**
Comprehensive loss								
– Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(6,908)**	**(6,908)**
Other comprehensive income								
– Currency translation differences	**–**	**–**	**–**	**–**	**1,376**	**–**	**–**	**1,376**
Total comprehensive income/(loss)	**–**	**–**	**–**	**–**	**1,376**	**–**	**(6,908)**	**(5,532)**
Employee share option scheme								
– Lapse of share option	**–**	**–**	**–**	**–**	**–**	**(7,864)**	**7,864**	**–**
Transfer to retained earning	**–**	**–**	**–**	**–**	**–**	**(5,475)**	**5,475**	**–**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 30 June 2023	**5,059**	**427,134**	**65,290**	**46,900**	**27,347**	**–**	**48,473**	**620,203**

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Unaudited Six months ended 30 June	
	Note	**2023** **RMB'000**	2022 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations		**28,998**	(3,543)
Income tax refunded		**570**	320
Net cash generated from/(used in) operating activities		**29,568**	(3,223)
Cash flows from investing activities			
Payment for acquisition of property, plant and equipment		**(458)**	(1,284)
Proceeds from disposal of non-current asset classified as asset held for sale		**–**	600
Interest received		**3,278**	2,620
Net cash generated from investing activities		**2,820**	1,936
Cash flows from financing activities			
Repayments of borrowings		**(3,974)**	(8,587)
Principal elements of lease payments		**(789)**	(690)
Interest expenses paid		**(315)**	(143)
Release of/(addition of) restricted bank deposits pledged for borrowings		**(1,487)**	(1,206)
Dividend paid	18	**–**	(6,555)
Net cash used in financing activities		**(6,565)**	(17,181)
Net increase/(decrease) in cash and cash equivalents		**25,823**	(18,468)
Cash and cash equivalents at beginning of the period		**199,942**	199,644
Effect of foreign exchange rate changes		**1,061**	1,332
Cash and cash equivalents at end of the period		**226,826**	182,508

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Group is principally engaged in manufacturing, distribution, research and development of asphalt mixing plants and sales of spare parts and modified equipment.

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's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 27 May 2015.

The condensed consolidated interim financial information is presented in thousands of Renminbi ("**RMB'000**"), unless otherwise stated.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2022, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The Group has adopted the following revised framework and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 January 2023:

- Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to HKAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12
- International Tax Reform – Pillar Two Model Rules – Amendments to HKAS 12
- Insurance Contracts – HKFRS 17 & Amendments to HKFRS 17
- Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information – HKFRS 17

The adoption of the above revised framework and amendments to standards did not have any significant financial impact on this condensed consolidated interim financial information.

3 ACCOUNTING POLICIES (CONTINUED)

(b) New standards and interpretations not yet adopted

The following are amendments to standards and interpretations that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2023 or later periods, but have not been early adopted by the Group.

Standards	Subject
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (1)
HKAS 1 (Amendments)	Non-current Liabilities with Covenants (1)
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current (1)
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback (1)
HKAS 7 and HKFRS 17 (Amendments)	Supplier Finance Arrangement(1)
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (2)

(1) Effective for the accounting period beginning on or after 1 January 2024

(2) Effective date to be determined

The Group is in the process of assessing potential impact of the above amendments to standards and interpretations that are relevant to the Group upon initial application. It is not yet in a position to state whether amendments to standards and interpretations will have a significant impact on the Group's results of operations and financial position.

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2022.

There have been no changes in the risk management policies since 31 December 2022.

(b) Fair value estimation

The carrying amounts of the Group's financial assets and liabilities with a maturity of less than one year, including trade and bills receivables, deposits and other receivables, cash and cash equivalents, pledged bank deposits, amount due from a joint venture, trade and other payables, lease liabilities and borrowings, approximate their fair values.

See Note 13 for the disclosures of the investment in convertible bond that is measured at fair value.

5 ESTIMATES

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 December 2022.

6 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 who make strategic decisions.

The Group has determined that it only has one major operating segment which is the sales of asphalt mixing plants, spare parts, other asphalt specialty equipment and modified equipment.

Revenue consists of the followings:

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of asphalt mixing plants	**67,270**	175,204
Sales of spare parts and modified equipment	**32,990**	18,575
Sales of other asphalt specialty equipment	**18,705**	–
	118,965	193,779
Revenue from contracts with customers recognised		
– at a point in time	**118,965**	193,779

6 SEGMENT INFORMATION (CONTINUED)

(a) Revenue from external customers by country

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Mainland China	**67,797**	185,708
Outside Mainland China	**51,168**	8,071
	118,965	193,779

(b) Non-current assets

The geographical location of the non-current assets, excluding deferred tax assets, is based on the physical location of the assets.

	Unaudited At 30 June 2023	Audited At 31 December 2022
	RMB'000	*RMB'000*
Mainland China	**119,493**	141,066
Outside Mainland China	**52,325**	50,548
	171,818	191,614

(c) Information about major customer

During the six months ended 30 June 2023, revenue from customer A of the Group's outside the Mainland China segment amounting to approximately HK$25,686,000, which represented approximately 21.6% of the Group's consolidated revenue in continuing operations.

Other than disclosed above, no customer with whom transactions have exceeded 10% of the Group's revenue for the six months ended 30 June 2023 and 2022.

7 OTHER INCOME AND OTHER GAINS, NET

	Unaudited Six months ended 30 June	
	2023 ***RMB'000***	2022 *RMB'000*
Other income		
Government grants (Note)	**1,760**	509
Others	**6**	16
	1,766	525
Other gains, net		
Fair value gain on a financial asset at fair value through profit or loss	**923**	892
Interest income from a financial asset at fair value through profit or loss	**566**	566
Net gain on disposal of non-current asset classified as asset held for sale	**–**	1,049
Exchange loss, net	**(943)**	(696)
Others	**73**	342
	619	2,153
	2,385	2,678

Note:

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

8 OPERATING LOSS

Operating loss is stated after charging/(crediting) the followings:

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Cost of inventories	**66,087**	118,680
Employee benefit expenses	**37,706**	30,712
Depreciation and amortisation (Note 11)		
– Property, plant and equipment	**4,376**	4,266
– Intangible assets	**417**	505
Net reversal of impairment losses on trade receivables	**(3,920)**	(4,948)
Provision for impairment of inventories	**415**	6,010

9 INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax	**–**	683
– Over-provision in prior period	**(238)**	(621)
Deferred income tax	**1,005**	1,085
	767	1,147

No provision for Hong Kong profits tax was made for the current period (2022: Nil) as the Group had no assessable profits subject to Hong Kong profits tax for the period.

9 INCOME TAX EXPENSE (CONTINUED)

The Group's operations in the Mainland China are subject to PRC enterprise income tax at a statutory rate of 25% (2022: 25%).

According to the PRC enterprise income tax law and its relevant regulations, a wholly-owned subsidiary of the Company, Langfang D&G Machinery Technology Company Limited ("**Langfang D&G**") is qualified as a "high and new technology enterprise" under the tax law and entitled to a preferential income tax rate of 15% (2022: 15%).

Under the PRC enterprise income tax law and its relevant regulations, a 100% (2022: 100%) additional tax deduction is allowed for qualified research and development expenses.

10 LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company and the weighted average number of ordinary shares in issue during the period.

The calculations of the basic loss per share are as follows:

	Unaudited Six months ended 30 June	
	2023	2022
Loss attributable to owners of the Company *(RMB'000)*	**(6,908)**	(2,509)
Weighted average number of ordinary shares in issue	**639,408,000**	639,408,000
Basis loss per share *(expressed in RMB cents per share)*	**(1.08)**	(0.39)

For the periods ended 30 June 2023 and 2022, diluted loss per share is the same as basic loss per share as there were no potential dilutive shares.

11 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment		
	Right-of-use assets *RMB'000*	Other property, plant and equipment *RMB'000*	Intangible assets *RMB'000*
Unaudited:			
Six months ended 30 June 2023			
Net book value			
At 1 January 2023	**6,691**	**102,732**	**2,892**
Additions	**349**	**458**	**–**
Transfers	**–**	**(89)**	**89**
Amortisation (Note 8)	**–**	**–**	**(417)**
Depreciation (Note 8)	**(810)**	**(3,566)**	**–**
Exchange difference	**16**	**2,306**	**7**
At 30 June 2023	**6,246**	**101,841**	**2,571**
Unaudited:			
Six months ended 30 June 2022			
Net book value			
At 1 January 2022	6,877	104,163	2,639
Additions	1,206	1,284	–
Transfers	–	(48)	48
Amortisation (Note 8)	–	–	(505)
Depreciation (Note 8)	(713)	(3,553)	–
Exchange difference	23	2,548	7
At 30 June 2022	7,393	104,394	2,189

12 INVESTMENT IN AN ASSOCIATE

The movement of the investment in an associate during the period is as follows:

	Unaudited	
	2023	2022
	RMB'000	*RMB'000*
Balance at 1 January	**60,259**	58,880
Share of profit	**901**	861
Balance at 30 June	**61,160**	59,741

13 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial asset at fair value through profit or loss comprise the following:

	Unaudited At 30 June 2023	Audited At 31 December 2022
	RMB'000	*RMB'000*
Non-current assets		
Investment in convertible bond	–	19,040
Current assets		
Investment in convertible bond	**19,963**	–

In 2021, the Group purchased a convertible bond issued by 浙江正方瀝青混凝土科技有限公司 (the "**Issuer**"), amounting to RMB20,000,000. The Issuer of the convertible bond is engaged in providing asphalt concrete for highway construction through setting up asphalt concrete stations. The convertible bond is guaranteed by the parent holding company of the Issuer and is interest bearing at 6% per annum. Under the convertible bond agreement, the Group has the right to exercise its equity conversion option at the conversion ratio of the higher of (i) 1.5 times of the net assets of the Issuer as at 31 December 2023 or (ii) 6 times of the weighted average of its net profits for the years ended 31 December 2022 and 2023, both of which are calculated with reference to its audited accounts prepared in accordance with the Mainland China generally accepted accounting principles.

13 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Valuation process

The Group measures its financial asset at fair value through profit or loss at fair value. Fair value assessments of the convertible bonds were performed as at 30 June 2023 by an independent firm of professionally qualified valuers. The Group's finance department reviews the valuations performed by the independent valuer for financial reporting purposes. Discussions of valuation processes and results are held between management and the valuer at least once every six months, in line with the Group's interim and annual reporting dates. The main input used by the Group for financial asset at fair value through profit or loss pertains to the expected volatility and discount rate. The inputs are quantified on the basis of relevant restricted stock studies and represents the most significant unobservable input applied to arrive at the fair value measurement.

14 TRADE AND BILLS RECEIVABLES

	Unaudited At 30 June 2023 *RMB'000*	Audited At 31 December 2022 *RMB'000*
Trade receivables from third parties	**159,358**	215,135
Less: loss allowance	**(79,768)**	(83,688)
Less: discounting impact	**(5,251)**	(7,560)
	74,339	123,887
Bills receivables	**3,724**	940
Total trade and bill receivables	**78,063**	124,827

(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 the Group's customers.

14 TRADE AND BILLS RECEIVABLES (CONTINUED)

(b) The ageing analysis of the trade receivables as at the end of the reporting period based on the date of revenue recognition as follows:

	Unaudited At 30 June 2023	Audited At 31 December 2022
	RMB'000	*RMB'000*
Within 1 year	**74,788**	87,512
1 to 2 years	**32,980**	46,452
2 to 3 years	**10,226**	40,789
Over 3 years	**41,364**	40,382
	159,358	215,135

Certain trade receivables relating to customers with known financial difficulties or significant doubt on settlement of receivables are assessed individually for provision for impairment allowance. Expected credit losses are estimated by grouping the remaining trade receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying the expected credit loss rates to the respective gross carrying amounts of the trade receivables.

15 BORROWINGS

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

	Unaudited At 30 June 2023 *RMB'000*	Audited At 31 December 2022 *RMB'000*
Within 1 year	**7,902**	11,506

As at 30 June 2023, borrowings of RMB7,902,000 (31 December 2022: RMB11,506,000) were secured by pledged bank deposits of RMB25,726,000 (31 December 2022: RMB24,239,000) and property, plant and equipment of RMB37,619,000 (31 December 2022: RMB36,045,000).

Movements of borrowings are analysed as follows:

	RMB'000
Unaudited:	
Balance at 1 January 2023	**11,506**
Repayments of borrowings	**(3,974)**
Exchange difference	**370**
Balance at 30 June 2023	**7,902**

	RMB'000
Unaudited:	
Balance at 1 January 2022	19,623
Repayments of borrowings	(8,587)
Exchange difference	516
Balance at 30 June 2022	11,552

16 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	Unaudited At 30 June 2023 *RMB'000*	Audited At 31 December 2022 *RMB'000*
Trade payables	**31,807**	34,851
Bills payables (Note)	**81,459**	68,780
	113,266	103,631
Amount due to a related party	**281**	281
Other payables and accruals	**34,004**	36,234
	34,285	36,515
Total trade and other payables	**147,551**	140,146
Contract liabilities	**111,595**	73,878
	259,146	214,024

Note:

The Group's bills payables of RMB80,687,000 (31 December 2022: RMB68,459,000) were secured by the Group's pledged bank deposits of approximately RMB24,288,000 (31 December 2022: RMB20,538,000), property, plant and equipment of RMB5,506,000 (31 December 2022: RMB5,949,000) and land use right of RMB4,377,000 (31 December 2022: RMB4,442,000).

16 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (CONTINUED)

The ageing analysis of trade and bills payables as at the end of the reporting period based on invoice date is as follows:

	Unaudited At 30 June 2023	Audited At 31 December 2022
	RMB'000	*RMB'000*
Within 3 months	**40,906**	40,009
After 3 months but within 6 months	**56,930**	53,235
After 6 months but within 1 year	**12,818**	8,147
Over 1 year	**2,612**	2,240
	113,266	103,631

17 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES

(a) Share capital

Authorised:

	Number of ordinary shares of HK$0.01 each	**Nominal value of ordinary shares**
		HK$
At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023	2,000,000,000	20,000,000

17 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES (CONTINUED)

(a) Share capital (continued)

Issued and fully paid:

	Number of shares *('000)*	*HK$'000*	*RMB'000*
At 30 June 2022, 1 January 2023 and 30 June 2023	639,408	6,395	5,059

(b) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(c) Capital reserve

Capital reserve comprises contributions by the controlling shareholder arising from transactions with owners in their capacity as the equity owners.

17 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES (CONTINUED)

(d) Statutory reserves

Statutory general reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the Mainland China. Appropriations to the reserves were approved by the respective companies' boards of directors.

For the entities concerned, statutory general reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

Specific reserve for maintenance and production funds

Pursuant to the relevant PRC regulations, the Mainland China companies comprising the Group are required to transfer maintenance and production funds at fixed rates based on production volume to a specific reserve accounts. The production and maintenance funds could be utilised when expenses or capital expenditures on maintenance, production and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve account to retained earnings.

18 DIVIDEND

No interim dividend was proposed by the Board for the six months ended 30 June 2023 and 2022.

19 COMMITMENTS

Capital commitments

Capital commitments as at 30 June 2023 and 31 December 2022 not provided for in the consolidated financial statements were as follows:

	Unaudited At 30 June 2023 ***RMB'000***	Audited At 31 December 2022 *RMB'000*
Contracted for:		
Property, plant and equipment	**658**	382

As at 30 June 2023, there is no capital commitments authorised but not contracted for (31 December 2022: Same).

20 CONTINGENT LIABILITIES

Financial guarantee issued

Certain customers of Langfang D&G, a principal operating subsidiary of the Group, financed their purchase of the Group's plants through finance leases provided by Topp Financial Leasing (Shanghai) Co., Ltd. ("**Shanghai Topp**"). Under the leasing arrangement, Langfang D&G provides guarantee to Shanghai Topp that in the event of customer default, Shanghai Topp have the rights to demand Langfang D&G to repay the outstanding lease payments due from the customers for the repossession of the leased plants. As at 30 June 2023, the Group's maximum exposure to such guarantees was approximately RMB115,844,000 (31 December 2022: RMB109,530,000).

21 RELATED PARTY TRANSACTIONS AND BALANCES

The Group is controlled by Prima DG Investment Holding Company Limited (incorporated in the British Virgin Islands), which owns approximately 54% of the Company's shares. The remaining approximately 46% of the shares are widely held. 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).

The directors of the Company are of the view that its associate, Sichuan Rui Tong De Long New Materials Technology Limited ("**Sichuan RTDL**"), which was classified as held for sale and held as to approximately 50% by the Group as at 30 June 2023 and 31 December 2022, and an entity controlled by Choi Family were related parties that had transactions or balances with the Group.

(a) Transactions with related parties

	Unaudited Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest income from Sichuan RTDL	**–**	5

(b) Year end balances

	Note	**Unaudited At 30 June 2023**	Audited At 31 December 2022
		RMB'000	*RMB'000*
Included in other payables:			
Amount due to a related party			
– Entity controlled by Choi Family	(i)	**281**	281

Notes:

(i) As at 30 June 2023 and 31 December 2022, the amount due from a related party was unsecured, interest-free and repayable on demand.