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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1301)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the "Board" or the "Directors") of D&G Technology Holding Company Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2020 together with the comparative figures for the same period of last year, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Unaudited Six months ended 30 June	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**128,331**	207,102
Cost of sales		**(114,104)**	(169,369)
Gross profit		**14,227**	37,733
Other income and other gains/(losses), net	*5*	**4,035**	201
Distribution costs		**(28,884)**	(43,421)
Administrative expenses		**(30,214)**	(38,215)
Net reversal of impairment losses on trade receivables		**10,880**	11,138

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Unaudited	
		Six months ended 30 June	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Operating loss	*6*	**(29,956)**	(32,564)
Finance income, net		**5,145**	4,853
Share of profits of associates		**1,507**	1,175
Share of loss of a joint venture		**(190)**	–
Loss before income tax		**(23,494)**	(26,536)
Income tax (expense)/credit	*7*	**(3,515)**	2,508
Loss for the period attributable to owners of the Company		**(27,009)**	(24,028)
Loss per share attributable to owners of the Company during the period			
– basic (RMB cents)	*8(a)*	**(4.34)**	(3.87)
– diluted (RMB cents)	*8(b)*	**(4.34)**	(3.87)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Loss for the period	**(27,009)**	(24,028)
Other comprehensive income/(loss) for the period, net of tax		
Items that may be reclassified to profit or loss		
Currency translation differences	**2,952**	(1,498)
Total comprehensive loss attributable to owners of the Company for the period	**(24,057)**	(25,526)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	**Unaudited 30 June 2020 *RMB'000***	Audited 31 December 2019 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**134,296**	165,245
Intangible assets		**3,245**	3,809
Investments in associates		**55,520**	54,883
Investment in a joint venture		**1,180**	–
Amount due from an associate		**–**	4,670
Amount due from a joint venture		**1,638**	–
Deposits and prepayments		**–**	800
Deferred income tax assets		**15,124**	18,672
Total non-current assets		**211,003**	248,079
Current assets			
Inventories		**296,008**	271,381
Contract assets		**–**	1,514
Trade and bills receivables	*9*	**187,368**	226,885
Amount due from an associate		**–**	5,058
Amount due from a joint venture		**3,663**	–
Prepayments, deposits and other receivables		**52,830**	36,375
Pledged bank deposits		**46,730**	47,413
Cash and cash equivalents		**97,128**	94,912
Income tax recoverable		**321**	–
Total current assets		**684,048**	683,538
Total assets		**895,051**	931,617

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2020

	Note	**Unaudited 30 June 2020** *RMB'000*	Audited 31 December 2019 *RMB'000*
EQUITY			
Share capital	*12*	**4,912**	4,912
Other reserves		**575,642**	571,681
Retained earnings		**63,285**	90,294
Total equity		**643,839**	666,887
LIABILITIES			
Non-current liabilities			
Borrowings	*10*	**–**	785
Lease liabilities		**486**	114
Deferred tax liabilities		**3,500**	3,500
Total non-current liabilities		**3,986**	4,399
Current liabilities			
Borrowings	*10*	**61,306**	76,766
Trade and other payables	*11*	**136,279**	148,991
Contract liabilities	*11*	**48,338**	33,044
Lease liabilities		**803**	635
Amount due to a joint venture		**500**	–
Income tax payable		**–**	895
Total current liabilities		**247,226**	260,331
Total liabilities		**251,212**	264,730
Total equity and liabilities		**895,051**	931,617

NOTES

1 GENERAL INFORMATION

The Group is principally engaged in manufacturing, distribution, research and development and operating lease 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 (the "Stock Exchange") 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 2020 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting".

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2019, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The following new and amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2020:

- HKAS 1 and HKAS 8 (Amendments) Definition of Material,
- HKFRS 3 (Amendments) Definition of a Business,
- Revised Conceptual Framework for Financial Reporting 2018,
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform, and
- Amendment to HKFRS 16 COVID 19 Related Rent Concessions

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

3 ACCOUNTING POLICIES (CONTINUED)

(b) New standards, amendments to existing standards and interpretations not yet adopted

The following new standards, amendments to existing standards and interpretations have been issued but are not yet effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group:

Standards	Subject	Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Cost of Fulfilling a Contract	1 January 2022
Annual improvement project	Annual Improvements 2018-2020 Cycle	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The above new standards and amendments to existing standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions. The Group intends to adopt the above new standards and amendments to existing standards when they become effective.

4 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 and modified equipment and leasing of asphalt mixing plants.

4 SEGMENT INFORMATION (CONTINUED)

Revenue consists of the following:

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of asphalt mixing plants	**111,476**	182,954
Sales of spare parts and modified equipment	**15,795**	17,952
	127,271	200,906
Revenue from other sources		
Operating lease income of asphalt mixing plants	**1,060**	6,196
	128,331	207,102
Revenue from contracts with customers recognised at a point in time	**127,271**	200,906

(a) Revenue by selling location

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
People's Republic of China (the "PRC")	**95,348**	179,409
Outside the PRC	**32,983**	27,693
	128,331	207,102

4 SEGMENT INFORMATION (CONTINUED)

(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 2020 *RMB'000*	Audited At 31 December 2019 *RMB'000*
The PRC	**144,914**	175,396
Outside the PRC	**50,965**	54,011
	195,879	229,407

(c) Information about major customer

Revenue from the customer contributing over 10% of the total revenue of the Group is as follow:

	Unaudited Six months ended 30 June	
	2020 *RMB'000*	2019 *RMB'000*
Customer A	**14,211**	6,663

Except for Customer A, there were no other customers individually accounted for more than 10% of the Group's revenue for the six months ended 30 June 2020.

No customer with whom transactions have exceeded 10% of the Group's revenue for the six months ended 30 June 2019. The amount for the six months ended 30 June 2019 shown above is for comparative purpose only.

5 OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Other income		
Government grants *(Note)*	**827**	940
Others	**11**	61
	838	1,001
Other gains/(losses), net		
Net gain/(loss) on disposal of property, plant and equipment	**6,328**	(454)
Exchange loss, net	**(3,306)**	(806)
Others	**175**	460
	3,197	(800)
	4,035	201

Note:

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

6 OPERATING LOSS

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

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Cost of inventories	**106,165**	135,949
Employee benefit expenses	**32,677**	37,426
Share-based payment expenses	**1,009**	2,614
Depreciation and amortization		
– Property, plant and equipment under operating leases	**3,117**	5,682
– Other property, plant and equipment	**4,632**	5,089
– Intangible assets	**567**	424
Net reversal of impairment losses on trade receivables	**(10,880)**	(11,138)
Provision for impairment of inventories	**15,586**	6,597
Provision for impairment of property, plant and equipment	**3,677**	5,870

7 INCOME TAX (EXPENSE)/CREDIT

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax	**(52)**	–
– Over/(under)-provision in prior period	**85**	(146)
Deferred income tax	**(3,548)**	2,654
	(3,515)	2,508

No provision for Hong Kong profits tax was made for the current period (2019: Nil) as the Group had no assessable profits subject to Hong Kong profits tax for the period.

The Group's operations in the PRC are subject to PRC enterprise income tax at a statutory rate of 25% (2019: 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% (2019: 15%).

Under the PRC enterprise income tax law and its relevant regulations, a 75% (2019: 75%) additional tax deduction is allowed for qualified research and development expenses.

8 LOSS PER SHARE

(a) Basic

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	
	2020	2019
Loss attributable to owners of the Company *(RMB'000)*	**(27,009)**	(24,028)
Weighted average number of ordinary shares in issue	**621,958,000**	621,027,000
Basic loss per share *(expressed in RMB cents per share)*	**(4.34)**	(3.87)

8 LOSS PER SHARE (CONTINUED)

(b) Diluted

Diluted loss per share for the six months ended 30 June 2020 and 2019 is the same as the basic loss 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.

9 TRADE AND BILLS RECEIVABLES

	Unaudited At 30 June 2020 *RMB'000*	Audited At 31 December 2019 *RMB'000*
Trade receivables from third parties	**231,944**	306,504
Less: discounting impact	**(13,046)**	(14,541)
Less: loss allowance	**(75,449)**	(86,329)
	143,449	205,634
Bills receivables	**43,919**	21,251
	187,368	226,885

(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.

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

	Unaudited At 30 June 2020 *RMB'000*	Audited At 31 December 2019 *RMB'000*
Within 1 year	**121,675**	166,803
1 to 2 years	**31,985**	63,643
2 to 3 years	**43,041**	41,163
Over 3 years	**35,243**	34,895
	231,944	306,504

10 BORROWINGS

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

	Secured bank loans		**Other borrowing** *(Note)*		**Total**	
	Unaudited	Audited	**Unaudited**	Audited	**Unaudited**	Audited
	At	At	**At**	At	**At**	At
	30 June	31 December	**30 June**	31 December	**30 June**	31 December
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**58,224**	72,258	**3,082**	4,508	**61,306**	76,766
Between 1 and 2 years	**–**	–	**–**	785	**–**	785
	58,224	72,258	**3,082**	5,293	**61,306**	77,551

As at 30 June 2020, the Group's bank loans were secured by the corporate guarantee provided by the Company, pledged bank deposits, land use right and property, plant and equipment (31 December 2019: same).

Note:

In February 2019, the Group obtained other borrowing of RMB8,800,000 from a third party by entering into an agreement pursuant to which the Group sold a machinery to the third party at a consideration of RMB8,800,000 and leased the machinery from the buyer for next 24 months at monthly rental of approximately RMB396,000. Upon the end of the lease term, the buyer is required to transfer the aforementioned machinery to the Group. The amount of RMB8,800,000 was regarded as a collateralised other borrowing as the transfer of machinery from the Group to the buyer was not qualified as a sale under HKFRS 15.

Movements in borrowings are analysed as follows:

	RMB'000
Unaudited:	
Balance at 1 January 2020	**77,551**
Repayments of borrowings	**(56,317)**
Proceeds from borrowings	**38,703**
Exchange difference	**1,369**
Balance at 30 June 2020	**61,306**

	RMB'000
Unaudited:	
Balance at 1 January 2019	60,102
Repayments of borrowings	(25,148)
Proceeds from borrowings	66,617
Exchange difference	724
Balance at 30 June 2019	102,295

11 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	Unaudited At 30 June 2020 *RMB'000*	Audited At 31 December 2019 *RMB'000*
Trade payables	**54,583**	54,412
Bills payables	**41,072**	49,883
	95,655	104,295
Amounts due to a related party	**344**	350
Other payables and accruals	**40,280**	44,346
	40,624	44,696
Total trade and other payables	**136,279**	148,991
Contract liabilities	**48,338**	33,044
	184,617	182,035

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 2020 *RMB'000*	Audited At 31 December 2019 *RMB'000*
Within 3 months	**60,587**	66,863
After 3 months but within 6 months	**28,282**	21,834
After 6 months but within 1 year	**5,113**	13,896
Over 1 year	**1,673**	1,702
	95,655	104,295

12 SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

Authorised:

	Number of ordinary shares of HK$0.01 each	Nominal value of ordinary shares *HK$*
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	2,000,000,000	20,000,000

Issued and fully paid:

	No. of shares *('000)*	*HK$'000*	*RMB'000*
At 1 January 2020 and 30 June 2020	**621,958**	**6,220**	**4,912**
At 1 January 2019	620,238	6,203	4,897
Exercise of options under the share option scheme *(Note)*	1,570	15	13
At 30 June 2019	621,808	6,218	4,910

Note: Proceed from exercise of share options was amounting to RMB1,183,000 for the six months ended 30 June 2019.

(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.

13 INTERIM DIVIDEND

No interim dividend was proposed by the Board for the six months ended 30 June 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

General Review

In the first half of 2020, the Group continued to be a leading market player in the road construction and maintenance machinery industry, focusing on medium to large-scale asphalt mixing plants. The Group provided one-stop customised solutions to customers in the People's Republic of China ("PRC", "China" or "Mainland China") and overseas markets, specialising in the research and development, design, manufacturing and sale of conventional and recycling asphalt mixing plants.

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

During the six months ended 30 June 2020, the Group continued to participate in top-tier highways construction and maintenance projects in the PRC and overseas countries. There were thirteen (2019: twenty-four) sales contracts of asphalt mixing plants completed by the Group during the period and the asphalt mixing plants were used in major highway construction and maintenance projects such as Xichang Ring Expressway (西昌繞城高速), Guangan Ring Expressway (廣安繞城高速), Xinjiang G575 Hami-Barkun Expressway Project (新疆G575哈密至巴里坤高速工程), etc. Revenue from sales of asphalt mixing plants decreased by approximately 39.1% during the period, whereas, the sales of asphalt mixing plants accounted for approximately 86.9% (2019: 88.3%) of the total revenue of the Group. Such decrease was mainly attributable to the impact from the outbreak of Coronavirus Disease 2019 ("COVID-19") in early 2020. Not only did the Group experience difficulties in arranging the logistics for goods delivery to some of our customers in certain provinces in China in early 2020, but certain job sites of our customers also suspended operations and deferred the commissioning of our asphalt mixing plants. Although transportation restrictions in China have been gradually lifted in the second quarter of 2020, there were still some delays in customers' acknowledgements of implementation of our asphalt mixing plants, resulting in the Group not being able to recognise the revenue of certain contracts in the first half of 2020. The Group's gross profit decreased to RMB14,227,000 (2019: RMB37,733,000) which was primarily due to the decrease in sales of asphalt mixing plants and the increase in impairment of inventories amounted to RMB15,586,000 (2019: RMB6,597,000) as a result of slow moving raw materials and work in progress; which was partially offset by the decrease in gross loss of operating lease business to RMB6,951,000 (2019: RMB12,704,000).

The increase in impairment of inventories during the period was mainly due to the slow moving of raw materials and work in progress as a result of COVID-19. The Group has also specifically reviewed and impaired certain work in progress which were pre-produced without confirmed sales order during the period. The Group has developed procedures to closely monitor the inventories level and expected it could be improved gradually.

On the other hand, the Group has made a gross loss in the operating lease business since 2018 which was mainly due to the delay in public-private partnership projects in China. Due to the outbreak of COVID-19, operating lease business in China and Pakistan also slowed down and there was inadequate production of asphalt mixtures of the plants leased to its customers. Since the rental income of the plants was based on the production output of asphalt mixtures, the decrease in production output directly affected the rental income of the Group. As a result, the rental income was not able to cover the fixed overhead of the plants and resulted in loss making position. In order to scale down the operating lease business, the Group has disposed six sets of asphalt mixing plants during the period and diminished the gross loss of operating lease business.

Management has been cautiously monitoring the collection of trade receivables in order to improve the cash cycle. During the period, management continued to put extra effort in receivable collection and tighten its credit controls on new and existing customers. The Group has recovered certain long overdue trade receivables of which provision for impairment loss has been made in prior years and re-assessed the recoverability of its trade receivables. The overall settlement from customers have also been improved. The Group therefore made a reversal of provision for impairment loss of trade receivables of approximately RMB10.9 million during the period. Nevertheless, the Group shall strictly adhere to its credit policy and continuously strengthen its internal control procedures so as to improve the receivable collection cycle and shorten the debtors' turnover days.

The Group has been expanding its business and entering into potential markets along the "Belt and Road" countries. Out of the thirteen sales contracts of asphalt mixing plants completed during the period, four were completed in overseas countries including Russia, India and Bahrain. Although the overseas road construction projects along the "Belt and Road" countries slowed down during the period, the Group has entered into three sales contracts with two customers in Russia which were expected to be completed in the second half of the year. To further penetrate the markets in the developing countries, the Group has also developed a compact mobile asphalt plants series in the product line. The outbreak of COVID-19 casted uncertainties in the overseas market, however, with the established overseas network the Group expects the road construction projects along the "Belt and Road" countries would resume once the COVID-19 is under control.

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 broaden income sources and raise profits. In order to leverage the synergies of local expertise, the Group has been exploring potential strategic partners to develop the production and sale of asphalt mixtures business.

Sichuan Rui Tong De Long New Materials Technology Limited ("Sichuan RTDL")*

On 7 March 2020, Langfang De Feng New Materials Technology Limited* ("Langfang De Feng") entered into a supplemental shareholders' agreement with with Sichuan Xin De Yuan Trading Limited* ("Sichuan Xin De Yuan") to increase the registered share capital of Sichuan RTDL from RMB10 million to RMB12 million. Sichuan Xin De Yuan and Langfang De Feng should contribute RMB6 million and RMB6 million, respectively.

After the resolution of shareholders' meeting on 7 March 2020, the Group was able to appoint two directors of Sichuan RTDL, and obtained 50% voting right in Sichuan RTDL through board representation. Therefore, the Group has recorded its investment in Sichuan RTDL as an investment in a joint venture since 7 March 2020. The Group expected that with the leverage of local expertise of Sichuan Xin De Yuan, the establishment of Sichuan RTDL would push forward the application of asphalt mixing plant station with local government in Sichuan. However, the progress of development of asphalt mixing plant station remained slow during the period.

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 2020, thirty-six (31 December 2019: thirty-one) patents of combustion technology were registered, three 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 (as the lender), has entered into a Convertible Bond Agreement (the "Convertible Bond Agreement") with Zhejiang Zhengfang Asphalt Concrete Technology Limited* (the "Project Company") (as the borrower), a wholly owned subsidiary of Zhejiang Zhengfang Holding Limited* ("Zhejiang Holding"). The Project Company was established on 3 September 2019 with registered capital of RMB10 million. The principal activities of the Project Company are development of asphalt mixing plants station and sales of asphalt mixtures. Zhejiang Holding, as a guarantor in the Convertible Bond Agreement, is a road construction company in Zhejiang, China which is an existing customer of Langfang D&G.

The Convertible Bond is in a total amount of RMB20 million. Prior to the drawdown, the Project Company has to increase its registered and paid-up capital to RMB50 million on or before 30 September 2020. The first tranche of RMB10 million will be drawdown on or before 31 October 2020 and the second tranche of RMB10 million will be drawdown on or before 31 December 2020. The Convertible Bond is interest bearing at 6% per annum with a loan period commencing from the drawdown date to 30 April 2024.

Pursuant to the Convertible Bond Agreement, during the tenure of the Convertible Bond, the Project Company shall purchase no less than five sets of asphalt mixing plants from Langfang D&G. The Project Company has to provide its audited accounts for the year end 31 December 2023 (together with its comparative figures for the year ended 31 December 2022) to Langfang D&G on or before 31 March 2024. Langfang D&G has the right to exercise its equity conversion option within 30 days upon receipt of audited accounts of the Project Company or otherwise the Project Company has to fully repay the Convertible Bond together with the interest on 30 April 2024.

The enterprise value of the Project Company for the calculation of equity percentage upon conversion shall be based on the higher of (i) 1.5 times of the net assets of the Project Company as at 31 December 2023 calculated with reference to its audited accounts prepared in accordance with the PRC general accepted accounting principles (the "PRC GAAP"), or (ii) 6 times of the weighted average of its net profits for the years ended 31 December 2022 and 2023 calculated with reference to its audited accounts prepared in accordance with the PRC GAAP.

Both the Project Company and Zhejiang Holding engaged in the road construction industry, whereas the Group is the major manufacturer of asphalt mixing plants which is the key equipment to produce asphalt mixtures, an indispensable material in asphalt paved roads. The Group's investment in the Project Company will not only strengthen the cash position of the Project Company and speed up the development of the asphalt mixing plants station in Zhejiang, but also increase the demand of asphalt mixing plants and hence the sales of asphalt mixing plants of the Group. The Group expects the investment in the Convertible Bond is a first step to collaborate with Zhejiang Holding and will further explore opportunities to develop asphalt mixing plants station in China.

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 2020, the Group had one hundred and twenty one registered patents in the PRC (of which four were invention patents) and twenty-six software copyrights. In addition, twenty-one patents were pending registration as at 30 June 2020.

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 corporate social responsibility events such as the Green Carnival 2020, the Earth Hour 2020 and the World Environment Day 2020.

In June 2020, the Group was awarded the "Caring Company" which was organised by the Hong Kong Council of Social Service.

In July 2020, 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

In view of the ongoing US-China trade war and COVID-19, we believe the PRC government will continue adopting policies to stimulate the local economy and increase the fixed asset investment. Besides, 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, the demand for our recycling and environmentally-friendly products continue to grow in the long run. There will be increasing demand for the recycling asphalt plants as well as the modification services of adding recycling and environmental protection functions to existing plants. The Group will further promote green technology innovation and continue to improve its competitive advantage so as to reinforce its leading position in the market.

Investment in infrastructure overseas is a way of building up strategic partnerships with countries along the "Belt and Road" region for the PRC government. However, the "Belt and Road" activities have slowed down due to the US-China trade war and COVID-19. It is expected the US-China trade war shall continue but the Group is prepared to grasp the business opportunities arisen from "Belt and Road" construction projects once the tension between United States of America (the "US") and China has been lessen.

Since the technologies of the Group's asphalt mixing plants are widely adopted in countries except US, the Group does not export its products to the US. The US-China trade war does not have direct impact on the Group's performance during the period. However, the Group expects that the ongoing trade war may affect the economies of some of the "Belt and Road" countries which will indirectly affect the Group's export businesses.

During the period, the Group's performance was adversely affected by COVID-19, however, the Group expects that the local demand for asphalt mixing plants in the second half of 2020 shall gradually increase as the PRC government would inject more funds into domestic infrastructure projects to stimulate the local economies. Management also expects the customers shall accelerate the settlements going forward as more road construction projects and funding shall be in place in China. With its established overseas network and high-technology asphalt mixing plants, the Group is prepared to grasp the opportunities of upgrading asphalt mixing plant technology and equipment in countries such as India and in the ASEAN region. To utilise the Group's wide clientele base of over 500 asphalt plants spreading across the PRC and 31 nations overseas, the Group is also exploring business opportunities in developing business upstream into the road construction and maintenance materials supply chain and downstream into the asphalt mixture provision. The Group will however manage its business development strategies cautiously due to the relatively volatile international economic and political conditions.

FINANCIAL REVIEW

During the six months ended 30 June 2020, the Group recorded a total revenue of RMB128,331,000 (2019: RMB207,102,000), representing a decrease of approximately 38.0% as compared to the last corresponding period. Gross profit decreased from RMB37,733,000 for the six months ended 30 June 2019 to RMB14,227,000 for the six months ended 30 June 2020, representing a decrease of approximately 62.3%. Gross profit margin decreased by 7.1 percentage points from 18.2% to 11.1%. The Group recorded a net loss attributable to owners of the Company of RMB27,009,000 compared with a net loss of RMB24,028,000 in the last corresponding period.

	Six months ended 30 June		
	2020	2019	Change
	RMB'000	*RMB'000*	
Sales of asphalt mixing plants	**111,476**	182,954	-39.1%
Sales of spare parts and modified equipment	**15,795**	17,952	-12.0%
Operating lease income of asphalt mixing plants	**1,060**	6,196	-82.9%
	128,331	207,102	-38.0%

Sales of Asphalt Mixing Plants

	Six months ended 30 June		
	2020	2019	Change
	RMB'000	*RMB'000*	
Revenue	**111,476**	182,954	-39.1%
Gross profit *(Note)*	**30,111**	49,901	-39.7%
Gross profit margin	**27.0%**	27.3%	-0.3pp
Number of contracts	**13**	24	-11
Average contract value	**8,575**	7,623	12.5%

Revenue from the sales of asphalt mixing plants decreased as a result of the decrease in number of contracts and the decrease was partially offset by the increase in the average contract value. The decrease in number of contracts was mainly due to the impact of COVID-19 that increased difficulties in arranging the logistics for goods delivery to some of our customers in certain provinces in China in early 2020, certain job sites of our customers also suspended operations and deferred the commissioning of our asphalt mixing plants. The increase in the average contract value was primarily due to the proportional increase in demand for Conventional Plants with high capacity. The gross profit margin remained stable at around 27%.

Note: Impairment of inventories of RMB15,586,000 was made for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB6,597,000) and charged to the "Cost of sales". The gross profit of the sales of asphalt mixing plants presented above has excluded the provision for impairment of inventories for analysis purpose.

By Types of Plants

	Six months ended 30 June		
	2020	2019	Change
	RMB'000	*RMB'000*	
Recycling Plant			
Revenue	**38,961**	77,860	-50.0%
Gross profit	**11,380**	26,698	-57.4%
Gross profit margin	**29.2%**	34.3%	-5.1pp
Number of contracts	**4**	7	-3
Average contract value	**9,740**	11,123	-12.4%
Conventional Plant			
Revenue	**72,515**	105,094	-31.0%
Gross profit	**18,731**	23,203	-19.3%
Gross profit margin	**25.8%**	22.1%	3.7pp
Number of contracts	**9**	17	-8
Average contract value	**8,057**	6,182	30.3%

Revenue from the sales of Recycling Plants decreased by 50.0% which was mainly due to the decrease in the number of contracts completed and the decrease in the average contract value during the period. The decrease in gross profit margin was mainly due to the decrease in the number of Recycling Plants with higher capacity (usually with higher gross profit margin) sold during the period. For the same reason, the average contract value decreased as compared to the last corresponding period.

Revenue from the sales of Conventional Plants decreased by 31.0% primarily because of the decrease in the number of contracts and offset by the increase in the average contract value during the period. The increase in the average contract value was mainly attributable to relatively more asphalt mixing plants sold with higher capacity during the period.

By Geographical Location

	Six months ended 30 June		
	2020	2019	Change
	RMB'000	*RMB'000*	
PRC			
Revenue	**81,180**	159,619	-49.1%
Gross profit	**23,027**	44,125	-47.8%
Gross profit margin	**28.4%**	27.6%	0.8pp
Number of contracts	**9**	20	-11
Average contract value	**9,020**	7,981	13.0%
Overseas			
Revenue	**30,296**	23,335	29.8%
Gross profit	**7,084**	5,776	22.6%
Gross profit margin	**23.4%**	24.8%	-1.4pp
Number of contracts	**4**	4	–
Average contract value	**7,574**	5,834	29.8%

Revenue from the PRC sales decreased primarily because of the decrease in the number of contracts completed and the decrease was partially offset by the increase in the average contract value. The gross profit margin remained stable at around 28%. The increase in average contract value during the period was mainly due to the proportional increase in the number of asphalt mixing plants with higher capacity (i.e. 4000 model series or above which have higher gross profit margin than lower capacity series) sold during the period.

Revenue from the overseas sales increased mainly because of the increase in the average contract value. The gross profit margin slightly decreased by 1.4 percentage points to 23.4% was mainly due to all asphalt mixing plants sold during the period were 3000 model series or below which have lower gross profit margin. The increase in the average contract value was mainly due to one of the sales in India with relatively low contract price in the last corresponding period.

Sales of Spare Parts and Components and Modified Equipment

	Six months ended 30 June		
	2020	2019	Change
	RMB'000	*RMB'000*	
Revenue	**15,795**	17,952	-12.0%
Gross profit	**6,653**	7,133	-6.7%
Gross profit margin	**42.1%**	39.7%	2.4pp

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 RMB10,629,000 (2019: RMB11,452,000) and the revenue from sales of modified equipment amounted to RMB5,166,000 (2019: RMB6,500,000). The gross profit margin increased by 2.4 percentage points during the period was mainly resulted from the improvement in gross profit margin of sales of modified equipment to 36.7% (2019: 31.3%).

Operating Lease Income of Asphalt Mixing Plants

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

Revenue from operating lease of asphalt mixing plants amounted to RMB1,060,000 during the period (2019: RMB6,196,000). The decrease in revenue by 82.9% primarily because the total volume of productions decreased as compared to the last corresponding period. The decrease in production output by customers during the period was due to certain asphalt mixing plants and components were disposed. During the period, the Group recorded a gross loss (including impairment losses of property, plant and equipment) for its operating lease business of approximately RMB6,951,000 (2019: RMB12,704,000). The gross loss was mainly because of the decrease in customers' production of asphalt mixtures and hence the revenue could not cover the fixed overheads, including but not limited to staff costs and depreciation, charged during the period. In addition, in view of the continuing loss of the operating lease business, the Group has made an impairment loss of property, plant and equipment amounting to RMB3,677,000 (2019: RMB5,870,000) in respect of the fixed assets in Pakistan during the period. Since 2019, the Group has continued to dispose certain asphalt mixing plants or related components and diminished the gross loss of operating lease business during the period. A gain on disposal of six sets of asphalt mixing plants amounted to RMB6,328,000 (2019: loss on disposal of RMB454,000) was recorded in "Other income and other gains/(losses), net". Management will continue to reduce the number of asphalt mixing plants for operating lease business to an optimum scale this year and to improve the operating lease project quality by strengthening the control of contract review and implementation. As at 30 June 2020, six asphalt mixing plants (31 December 2019: twelve) were held for operating lease business.

Other Income and Other Gains/(Losses), Net

During the period, other income and other gains/(losses), net mainly represented net exchange loss arising from trading transactions and translation of pledged bank deposits and gain on disposal of property, plant and equipment. The increase was mainly due to the increase in gain on disposal of asphalt mixing plants in operating lease business as discussed above.

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 during the period.

Administrative Expenses

Administrative expenses mainly included staff costs, research and development expenses and legal and professional fees. During the period, administrative expenses decreased by approximately RMB8.0 million mainly due to the decrease in research and development expenses by RMB2.1 million and the decrease in share-based payment expenses by RMB1.6 million in relation to the share options granted in June 2018.

Net Reversal of Impairment Losses on Trade Receivables

The amount represented the net reversal of impairment losses on trade receivables of RMB10.9 million (2019: RMB11.1 million). The reversal of provision for impairment loss was mainly due to the settlement of long overdue trade receivables during the period. Management is expected to continue to receive settlement from long overdue trade receivables and have reversal on the provision for impairment losses.

Share of Profits of Associates

The amount mainly represented the share of the profit of Topp Financial Leasing (Shanghai) Co., Ltd.* ("Shanghai Topp") of RMB1,507,000.

Share of Loss of a Joint Venture

The amount represented the share of the loss of Sichuan RTDL of RMB190,000. For details, please refer to Section "Sichuan RTDL" above.

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 increase in net finance income during the period was mainly due to the decrease in interest expenses as decrease in borrowings.

Income Tax (Expense)/Credit

The income tax expense for the six months ended 30 June 2020 was mainly attributable to the deferred tax expense arisen from the reversal of impairment losses on trade receivables of a subsidiary of the Company which is a "high and new technology enterprise" entitled to a preferential tax rate of 15%.

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company amounted to approximately RMB27.0 million for the six months ended 30 June 2020 compared with approximately RMB24.0 million for the six months ended 30 June 2019. The increase in loss for the period was mainly due to the decrease in revenue and gross profit, partially offset by the decrease in distribution costs and administrative expenses as discussed above.

Working Capital Management

Net current assets of the Group amounted to RMB436,822,000 (31 December 2019: RMB423,207,000) with a current ratio of 2.8 times (31 December 2019: 2.6 times) as at 30 June 2020.

Inventories increased by RMB24,627,000 from RMB271,381,000 as at 31 December 2019 to RMB296,008,000 as at 30 June 2020. Inventory turnover days was 453 days for the six months ended 30 June 2020, representing an increase of 168 days as compared to 285 days for the year ended 31 December 2019. The increase in inventories and inventory turnover days was mainly due to the increase in raw materials and work in progress for pre-production that for certain construction projects which have been delayed due to the impact of COVID-19 in the first half of 2020.

Trade and bills receivables decreased by RMB39,517,000 from RMB226,885,000 as at 31 December 2019 to RMB187,368,000 as at 30 June 2020. Trade and bills receivables turnover days was 294 days for the six months ended 30 June 2020, representing an increase of 106 days as compared to 188 days for the year ended 31 December 2019. The increase in trade and bills receivables turnover days during the period was primarily due to (1) the decrease in PRC contracts with finance lease as payment method; and (2) 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 decreased by RMB8,640,000 from RMB104,295,000 as at 31 December 2019 to RMB95,655,000 as at 30 June 2020. Trade and bills payables turnover days was 159 days for the six months ended 30 June 2020, representing an increase of 30 days as compared to 129 days for the year ended 31 December 2019. The increase in trade and bills payables and turnover days was mainly because of extended payments to suppliers and sub-contractors.

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 2020, the Group had cash and cash equivalents of RMB97,128,000 (31 December 2019: RMB94,912,000) and pledged bank deposits of RMB46,730,000 (31 December 2019: RMB47,413,000). In addition, the Group had interest-bearing bank borrowings of RMB58,224,000 (31 December 2019: RMB72,258,000). The Group's cash and cash equivalents, pledged bank deposits and borrowings were mostly denominated in Renminbi, Hong Kong dollars and US 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 9.5% (31 December 2019: 11.6%).

During the six months ended 30 June 2020, the Group recorded cash used in operating activities of RMB6,131,000 (six months ended 30 June 2019: RMB35,062,000). Net cash generated from investing activities amounted to RMB25,765,000 (six months ended 30 June 2019: cash used in investing activities RMB8,398,000) for the six months ended 30 June 2020. Net cash used in financing activities for the six months ended 30 June 2020 amounted to RMB20,697,000 (six months ended 30 June 2019: cash generated from financing activities RMB47,639,000).

Capital Commitments and Contingent Liabilities

The Group's capital commitments for investment in an associate and a joint venture and purchase of property, plant and equipment at the end of period are as follows:

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Investment in an associate		
Contracted for	**–**	3,000
Investment in a joint venture		
Contracted for	**4,500**	–
Property, plant and equipment:		
Contracted for	**1,317**	2,320
Authorised but not contracted for	**–**	–

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 third-party leasing companies and Shanghai Topp. Under the leasing arrangements, Langfang D&G provided guarantee to the third-party leasing companies and Shanghai Topp that in the event of customer default, the third-party leasing companies and 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 2020, the Group's maximum exposure to such guarantees was approximately RMB84,721,000 (31 December 2019: RMB76,769,000).

Pledge of Assets

As at 30 June 2020, property, plant and equipment of RMB45,830,000 (31 December 2019: RMB45,647,000), land use right of RMB4,769,000 (31 December 2019: RMB4,835,000) and bank deposits of RMB46,730,000 (31 December 2019: RMB47,413,000) were pledged for loans and 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 2020.

Significant Investments and Material Acquisitions or Disposals

During the six months ended 30 June 2020, the Group did not have any significant investments or material acquisitions or disposals.

SUBSEQUENT EVENTS

On 10 August 2020, the Group's wholly owned subsidiary, Langfang D&G (as the lender), has entered into a Convertible Bond Agreement with Project Company (as the borrower), a wholly owned subsidiary of Zhejiang Holding. Zhejiang Holding, as a guarantor in the Convertible Bond Agreement, is a road construction company in Zhejiang, China which is an existing customer of Langfang D&G.

The Convertible Bond is in a total amount of RMB20 million. Prior to the drawdown, the Project Company has to increase its registered and paid-up capital to RMB50 million on or before 30 September 2020. The first tranche of RMB10 million will be drawdown on or before 31 October 2020 and the second tranche of RMB10 million will be drawdown on or before 31 December 2020. The Convertible Bond is interest bearing at 6% per annum with a loan period commencing from the drawdown date to 30 April 2024.

During the tenure of the Convertible Bond, the Project Company shall purchase no less than five sets of asphalt mixing plants from Langfang D&G. Pursuant to the Convertible Bond Agreement, Langfang D&G has the right to exercise its equity conversion option, and the conversion ratio will be based on the higher of (i) 1.5 times of the net assets of the Project Company as at 31 December 2023 calculated with reference to its audited accounts prepared in accordance with the PRC GAAP, or (ii) 6 times of the weighted average of its net profits for the years ended 31 December 2022 and 2023 calculated with reference to its audited accounts prepared in accordance with the PRC GAAP.

With the outbreak of the COVID-19 since early 2020 and the floods in the Central and Southern China since early June 2020, the domestic and overseas logistic arrangements have been affected which led to delay in the delivery of the Group's products to certain of its customers and the efficiency of the supply chain. The Group will keep continuous monitoring of the situation of the COVID-19 and the floods and adjust its operational and financial strategies to minimise their impact on the financial position and performance of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had approximately 402 employees (31 December 2019: 436). The total staff costs for the six months ended 30 June 2020 amounted to approximately RMB33,686,000 (six months ended 30 June 2019: RMB40,040,000).

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 included 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 2020 and 2019.

INTERIM DIVIDEND

No interim dividend was proposed by the Board for the six months ended 30 June 2020.

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 2020.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. During the six months ended 30 June 2020, 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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 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 2020 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 2020 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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.dgtechnology.com.

The 2020 interim report will also be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.dgtechnology.com and will be despatched to the shareholders of the Company in due course.

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

Hong Kong, 28 August 2020

As at the date of this announcement, the executive directors of the Company are Mr. Choi Hung Nang, Ms. Choi Kwan Li, Glendy, Mr. Choi Hon Ting, Derek, Mr. Liu Tom Jing-zhi and Mr. Lao Kam Chi; the non-executive directors of the Company are Mr. Chan Lewis and Mr. Alain Vincent Fontaine; and the independent non-executive directors of the Company are Mr. O'Yang Wiley, Mr. Li Zongjin, Mr. Lee Wai Yat, Paco and Mr. Fok Wai Shun, Wilson.

* *For identification purpose only*