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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board of directors (the "Board" or the "Directors") of D&G Technology Holding Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2021 together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	2020
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**429,203**	378,929
Cost of sales		**(288,782)**	(300,932)
Gross profit		**140,421**	77,997
Other income and other gains, net	*5*	**3,692**	7,846
Distribution costs		**(83,459)**	(73,486)
Administrative expenses		**(68,675)**	(59,570)
Net reversal of impairment losses on financial assets		**6,465**	25,945

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**2021** **RMB'000**	2020 RMB'000
Operating loss		**(1,556)**	(21,268)
Finance income, net	*6(a)*	**14,169**	10,022
Share of profit of an associate		**2,121**	2,746
Share of profit of a joint venture		**519**	455
Profit/(loss) before income tax	*6*	**15,253**	(8,045)
Income tax expense	*7*	**(4,590)**	(9,199)
Profit/(loss) attributable to owners of the Company for the year		**10,663**	(17,244)
Earnings/(loss) per share attributable to owners of the Company for the year			
– basic *(RMB cents)*	*9*	**1.68**	(2.77)
– diluted *(RMB cents)*	*9*	**1.63**	(2.77)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	RMB'000	*RMB'000*
Profit/(loss) for the year	**10,663**	(17,244)
Other comprehensive loss:		
Item that may be reclassified to profit or loss:		
Currency translation differences	**(3,626)**	(3,519)
Other comprehensive loss for the year, net of tax	**(3,626)**	(3,519)
Total comprehensive income/(loss) attributable to owners of the Company for the year	**7,037**	(20,763)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	**2021**	2020
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**111,040**	127,298
Intangible assets		**2,639**	2,680
Investment in an associate		**58,880**	56,759
Investment in a joint venture		**–**	1,825
Amount due from a joint venture		**–**	546
Deferred tax assets		**10,703**	12,342
Financial asset at fair value through profit or loss		**18,363**	20,000
Total non-current assets		**201,625**	221,450
Current assets			
Inventories	*10*	**220,512**	231,004
Trade and bills receivables	*11*	**196,364**	189,634
Amount due from a joint venture		**1,787**	4,416
Prepayments, deposits and other receivables		**44,271**	38,835
Pledged bank deposits		**50,029**	49,011
Cash and cash equivalents		**199,644**	188,778
Total current assets		**712,607**	701,678
Non-current assets classified as assets held for sale		**5,397**	–
Total assets		**919,629**	923,128

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	**2021** **RMB'000**	2020 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**5,059**	4,912
Other reserves		**579,015**	567,538
Retained earnings		**83,116**	74,766
Total equity		**667,190**	647,216
LIABILITIES			
Non-current liabilities			
Lease liabilities		**1,583**	2,257
Deferred tax liabilities		**4,500**	4,500
Total non-current liabilities		**6,083**	6,757
Current liabilities			
Borrowings	*12*	**19,623**	31,145
Trade and other payables	*13*	**167,659**	161,043
Contract liabilities	*13*	**57,500**	73,774
Lease liabilities		**785**	1,265
Amount due to a joint venture		**–**	500
Income tax payable		**789**	1,428
Total current liabilities		**246,356**	269,155
Total liabilities		**252,439**	275,912
Total equity and liabilities		**919,629**	923,128

NOTES:

1 GENERAL INFORMATION

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

The Company and its subsidiaries (together, the "Group") are principally engaged in manufacturing, distribution, research and development and operating lease of asphalt mixing plants and sales of spare parts and modified equipment.

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.

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

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost basis, except for the following:

- financial asset at fair value through profit or loss and
- assets held for sale – measured at the lower of carrying amount and fair value less costs to sell

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) New standards, amendments to existing standards and interpretation adopted by the Group

The adoption of the following new standards, amendments to existing standards and interpretation are mandatory for the Group's financial year beginning on 1 January 2021.

Standards	**Subject**
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9, and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions and Extension of Practice Expedient

The amendments listed above did not have any impact on the consolidated financial statements of the Group in the current period and are not expected to significantly affect its future periods.

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

The following new standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group:

Standards	**Subject**	**Effective for the accounting period beginning on or after**
Annual Improvements to HKFRS Standards 2018-2020	Annual Improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope amendments	1 January 2022
Accounting Guideline 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17 (New Standard)	Insurance Contracts	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	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 consolidated financial statements of 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 executive directors of the Company have determined that the Group 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.

Revenue consists of the following:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of asphalt mixing plants	**385,240**	324,124
Sales of spare parts and modified equipment	**41,772**	49,055
	427,012	373,179
Revenue from other sources		
Operating lease income of asphalt mixing plants	**2,191**	5,750
	429,203	378,929
Revenue from contracts with customers recognised		
– at a point in time	**427,012**	373,179
– over time	**2,191**	5,750

(a) Revenue from external customers by country

	2021	2020
	RMB'000	*RMB'000*
People's Republic of China (the "PRC")	**400,651**	327,035
Outside the PRC	**28,552**	51,894
	429,203	378,929

(b) Non-current assets

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

	2021	2020
	RMB'000	*RMB'000*
The PRC	**144,166**	161,224
Outside the PRC	**46,756**	47,884
	190,922	209,108

(c) Information about major customers

No customer with whom transactions have exceeded 10% of the Group's revenue for the years ended 31 December 2021 and 2020.

5 OTHER INCOME AND OTHER GAINS, NET

	2021	2020
	RMB'000	*RMB'000*
Other income		
Government grants *(Note)*	**2,690**	2,298
Others	**371**	489
	3,061	2,787
Other gains, net		
Fair value loss on a financial asset at fair value through profit or loss	**(1,637)**	–
Interest income from a financial asset at fair value through profit or loss	**1,132**	94
Net gain on disposal of property, plant and equipment	**736**	5,701
Net foreign exchange gain/(loss)	**338**	(1,133)
Others	**62**	397
	631	5,059
	3,692	7,846

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

6 PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived after charging/crediting:

(a) Finance income, net

	2021	2020
	RMB'000	*RMB'000*
Finance cost		
Interest expenses on bank borrowings	**(1,095)**	(2,936)
Interest expenses on lease liabilities	**(130)**	(80)
Interest expense on other borrowing	**–**	(253)
	(1,225)	(3,269)
Finance income		
Interest income on bank deposits	**4,021**	1,440
Interest income from a joint venture	**88**	360
Unwinding discount interest on trade receivables not expected to be settled within one year	**11,285**	11,491
	15,394	13,291
Finance income, net	**14,169**	10,022

(b) Employee benefit expenses (including directors' emoluments)

	2021	2020
	RMB'000	*RMB'000*
Wages, salaries and allowances	**63,452**	60,860
Pension costs – defined contribution plans	**11,677**	6,839
Share-based payment expenses	**–**	1,092
	75,129	68,791

(c) Other items

	2021	2020
	RMB'000	*RMB'000*
Cost of inventories	**258,109**	240,459
Cost of operating lease of asphalt mixing plants	**1,685**	2,080
Freight and transportation expenses	**18,099**	17,547
Depreciation and amortisation		
– Property, plant and equipment used for operating leases	**1,045**	4,989
– Other property, plant and equipment	**8,340**	8,733
– Intangible assets	**1,099**	1,120
Reversal of impairment on trade receivables, net	**(6,355)**	(26,055)
(Reversal of)/provision for impairment of other receivables	**(110)**	110
Provision for impairment of inventories	**5,717**	32,977
Provision for impairment of property, plant and equipment	**–**	3,677
Commission to distributors	**20,186**	17,147
Research and development costs	**19,021**	13,230
Travelling expenses	**3,214**	2,368
Marketing expenses	**1,928**	3,671
Repair and maintenance expenses	**4,340**	2,584
Auditor's remuneration		
– Audit services	**1,448**	1,552
– Non-audit services	**300**	233
Other expenses	**21,256**	12,830

7 INCOME TAX EXPENSE

	2021	2020
	RMB'000	*RMB'000*
Current income tax:		
– PRC corporate income tax	**3,743**	1,954
– Over provision in prior years	**(792)**	(85)
	2,951	1,869
Deferred income tax	**1,639**	7,330
	4,590	9,199

Numerical reconciliation of income tax expense to prima facie tax payable

	2021	2020
	RMB'000	*RMB'000*
Profit/(loss) before tax	**15,253**	(8,045)
Notional tax on loss before tax, calculated at the rates applicable to the jurisdictions concerned (i)	**4,137**	(1,055)
Effect of preferential tax rate (ii)	**(718)**	1,479
Tax losses and other temporary differences for which no deferred tax asset was recognised	**4,344**	8,829
Utilisation of previously unrecognised tax losses	**(11)**	–
Income not subject to tax	**(1,779)**	(1,868)
Tax effect of non-deductible expenses	**661**	1,387
Additional deduction for qualified research and development expenses (iii)	**(2,552)**	(1,488)
Withholding tax in respect of dividend declared by a subsidiary in the PRC (iv)	**1,300**	1,000
Withholding tax charged on undistributed earnings of a subsidiary (iv)	**–**	1,000
Over provision in prior years	**(792)**	(85)
	4,590	9,199

The change in weighted average applicable tax rates is mainly caused by a change in mix of profit/loss of different group companies which are subject to different tax rates.

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

No provision for Hong Kong profits tax for the subsidiaries incorporated or operated in Hong Kong was made as the subsidiaries did not have assessable profits subject to Hong Kong profits tax (2020: Nil).

No provision for Singapore, India and Pakistan income tax was made for the subsidiaries incorporated in these countries, as the subsidiaries did not have assessable profits subject to Singapore, India and Pakistan income tax (2020: Nil).

The Group's PRC subsidiaries are subject to the PRC corporate income tax rate of 25% (2020: 25%).

(ii) 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 PRC corporate income tax law and relevant regulations and is entitled to a preferential income tax rate of 15% (2020: 15%).

(iii) Under the PRC corporate income tax law and relevant regulations, a 100% (2020: 75%) additional tax deduction is allowed for qualified research and development expenses.

(iv) The withholding tax rate was 5% on the remittance of dividend from the subsidiary in the PRC during the year and unremitted earnings of that subsidiary.

8 DIVIDENDS

The directors of the Company have recommended the payment of a final dividend of HK$1.20 cent per ordinary share (2020: Nil) in respect of the year ended 31 December 2021. The proposed final dividends are subject to approval by shareholders at the forthcoming annual general meeting of the Company and have not been recognised as dividends payable in the consolidated financial statements of the Group for the year ended 31 December 2021.

9 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	2021	2020
Profit/(loss) attributable to owners of the Company *(RMB'000)*	**10,663**	(17,244)
Weighted average number of ordinary shares in issue	**634,579,000**	621,958,000
Basic earnings/(loss) per share *(expressed in RMB cents per share)*	**1.68**	(2.77)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares arise from the share options, for which calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2021	2020
Profit/(loss) attributable to owners of the Company *(RMB'000)*	**10,663**	(17,244)
Weighted average number of ordinary shares in issue	**634,579,000**	621,958,000
Adjustment for share options *(Note)*	**17,968,000**	–
Weighted average number of ordinary shares for diluted earnings/(loss) per share	**652,547,000**	621,958,000
Diluted earnings/(loss) per share (expressed in RMB cents per share)	**1.63**	(2.77)

Note:

Diluted loss per share for the year ended 31 December 2020 was the same as the basic loss per share as potential ordinary shares arising from share options were not treated as dilutive since the conversion to ordinary shares would not increase the loss per share.

10 INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Raw materials	**81,775**	83,502
Work in progress	**138,737**	147,502
	220,512	231,004

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately RMB258,109,000 (2020: RMB240,459,000). The inventories as at 31 December 2021 and 2020 were stated at the lower of cost and net realisable value. The net provision for inventories of RMB5,717,000 (2020: RMB32,977,000) has been included in "cost of sales" in the consolidated statement of profit or loss for the year ended 31 December 2021.

11 TRADE AND BILLS RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables from third-parties *(Notes (a) and (b))*	**253,179**	251,896
Loss allowance	**(53,919)**	(60,274)
Discounting impact	**(9,967)**	(11,702)
	189,293	179,920
Bills receivables	**7,071**	9,714
Total trade and bills receivables	**196,364**	189,634

(a) Trade receivables under credit sales arrangements 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 granted to the Group's customers.

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

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**131,649**	159,361
1 to 2 years	**70,091**	38,290
2 to 3 years	**7,892**	16,622
Over 3 years	**43,547**	37,623
	253,179	251,896

12 BORROWINGS

Borrowings are analysed as follows:

	2021	2020
	RMB'000	*RMB'000*
Secured bank loans	**19,623**	31,145

13 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**39,935**	69,071
Bills payables	**93,769**	58,123
	133,704	127,194
Amount due to a related party	**295**	310
Other payables and accruals	**33,660**	33,539
	33,955	33,849
Total trade and other payables	**167,659**	161,043
Contract liabilities	**57,500**	73,774
	225,159	234,817

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

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**66,144**	79,469
After 3 months but within 6 months	**42,297**	35,147
After 6 months but within 1 year	**23,339**	9,541
Over 1 year	**1,924**	3,037
	133,704	127,194

14 SHARE CAPITAL

Authorised:

	Number of ordinary shares of HK$0.01 each	**Nominal value of ordinary shares**
		HK$
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	2,000,000,000	20,000,000

Issued and fully paid:

	Number of shares	**Nominal value of ordinary shares**	**Nominal value of ordinary shares**	**Share Premium**
	('000)	*HK$'000*	*RMB'000*	*RMB'000*
At 1 January 2020, 31 December 2020 and 1 January 2021	621,958	6,220	4,912	420,899
Employee share options scheme:				
Shares issued in respect of exercise of share options *(Note)*	17,450	175	147	12,790
At 31 December 2021	639,408	6,395	5,059	433,689

Note: Proceeds from the exercise of share options amounted to approximately RMB12,937,000 for the year ended 31 December 2021.

15 EVENT AFTER THE BALANCE SHEET DATE

In early March 2022, Hebei Province imposed several restrictions due to the new wave of COVID-19 outbreak. The domestic and overseas logistic arrangements of Langfang D&G have been slightly affected due to such restrictions, which led to a delay in the delivery of the Group's products to certain customers and an overall decrease in the efficiency of the supply chain.

The Group will continuously monitor the restrictions related to the COVID-19 situation and adjust its operational and financial strategies to minimise their impacts on the financial position and performance of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2021, 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.

Business Review

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 year, the Group continued to participate in top-tier highways construction and maintenance projects in the PRC and overseas countries. There were forty-one (2020: thirty-eight) sales contracts of asphalt mixing plants completed by the Group during the year and the asphalt mixing plants were used in major highway construction and maintenance projects such as Anhui Bengbu-Wuhe Expressway (安徽蚌五高速), Hegang-Dalian Expressway (鶴大高速), Dhaka Highway (達卡公路), Suihua-Daqing Expressway (綏大高速) etc. Revenue from sales of asphalt mixing plants increased by approximately 18.9% during the year, whereas, the sales of asphalt mixing plants accounted for approximately 89.8% (2020: 85.5%) of the total revenue of the Group. Such increase was mainly attributable to the increase in sales of the Group due to the gradual recovery of the economy from the impact of the Coronavirus Disease 2019 ("COVID-19") pandemic. The Group's gross profit increased to RMB140,421,000 (2020: RMB77,997,000) which was mainly attribute to the increase in sales of asphalt mixing plants, the decrease in impairment of inventories to RMB5,717,000 (2020: RMB32,977,000), and the absence of impairment of property, plant and equipment (2020: RMB3,677,000).

The decrease in impairment of inventories during the year was mainly due to the procedures developed by the Group to closely monitor the inventories level of slow-moving raw materials and work in progress as a result of COVID-19. The Group expects that the utilisation of inventory items will continue to improve gradually.

On the other hand, the Group has made a gross loss in the operating lease business since 2018, mainly due to the delay in public-private partnership projects in China, the outbreak of COVID-19 and the 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, which resulted in loss making position. Since 2019, the Group has scaled down the operating lease business to diminish the gross loss and only one asphalt mixing plant was held as at 31 December 2021. Thus, no additional impairment of property, plant and equipment has been made during the year. The sales contract of the remaining asphalt mixing plant was signed in 2021 and the transfer is expected to be completed in the first half of 2022. The operating lease business will be ceased after the disposal is completed.

Management has been cautiously monitoring the collection of trade receivables in order to improve the collection cycle. During the year, management continued to put effort in receivable collection and also tightened 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 has also improved. The Group therefore made a reversal of provision for impairment loss of trade receivables of RMB6,355,000 during the year. 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 forty-one sales contracts of asphalt mixing plants completed during the year, four were completed in overseas countries including Bangladesh, Cameroon, Liberia and Russia. To further penetrate the markets in the developing countries, the Group has also developed a compact mobile asphalt plants series to the product line. The outbreak of COVID-19 cast uncertainties in the overseas market, however, with the established overseas network, the Group expects the road construction projects along the "Belt and Road" countries to resume once the COVID-19 situation 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 seeking 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 30 May 2021, Langfang De Feng New Materials Technology Limited* (“Langfang De Feng”) entered into a share transfer agreement with Sichuan Xin De Yuan Trading Limited* (“Sichuan Xin De Yuan”) to transfer 50% of equity interest in Sichuan RTDL to its joint venture partner for a consideration of approximately RMB2.4 million. The share transfer will be completed once the debt between Sichuan RTDL and the Group’s wholly owned subsidiary has been settled.

Upon the completion of the share transfer, Sichuan RTDL will be 100% owned by Sichuan Xin De Yuan and Langfang De Feng will have no interest in Sichuan RTDL and thus Sichuan RTDL will no longer be a joint venture of the Group.

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 since the joint venture was formed. The Group’s management has reassessed the business development potential of Sichuan RTDL and considered that the share transfer offers an opportunity for the Group to realise its investment at a profit and can provide funds to cater for other new suitable investment opportunities with more growth potential in the development of production and sales of asphalt mixture plant business.

Development of combustion technology

During the year, 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 31 December 2021, forty (31 December 2020: thirty-nine) patents of combustion technology were registered and one patent was pending registration.

* *For identification purpose only*

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 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 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 31 December 2021, 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.

Partnership with LiuGong Wuxi Road Equipment Co., Ltd. ("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'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.

* *For identification purpose only*

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 31 December 2021, the Group had one hundred and seventy-two registered patents in the PRC (of which four were invention patents and two were appearance patents) and twenty-seven software copyrights. In addition, the registration of seventeen patents were pending approval as at 31 December 2021.

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 year, the Group participated in various promotional events, technical seminars and corporate social responsibility events such as the Green Road Maintenance Equipment Exchange Conference with Dynapac Group held in Qinghai, the Bauma CTT Russia 2021 held in Russia, the DG Reach press conference in China and the Earth Hour 2021.

In March 2021, the Group was awarded the "5 Years Plus Caring Company" which was organised by the Hong Kong Council of Social Service. In August 2021, 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. In September 2021, the Group was awarded the Industry Cares 2021 by the Federation of Hong Kong Industries. In November 2021, the Group was awarded the "T50 Construction Machinery Best Application Award", "China Top 10 Road Machinery Manufacturers", "China Mixing Equipment Market Performance/Expansion Award" and "China Mixing Equipment Green Product Award" by the T50 Summit of World Construction Machinery Industry. In December 2021, the Group was awarded the "Hong Kong Green Awards 2021 – Corporate Green Governance Award" which was organised by the Green Council. The Group has won this award for six consecutive years. It is a recognition of the Group's commitment to green governance.

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 that 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 lessened.

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 year. 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.

The Group expects that the local demand for asphalt mixing plants 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 the ASEAN region. To utilise the Group's wide clientele base of over 600 asphalt plants spreading across the PRC and 35 nations overseas, the Group is also exploring business opportunities in developing business 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 year ended 31 December 2021, the Group recorded a total revenue of RMB429,203,000 (2020: RMB378,929,000), representing an increase of approximately 13.3% as compared to last year. The gross profit of the Group increased from RMB77,997,000 for the year ended 31 December 2020 to RMB140,421,000 for the year ended 31 December 2021, representing an increase of approximately 80.0%. The overall gross profit margin increased by 12.1 percentage points from 20.6% to 32.7%. The Group recorded a net profit attributable to owners of the Company of RMB10,663,000 compared with a net loss of RMB17,244,000 last year.

	2021	2020	Change
	RMB'000	*RMB'000*	
Sales of asphalt mixing plants	**385,240**	324,124	18.9%
Sales of spare parts and modified equipment	**41,772**	49,055	-14.8%
Operating lease income of asphalt mixing plants	**2,191**	5,750	-61.9%
	429,203	378,929	13.3%

Sales of Asphalt Mixing Plants

	2021	2020	Change
	RMB'000	*RMB'000*	
Revenue	**385,240**	324,124	18.9%
Gross profit *(Note)*	**127,341**	92,759	37.3%
Gross profit margin	**33.1%**	28.6%	4.5pp
Number of contracts	**41**	38	3
Average contract value	**9,396**	8,530	10.2%

Revenue from the sales of asphalt mixing plants increased as a result of the increase in number of contracts completed and the increase in the average contract value. The increase in number of contracts completed was mainly due to the gradual recovery of the economy from the impact of the COVID-19 pandemic. The increase in the gross profit margin was primarily due to the increase in the number of sales with higher capacity (usually with higher gross profit margin). For the same reason, the average contract value increased as compared to last year.

Note: Impairment of inventories of RMB5,717,000 was made for the year ended 31 December 2021 (2020: RMB32,977,000) and charged to the "Cost of sales". The gross profit of the sales of asphalt mixing plants presented above and this section has excluded the provision for impairment of inventories for analysis purpose.

By Types of Plants

	2021	2020	Change
	RMB'000	*RMB'000*	
Recycling Plants			
Revenue	**152,745**	119,470	27.9%
Gross profit	**47,497**	35,709	33.0%
Gross profit margin	**31.1%**	29.9%	1.2pp
Number of contracts	**13**	11	2
Average contract value	**11,750**	10,861	8.2%
Conventional Plants			
Revenue	**232,495**	204,654	13.6%
Gross profit	**79,844**	57,050	40.0%
Gross profit margin	**34.3%**	27.9%	6.4pp
Number of contracts	**28**	27	1
Average contract value	**8,303**	7,580	9.5%

Revenue from the sales of Recycling Plants increased by 27.9% which was mainly due to the increase in the number of contracts completed and the average contract value during the year. The gross profit margin increased by 1.2 percentage points to 31.1% during the year. The increase in gross profit margin was mainly due to the increase in the number of sales for Recycling Plants with higher capacity (i.e. 4000 model series or above which have higher gross profit margin than lower capacity series) during the year. For the same reason, the average contract value increased as compared to last year.

Revenue from the sales of Conventional Plants increased by 13.6% primarily because of the increase in the number of contracts and the average contract value during the year. The increase in gross profit margin was mainly due to the increase in the number of sales for Conventional Plants with higher capacity during the year.

By Geographical Location

	2021	2020	Change
	RMB'000	*RMB'000*	
PRC			
Revenue	**363,735**	277,357	31.1%
Gross profit	**122,940**	81,770	50.3%
Gross profit margin	**33.8%**	29.5%	4.3pp
Number of contracts	**37**	30	7
Average contract value	**9,831**	9,245	6.3%
Overseas			
Revenue	**21,505**	46,767	-54.0%
Gross profit	**4,401**	10,989	-60.0%
Gross profit margin	**20.5%**	23.5%	-3.0pp
Number of contracts	**4**	8	-4
Average contract value	**5,376**	5,846	-8.0%

Revenue from the PRC sales increased primarily because of the increase in the number of contracts completed and the increase in the average contract value. The gross profit margin increased by 4.3 percentage points to 33.8% was mainly due to the increase in the number of sales with higher capacity sold during the year. For the same reason, the average contract value increased as compared to last year.

Revenue from the overseas sales decreased mainly because of the decrease in the number of contracts completed and the average contract value. The gross profit margin decreased by 3.0 percentage points to 20.5% was mainly due to asphalt mixing plants sold during the year were all PM model series which have lower contract price and lower gross profit margin.

Sales of Spare Parts and Components and Modified Equipment

	2021	2020	Change
	RMB'000	*RMB'000*	
Revenue	**41,772**	49,055	-14.8%
Gross profit	**19,336**	22,934	-15.7%
Gross profit margin	**46.3%**	46.8%	-0.5pp

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.

The revenue from sales of spare parts and components amounted to RMB28,546,000 (2020: RMB26,451,000). The revenue from sales of modified equipment and RMB13,226,000 (2020: RMB22,604,000). The decrease in revenue was mainly due to the decrease in the number of customers demanded for repair and maintenance of asphalt mixing plants and modification of Conventional Plants. The gross profit margin remained stable at around 46% during the year.

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 RMB2,191,000 during the year (2020: RMB5,750,000). The decrease in revenue by 61.9% was primarily because the total volume of productions decreased as compared to last year. The decrease in production output by customers during the year was due to the disposal of three asphalt mixing plants. During the year, the Group recorded a gross loss (including impairment losses of property, plant and equipment) for its operating lease business of approximately RMB539,000 (2020: RMB4,719,000). The gross loss was mainly because of the revenue of customers' production of asphalt mixtures could not cover the fixed overheads, including but not limited to staff costs and depreciation charged during the year. Since 2019, the Group has continued to dispose certain asphalt mixing plants and diminish the gross loss of operating lease business during the year. A gain on disposal of three sets of asphalt mixing plants amounted to RMB736,000 (2020: RMB5,701,000) was recorded in "Other income and other gains, net". As at 31 December 2021, one asphalt mixing plant (31 December 2020: four) was held for operating lease business. The sales contract of the remaining asphalt mixing plant was signed in 2021 and the transfer is expected to be completed in the first half of 2022. The operating lease business will be ceased after the completion of the disposal of the asphalt mixing plant.

Other Income and Other Gains, Net

During the year, other income and other gains, net mainly represented net exchange gain arising from trading transactions and translation of pledged bank deposits, government grants and gain on disposal of property, plant and equipment. The decrease was mainly due to the fair value loss of the investment in convertible bond and the decrease 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. Increase in distribution costs was mainly due to the increase in sales of asphalt mixing plants through distributors and the increase in service fees to enhanced the after-sales service performance to the customers during the year.

Administrative Expenses

Administrative expenses mainly included staff costs, research and development expenses, and legal and professional fees. During the year, administrative expenses increased by approximately RMB9.1 million was mainly due to the increase in research and development expenses by RMB5.8 million and the decrease in share-based payment expenses by RMB1.1 million in relation to the share options granted in June 2018.

Net Reversal of Impairment Losses on Financial Assets

The amount represented the net reversal of impairment losses on trade receivables of RMB6,355,000 and reversal of impairment losses on other receivables of RMB110,000 (2020: net reversal of impairment losses on trade receivables of RMB26,055,000 and provision for impairment of other receivables of RMB110,000). The reversal of impairment losses was mainly due to the settlement of long overdue trade receivables during the year. Management is expected to continue to receive settlement from long overdue trade receivables and have reversal on the provision for impairment losses.

Share of Profit of an Associate

The amount represented the share of the profit of Topp Financial Leasing (Shanghai) Co., Ltd.* (“Shanghai Topp”) of RMB2,121,000.

Share of Profit of a Joint Venture

The amount represented the share of the profit of Sichuan RTDL of RMB519,000. 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 year was mainly due to the decrease in interest expenses as there was a decrease in borrowings.

Income Tax Expense

Income tax expense for the year ended 31 December 2021 mainly comprised of the deferred tax expenses arisen from the reversal of impairment losses on trade receivables, the profits tax incurred by a PRC subsidiary of the Company which is a “high and new technology enterprise” entitled to a preferential tax rate of 15%, and the withholding tax provided for the dividend declared by a PRC subsidiary of the Company.

* *For identification purpose only*

Profit/(Loss) Attributable to Owners of the Company

Profit attributable to owners of the Company amounted to RMB10,663,000 for the year ended 31 December 2021 compared with the loss attributable to owner of the Company of RMB17,244,000 for the year ended 31 December 2020. The increase in profit for the year was mainly due to the increase in revenue and gross profit, partially offset by the increase in distribution costs and administrative expenses as discussed above.

Working Capital Management

Net current assets of the Group amounted to RMB466,251,000 (31 December 2020: RMB432,523,000) with a current ratio of 2.9 times (31 December 2020: 2.6 times) as at 31 December 2021.

Inventories decreased by RMB10,492,000 from RMB231,004,000 as at 31 December 2020 to RMB220,512,000 as at 31 December 2021. Inventory turnover days was 285 days for the year ended 31 December 2021, representing a decrease of 20 days as compared to 305 days for the year ended 31 December 2020. The decrease in inventories was mainly due to the provision for slow moving raw materials and work in progress primarily resulted from the customised design of asphalt mixing plants required by customers. The decrease in inventory turnover days was mainly due to the increase in finished goods delivered and accepted by the customers during the year.

Trade and bill receivables increased by RMB6,730,000 from RMB189,634,000 as at 31 December 2020 to RMB196,364,000 as at 31 December 2021. Trade and bill receivables turnover days was 164 days for the year ended 31 December 2021, representing a decrease of 37 days as compared to 201 days for the year ended 31 December 2020. The increase in trade and bill receivables was primarily due to the net reversal of impairment loss of RMB6,355,000 provided during the year. The decrease in trade and bills receivables turnover days during the year was primarily due to (1) the increase in deposits placed by customers during the year; (2) the increase in number of sales contracts completed; and (3) more timely settlement from PRC customers for the sales contracts entered into during the year. The Group will continue to cautiously monitor the trade receivables collection process so as to improve the collection cycle.

Trade and bill payables increased by RMB6,510,000 from RMB127,194,000 as at 31 December 2020 to RMB133,704,000 as at 31 December 2021. Trade and bill payables turnover days was 165 days for the year ended 31 December 2021, representing an increase of 25 days as compared to 140 days for the year ended 31 December 2020. The increase in trade and bills payables and turnover days was mainly because of extended payments to suppliers and subcontractors.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flows and facilities granted by its principal bankers. The treasury policies and objectives of the Group are to lower finance costs while enhancing returns on financial assets under a prudent and conservative approach.

As at 31 December 2021, the Group had cash and cash equivalents of RMB199,644,000 (31 December 2020: RMB188,778,000) and pledged bank deposits of RMB50,029,000 (31 December 2020: RMB49,011,000). In addition, the Group had interest-bearing bank borrowings of RMB19,623,000 (31 December 2020: RMB31,145,000). 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 2.9% (31 December 2020: 4.8%).

During the year ended 31 December 2021, the Group recorded a net cash generated from operating activities of RMB2,651,000 (2020: RMB126,520,000). Net cash generated from investing activities amounted to RMB10,733,000 (2020: RMB9,680,000) for the year ended 31 December 2021. Net cash generated from financing activities for the year ended 31 December 2021 amounted to RMB213,000 (2020: net cash used in financing activities RMB40,301,000).

Capital Commitments and Contingent Liabilities

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

	At 31 December 2021 *RMB'000*	At 31 December 2020 *RMB'000*
Contracted for:		
– Investment in a joint venture	**–**	4,500
– Property, plant and equipment	**585**	2,015
	585	6,515

As at 31 December 2021, there were no capital commitments authorised but not contracted for (31 December 2020: 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 has 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 31 December 2021, the Group's maximum exposure to such guarantees was approximately RMB74,531,000 (2020: RMB91,570,000).

Pledge of Assets

As at 31 December 2021, property, plant and equipment of RMB40,237,000 (31 December 2020: RMB42,419,000), land use right of RMB4,573,000 (31 December 2020: RMB4,705,000) and bank deposits of RMB50,029,000 (31 December 2020: RMB49,011,000) were pledged for borrowings and bill 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 markets 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 year ended 31 December 2021.

Significant Investments and Material Acquisitions or Disposals

During the year ended 31 December 2021, the Group did not have any significant investments or material acquisitions or disposals.

EVENT AFTER THE REPORTING PERIOD

In early March 2022, Hebei Province imposed several restrictions due to the new wave of COVID-19 outbreak. The domestic and overseas logistic arrangements of Langfang D&G have been slightly affected due to such restrictions, which led to a delay in the delivery of the Group's products to certain customers and an overall decrease in the efficiency of the supply chain.

The Group will continuously monitor the restrictions related to the COVID-19 situation and adjust its operational and financial strategies to minimise their impacts on the financial position and performance of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had approximately 381 (2020: 402) employees. The total staff costs for the year ended 31 December 2021 amounted to approximately RMB75,129,000 (2020: RMB68,791,000).

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 Group has adopted a share option scheme pursuant to which employees and the Directors may be granted options to subscribe for shares of the Company as incentives or rewards for their service rendered to the Group. No option has been granted during the years ended 31 December 2021 and 2020.

DIVIDENDS

The Board of the Company has proposed the payment of a final dividend of HK$1.20 cents (equivalent to RMB1.00 cents per share) (2020: Nil) per ordinary share for the year ended 31 December 2021. The proposed final dividend, if approved by the shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 27 May 2022 ("2022 AGM"), will be paid on or about Thursday, 23 June 2022 to the shareholders whose names appear on the register of members of the Company on Thursday, 9 June 2022.

ANNUAL GENERAL MEETING

The 2022 AGM will be held on Friday, 27 May 2022, and the notice of the 2022 AGM will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2022 AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 23 May 2022.

For determining the entitlement to the proposed final dividend (subject to approval by the shareholders at the 2022 AGM), the register of members of the Company will be closed from Tuesday, 7 June 2022 to Thursday, 9 June 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 6 June 2022.

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 year ended 31 December 2021.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. During the year ended 31 December 2021, the Company, in the opinion of the Directors, complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules.

SUSTAINABILITY

Under the "Belt and Road initiative", vast opportunities arise for the development of infrastructural facilities. These facilities connect communities, promote economic progress, and cultivate ideas and cultural exchanges. In light of this spirit of connectivity, and seizing the opportunity to partake in the "Belt and Road initiative", the Group wishes to connect its sustainable business model to the stakeholders.

The sustainability report (the "Sustainability Report") of the Group demonstrated the integration of environmental, social and governance considerations in its business approach. The innovative technology and sustainable products carry a strong message: with every segment of road paved with asphalt mixtures from our asphalt mixing plants, we leave an imprint of sustainability. The Sustainability Report will be published on the website of Hong Kong Exchanges and Clearing Limited and the website of the Company in due course, which provides the sustainability performance of the Group for the year ended 31 December 2021, and sets out the sights and plans of the Group for the future.

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 was made to all the Directors and all the Directors confirmed that they complied with the Model Code throughout the year ended 31 December 2021.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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 final results of the Group for the year ended 31 December 2021 have been reviewed by the Audit Committee.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the reporting year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the website of Hong Kong Exchanges and Clearing Limited and the website of the Company.

The 2021 annual report will also be published on the website of Hong Kong Exchanges and Clearing Limited and the website of the Company 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, 30 March 2022

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.