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 2022

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 2022 together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

		2022	2021
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**345,387**	429,203
Cost of sales		**(241,526)**	(288,782)
Gross profit		**103,861**	140,421
Other income and other gains, net	*5*	**5,678**	3,692
Distribution costs		**(77,594)**	(83,459)
Administrative expenses		**(62,401)**	(68,675)
Net (provision for)/reversal of impairment losses on financial assets		**(29,769)**	6,465

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022**	2021
		RMB'000	*RMB'000*
Operating loss		**(60,225)**	(1,556)
Finance income, net	*6(a)*	**14,940**	14,169
Share of profit of an associate		**1,379**	2,121
Share of profit of a joint venture		**–**	519
(Loss)/profit before income tax	*6*	**(43,906)**	15,253
Income tax credit/(expense)	*7*	**3,118**	(4,590)
(Loss)/profit attributable to owners of the Company for the year		**(40,788)**	10,663
(Loss)/earnings per share attributable to owners of the Company for the year			
– basic *(RMB cents)*	*9*	**(6.38)**	1.68
– diluted *(RMB cents)*	*9*	**(6.38)**	1.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(40,788)**	10,663
Other comprehensive income/(loss):		
Item that may be reclassified to profit or loss:		
Currency translation differences	**5,888**	(3,626)
Other comprehensive income/(loss) for the year, net of tax	**5,888**	(3,626)
Total comprehensive (loss)/income attributable to owners of the Company for the year	**(34,900)**	7,037

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	**2022** **RMB'000**	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**109,423**	111,040
Intangible assets		**2,892**	2,639
Investment in an associate		**60,259**	58,880
Deferred tax assets		**14,418**	10,703
Financial asset at fair value through profit or loss		**19,040**	18,363
Total non-current assets		**206,032**	201,625
Current assets			
Inventories	*10*	**223,885**	220,512
Trade and bills receivables	*11*	**124,827**	196,364
Amount due from a joint venture		**–**	1,787
Prepayments, deposits and other receivables		**56,533**	44,271
Income tax receivable		**258**	–
Pledged bank deposits		**44,777**	50,029
Cash and cash equivalents		**199,942**	199,644
Total current assets		**650,222**	712,607
Non-current assets classified as assets held for sale		**1,844**	5,397
Total assets		**858,098**	919,629

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	**2022** *RMB'000*	2021 *RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**5,059**	5,059
Other reserves		**578,634**	579,015
Retained earnings		**42,042**	83,116
Total equity		**625,735**	667,190
LIABILITIES			
Non-current liabilities			
Lease liabilities		**1,085**	1,583
Deferred tax liabilities		**4,500**	4,500
Total non-current liabilities		**5,585**	6,083
Current liabilities			
Borrowings	*12*	**11,506**	19,623
Trade and other payables	*13*	**140,146**	167,659
Contract liabilities	*13*	**73,878**	57,500
Lease liabilities		**1,248**	785
Income tax payable		**–**	789
Total current liabilities		**226,778**	246,356
Total liabilities		**232,363**	252,439
Total equity and liabilities		**858,098**	919,629

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

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 and amended standards adopted by the Group

The Group has adopted the following revised framework and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to HKAS 16

- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37

- Annual Improvements to HKFRS Standards 2018-2020

- Reference to the Conceptual Framework – Amendments to HKFRS 3

- Covid-19 Related Rent Concessions beyond 30 June 2021 - Amendment to HKFRS 16 (March 2021)

- Amendments to AG 5 Merger Accounting for Common Control Combinations

The adoption of the above revised framework and amendments to standards did not have any significant financial impact on these consolidated financial statements.

(b) New standards and interpretations not yet adopted

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

Standards	Subject
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (2)
HKAS 1 (Amendments)	Non-current Liabilities with Covenants (2)
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current (2)
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback (2)
HKFRS 17 (New Standard)	Insurance Contracts (1)
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies (1)
HKAS 8 (Amendments)	Definition of Accounting Estimates (1)
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (1)
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (3)

(1) Effective for the accounting period beginning on or after 1 January 2023

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

(3) Effective date to be determined

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

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, sales of recycled asphalt pavement ("RAP") crushing equipment, sales of LiuGong Asphalt Plant ("LAP") series asphalt mixing plants and operating lease income of asphalt mixing plants.

Revenue consists of the following:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of asphalt mixing plants	**301,644**	385,240
Sales of spare parts and modified equipment	**36,898**	41,772
Sales of RAP crushing equipment	**2,867**	–
Sales of LAP series asphalt mixing plants	**3,978**	–
	345,387	427,012
Revenue from other sources		
Operating lease income of asphalt mixing plants	**–**	2,191
	345,387	429,203
Revenue from contracts with customers recognised		
– at a point in time	**345,387**	427,012
– over time	**–**	2,191

(a) Revenue from external customers by country

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**308,472**	400,651
Outside Mainland China	**36,915**	28,552
	345,387	429,203

(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:

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**141,066**	144,166
Outside Mainland China	**50,548**	46,756
	191,614	190,922

(c) Information about major customers

No customer with whom transactions have exceeded 10% of the Group's revenue for the years ended 31 December 2022 and 2021.

5 OTHER INCOME AND OTHER GAINS, NET

	2022	2021
	RMB'000	*RMB'000*
Other income		
Government grants *(Note)*	**4,275**	2,690
Others	**16**	371
	4,291	3,061
Other gains, net		
Fair value gain/(loss) on a financial asset at fair value through profit or loss	**677**	(1,637)
Interest income from a financial asset at fair value through profit or loss	**1,132**	1,132
Gain on disposal of non-current asset classifies as asset held for sale, net of tax	**1,049**	–
Net gain on disposal of property, plant and equipment	**–**	736
Net foreign exchange (loss)/gain	**(1,615)**	338
Others	**144**	62
	1,387	631
	5,678	3,692

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

6 (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived after (crediting)/charging:

(a) Finance income, net

	2022	2021
	RMB'000	*RMB'000*
Finance cost		
Interest expenses on bank borrowings	**(365)**	(1,095)
Interest expenses on lease liabilities	**(104)**	(130)
	(469)	(1,225)
Finance income		
Interest income on bank deposits	**5,320**	4,021
Interest income from a joint venture	**5**	88
Unwinding discount interest on trade receivables not expected to be settled within one year	**10,084**	11,285
	15,409	15,394
Finance income, net	**14,940**	14,169

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

	2022	2021
	RMB'000	*RMB'000*
Wages, salaries and allowances	**62,903**	63,452
Pension costs – defined contribution plans	**12,366**	11,677
	75,269	75,129

(c) Other items

	2022	2021
	RMB'000	*RMB'000*
Cost of inventories	**213,499**	258,109
Cost of operating lease of asphalt mixing plants	**–**	1,685
Freight and transportation expenses	**11,070**	18,099
Depreciation and amortisation		
– Property, plant and equipment used for operating leases	**–**	1,045
– Property, plant and equipment	**8,681**	8,340
– Intangible assets	**800**	1,099
Provision for/(reversal of) impairment on trade receivables, net	**29,769**	(6,355)
Reversal of impairment of other receivables	**–**	(110)
Provision for impairment of inventories	**6,018**	5,717
Commission to distributors	**24,472**	20,186
Research and development costs	**15,650**	19,021
Travelling expenses	**4,781**	3,214
Marketing expenses	**7,715**	1,928
Repair and maintenance expenses	**3,436**	4,340
Auditor's remuneration		
– Audit services	**1,455**	1,448
– Non-audit services	**300**	300
Other expenses	**8,375**	21,256

7 INCOME TAX (CREDIT)/EXPENSE

	2022	2021
	RMB'000	*RMB'000*
Current income tax:		
– PRC corporate income tax	**1,158**	3,743
– Other tax	**72**	–
– Over provision in prior years	**(633)**	(792)
	597	2,951
Deferred income tax	**(3,715)**	1,639
	(3,118)	4,590

Numerical reconciliation of income tax expense to prima facie tax payable

	2022	2021
	RMB'000	*RMB'000*
(Loss)/profit before tax	**(43,906)**	15,253
Notional tax on (loss)/profit before tax, calculated at the rates applicable to the jurisdictions concerned (i)	**(8,738)**	4,137
Effect of preferential tax rate (ii)	**2,536**	(718)
Tax losses and other temporary differences for which no deferred tax asset was recognised	**5,511**	4,344
Utilisation of previously unrecognised tax losses	**–**	(11)
Income not subject to tax	**(405)**	(1,779)
Tax effect of non-deductible expenses	**–**	661
Additional deduction for qualified research and development expenses (iii)	**(2,639)**	(2,552)
Withholding tax in respect of dividend declared by a subsidiary in the Mainland China (iv)	**1,250**	1,300
Over provision in prior years	**(633)**	(792)
	(3,118)	4,590

The change in weighted average applicable tax rates is mainly caused by a change in mix of loss/profit 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 (2021: 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 (2021: Nil).

The Group's Mainland China subsidiaries are subject to the PRC corporate income tax rate of 25% (2021: 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% (2021: 15%).

(iii) Under the PRC corporate income tax law and relevant regulations, a 100% (2021: 100%) 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 Mainland China during the year and unremitted earnings of that subsidiary.

8 DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2022.

A final dividend in respect of the year ended 31 December 2021 of HK$1.20 cent per ordinary share, amounting to a total dividend of approximately RMB6,555,000, was paid during the year ended 31 December 2022. The proposed final dividend was not recognised as dividend payable in the consolidated financial statements of the Group for the year ended 31 December 2021.

9 (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	2022	2021
(Loss)/profit attributable to owners of the Company *(RMB'000)*	**(40,788)**	10,663
Weighted average number of ordinary shares in issue	**639,408,000**	634,579,000
Basic (loss)/earnings per share *(expressed in RMB cents per share)*	**(6.38)**	1.68

(b) Diluted

Diluted (loss)/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.

	2022	2021
(Loss)/profit attributable to owners of the Company *(RMB'000)*	**(40,788)**	10,663
Weighted average number of ordinary shares in issue	**639,408,000**	634,579,000
Adjustment for share options *(Note)*	**–**	17,968,000
Weighted average number of ordinary shares for diluted (loss)/earnings per share	**639,408,000**	652,547,000
Diluted (loss)/earnings per share (expressed in RMB cents per share)	**(6.38)**	1.63

Note:

Diluted loss per share for the year ended 31 December 2022 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

	2022	2021
	RMB'000	*RMB'000*
Raw materials	**81,367**	81,775
Work in progress	**138,268**	138,737
Finished goods	**4,250**	–
	223,885	220,512

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately RMB213,499,000 (2021: RMB258,109,000). The inventories as at 31 December 2022 and 2021 were stated at the lower of cost and net realisable value. The net provision for inventories of RMB6,018,000 (2021: RMB5,717,000) has been included in "cost of sales" in the consolidated statement of profit or loss for the year ended 31 December 2022.

11 TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables from third-parties *(Notes (a) and (b))*	**215,135**	253,179
Loss allowance	**(83,688)**	(53,919)
Discounting impact	**(7,560)**	(9,967)
	123,887	189,293
Bills receivables	**940**	7,071
Total trade and bills receivables	**124,827**	196,364

(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 (mutually known as by invoice date) is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**87,512**	131,649
1 to 2 years	**46,452**	70,091
2 to 3 years	**40,789**	7,892
Over 3 years	**40,382**	43,547
	215,135	253,179

12 BORROWINGS

Borrowings are analysed as follows:

	2022	2021
	RMB'000	*RMB'000*
Secured bank loans	**11,506**	19,623

13 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**34,851**	39,935
Bills payables	**68,780**	93,769
	103,631	133,704
Amount due to a related party	**281**	295
Other payables and accruals	**36,234**	33,660
	36,515	33,955
Total trade and other payables	**140,146**	167,659
Contract liabilities	**73,878**	57,500
	214,024	225,159

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

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**40,009**	66,144
After 3 months but within 6 months	**53,235**	42,297
After 6 months but within 1 year	**8,147**	23,339
Over 1 year	**2,240**	1,924
	103,631	133,704

14 SHARE CAPITAL

Authorised:

	Number of ordinary shares of HK$0.01 each	Nominal value of ordinary shares
		HK$
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	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 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, 1 January 2022 and 31 December 2022	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.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2022, 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" or "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 thirty-three (2021: forty-one) 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 Mingchao Expressway (明巢高速), Nanheng Highway (南橫高速公路), Daping Highway (大憑高速公路) etc. Revenue from sales of asphalt mixing plants decreased by approximately 21.7% during the year, whereas, the sales of asphalt mixing plants accounted for approximately 87.3% (2021: 89.8%) of the total revenue of the Group. The Group's gross profit decreased to RMB103,861,000 (2021: RMB140,421,000) which was mainly attributable to the decrease in sales of asphalt mixing plants and the increase in provision for impairment of inventories to RMB6,018,000 (2021: RMB5,717,000). Such a decrease was mainly attributable to the ongoing outbreak of the Coronavirus Disease 2019 ("COVID-19") and the corresponding control measures in Mainland China, such measures not only affected the Group's business activities and deliveries but also caused the postponement of some of our customers' projects.

For the same reason, the Group has adopted a more prudent assessment of the recoverability of the trade receivables. Although the Group has received certain long-overdue trade receivables of which provision for impairment loss has been made in prior years, the Group still made an additional net provision for impairment loss of trade receivables of RMB29,769,000 during the year (2021: reversal of provision for impairment loss of trade receivables of RMB6,355,000). 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 increase in the provision for impairment of inventories during the year was mainly due to the increase in slow-moving of raw materials and work in progress as a result of COVID-19 and the postponement of customers' project delivery schedules. The Group has developed procedures to closely monitor the inventory level and expected it could be improved gradually.

The Group has been expanding its business and entering into potential markets along the "Belt and Road" countries. Out of the thirty-three sales contracts of asphalt mixing plants completed during the year, seven were completed in overseas countries including Cameroon, Peru and Russia. The Group has entered into one sales contract with a customer in Russia which is expected to be completed in the first half of 2023. To further penetrate the markets in developing countries, the Group has also developed a compact mobile asphalt plants series to the product line. Together with the established overseas network, the Group expects to participate in more road construction projects along the "Belt and Road" countries.

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. 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 debt between Sichuan RTDL and the Group's wholly-owned subsidiary has been settled, and the share transfer application has been submitted and expected the share transfer will be completed in the following months.

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's management had reassessed the business development potential of Sichuan RTDL and considered that the share transfer offered an opportunity for the Group to realise its investment with profit and provided 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, furnaces, heating systems, etc. As at 31 December 2022, forty (31 December 2021: forty) 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, PRC which is an existing customer of Langfang D&G.

The principal amount of the Convertible Bond is a total 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 2022, three asphalt mixing plants sales contracts have been completed (2021: two).

Pursuant to the Convertible Bond agreement, on 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" and a new product series namely "LiuGong Asphalt Plant" ("LAP"), 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 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.

Our latest product development comprises recycled asphalt pavement (“RAP”) crushing equipment, LAP series asphalt mixing plants, and sand manufacturing machine. The Group has already recorded sales for both of RAP crushing equipment and LAP series asphalt mixing plants and awarded a contract for the sand manufacturing machine during the year. These newly developed cutting-edge products, combined with our existing advanced asphalt mixture technology, enable us to offer a comprehensive solution to our customers, providing end-to-end total solutions from raw aggregate materials to finished recycled mixtures. We are confident that our latest product offerings will greatly enhance our customers’ experience and improve their operational efficiency.

As at 31 December 2022, the Group had two hundred and three registered patents in the PRC (of which four were invention patents and four were appearance patents) and twenty-seven software copyrights. In addition, the registrations of seventeen patents were pending approval as at 31 December 2022.

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 DG customers’ technical training in Nanchang, the Bauma CTT Russia 2022 held in Russia, the Concrete Show South East Asia 2022 held in Indonesia, the World Environment Day and the Green Day 2022.

In March 2022, the Group was awarded the “5 Years Plus Caring Company” which was organised by the Hong Kong Council of Social Service. In August 2022, 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 the recognition of the Group’s contribution to the promotion of environmental protection. In September 2022, the Group was awarded the Industry Cares 2022 by the Federation of Hong Kong Industries. In November 2022, the Group was awarded the "T50 Construction Machinery Best Application Award", "China Top 10 Specialised Construction Machinery Manufacturer" and "World Top 100 (Plus 50) Construction Machinery Manufacturer" by the T50 Summit of World Construction Machinery Industry. In December 2022, the Group was awarded the "Hong Kong Green Awards 2022 – Corporate Green Governance Award" which was organised by the Green Council. The Group has won this award for seven consecutive years. It is a recognition of the Group's commitment to green governance.

Outlook

Looking ahead, although the strict zero COVID-19 policy measures have been lifted by the Chinese government in December 2022, the business environment and global economies are still uncertain and the challenges arising from the continuing US-China trade conflict, the Russia-Ukraine war and the rapid increase in interest rates.

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 the industrial sector, the demand for our recycling and environmentally-friendly products continues to grow in the long run. There will be increasing demand for the recycling asphalt plants as well as modification services of adding recycling and environmental protection functions, such as bitumen foaming device for warm mix asphalt to existing plants. The Group will further promote green technology innovation and continue to improve its competitive advantage so as to reinforce its leading position in the market.

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

With the 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 upstream into 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 year ended 31 December 2022, the Group recorded a total revenue of RMB345,387,000 (2021: RMB429,203,000), representing a decrease of approximately 19.5% as compared to last year. The gross profit of the Group decreased from RMB140,421,000 for the year ended 31 December 2021 to RMB103,861,000 for the year ended 31 December 2022, representing a decrease of approximately 26.0%. The overall gross profit margin decreased by 2.6 percentage points from 32.7% to 30.1%. The Group recorded a net loss attributable to owners of the Company of RMB40,788,000 compared with a net profit of RMB10,663,000 last year.

	2022	2021	Change
	RMB'000	*RMB'000*	
Sales of asphalt mixing plants	**301,644**	385,240	-21.7%
Sales of spare parts and modified equipment	**36,898**	41,772	-11.7%
Sales of RAP crushing equipment	**2,867**	–	N/A
Sales of LAP series asphalt mixing plants	**3,978**	–	N/A
Operating lease income of asphalt mixing plants	**–**	2,191	-100%
	345,387	429,203	-19.5%

Sales of Asphalt Mixing Plants

	2022	2021	Change
	RMB'000	*RMB'000*	
Revenue	**301,644**	385,240	-21.7%
Gross profit *(Note)*	**94,130**	127,341	-26.1%
Gross profit margin	**31.2%**	33.1%	-1.9pp
Number of contracts	**33**	41	-8
Average contract value	**9,141**	9,396	-2.7%

Revenue from the sales of asphalt mixing plants decreased as a result of the decrease in number of contracts completed and the decrease in the average contract value. The decrease in number of contracts completed was mainly due to the ongoing outbreak of the COVID-19 and the corresponding control measures in Mainland China during the year. The decrease in the gross profit margin was primarily due to the proportional decrease in the number of sales with higher capacity (usually with higher gross profit margin). For the same reason, the average contract value decreased as compared to last year.

Note: Impairment of inventories of RMB6,018,000 was made for the year ended 31 December 2022 (2021: RMB5,717,000) 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

	2022	2021	Change
	RMB'000	*RMB'000*	
Recycling Plants			
Revenue	**134,759**	152,745	-11.8%
Gross profit	**41,744**	47,497	-12.1%
Gross profit margin	**31.0%**	31.1%	-0.1pp
Number of contracts	**11**	13	-2
Average contract value	**12,251**	11,750	4.3%
Conventional Plants			
Revenue	**166,885**	232,495	-28.2%
Gross profit	**52,386**	79,844	-34.4%
Gross profit margin	**31.4%**	34.3%	-2.9pp
Number of contracts	**22**	28	-6
Average contract value	**7,586**	8,303	-8.6%

Revenue from the sales of Recycling Plants decreased by 11.8% which was mainly due to the decrease in the number of contracts completed and partially offset by increase in the average contract value during the year. The gross profit margin remained stable at around 31% during the year. The increase in average contract value was due to the proportional increase in the number of sales with higher capacity as compared last year.

Revenue from the sales of Conventional Plants decreased by 28.2% primarily because of the decrease in the number of contracts and the decrease in the average contract value during the year. The gross profit margin decreased by 2.9 percentage points to 31.4% was mainly due to proportional decrease in the number of sales with higher capacity (i.e. 4000 model series or above which have higher gross profit margin than lower capacity series) as compared to last year.

By Geographical Location

	2022	2021	Change
	RMB'000	*RMB'000*	
PRC			
Revenue	**269,465**	363,735	-25.9%
Gross profit	**86,034**	122,940	-30.0%
Gross profit margin	**31.9%**	33.8%	-1.9pp
Number of contracts	**26**	37	-11
Average contract value	**10,364**	9,831	5.4%
Overseas			
Revenue	**32,179**	21,505	49.6%
Gross profit	**8,096**	4,401	84.0%
Gross profit margin	**25.2%**	20.5%	4.7pp
Number of contracts	**7**	4	3
Average contract value	**4,597**	5,376	-14.5%

Revenue from the PRC sales decreased primarily because of the decrease in the number of contracts completed and partially offset by the increase in the average contract value. The gross profit margin decreased by 1.9 percentage points to 31.9% was mainly due to the decrease in the number of sales with higher capacity sold during the year.

Revenue from the overseas sales increased mainly because of the increase in the number of contracts completed and partially offset by the decrease in the average contract value. The gross profit margin increased by 4.7 percentage points to 25.2% was mainly due to asphalt mixing plants sold were mainly PM model series which have lower contract price and lower gross profit margin in last year.

Sales of Spare Parts and Components and Modified Equipment

	2022	2021	Change
	RMB'000	*RMB'000*	
Revenue	**36,898**	41,772	-11.7%
Gross profit	**16,194**	19,336	-16.2%
Gross profit margin	**43.9%**	46.3%	-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.

The revenue from sales of spare parts and components amounted to RMB22,535,000 (2021: RMB28,546,000). The revenue from sales of modified equipment and RMB14,363,000 (2021: RMB13,226,000). The decrease in revenue was mainly due to the decrease in the number of customers' demand for repair and maintenance of asphalt mixing plants and modification of Conventional Plants. The gross profit margin decreased by 2.4 percentage points because more competitive pricing was given to the customers in order to attract new customers during the year.

Sales of RAP Crushing Equipment

	2022	2021	Change
	RMB'000	*RMB'000*	
Revenue	**2,867**	–	N/A
Gross profit	**-42**	–	N/A
Gross profit margin	**-1.5%**	–	N/A

The Group considered the sales of RAP crushing equipment as a new source of revenue for domestic and overseas asphalt mixing plant markets and to its customers as value-added services as well as provided solutions to meet the diversified needs of customers. There were two sales contracts completed during the year. As the RAP crushing equipment was new to the market, the margin was low and the main components were imported at a high cost resulting in a negative margin.

Sales of LAP series asphalt mixing plants

	2022	2021	Change
	RMB'000	*RMB'000*	
Revenue	**3,978**	–	N/A
Gross profit	**-403**	–	N/A
Gross profit margin	**-10.1%**	–	N/A

The Group has become the exclusive supplier of asphalt mixing plant for LiuGong Wuxi Road Equipment since May 2021. This strategic partnership will further penetrate the mid-end asphalt mixing plant market to win more orders and expand its revenue stream. There was one sales contract completed during the year. As the LAP series was new to the market, discount was offered to customers as an attraction as a result of a negative margin.

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.

No revenue from operating lease of asphalt mixing plants was generated during the year (2021: RMB2,191,000) due to the last asphalt mixing plant held for operating lease business was disposed of during the year. A gain on disposal of non-current assets classifies as assets held for sale amounted to RMB1,049,000 (2021: A gain on disposal of three sets of asphalt mixing plants amounted to RMB736,000) was recorded in "Other income and other gains, net". The operating lease business had ceased during the year.

Other Income and Other Gains, Net

During the year, other income and other gains, net mainly represented government grants, fair value gain on a financial asset at fair value through profit or loss, gain on disposal of non-current assets classified as assets held for sale, net of tax, net off with the net foreign exchange loss. The increase was mainly due to the fair value gain on the investment in a convertible bond and offset by the increase in net foreign exchange loss.

Distribution Costs

Distribution costs mainly consisted of staff costs of our sales and marketing staff, distribution fees to our distributors, freight and transportation expenses, and marketing expenses. Distribution costs decrease in line with the sales of asphalt mixing plants and are offset by the increase in distribution fees and the increase in marketing expenses as the Company has launched marketing activities in promoting its newly rolled-out modular models to the market during the year.

Administrative Expenses

Administrative expenses mainly included staff costs, research and development expenses, and legal and professional fees. The decrease in administrative expenses was mainly due to the decrease in research and development expenses by RMB3.4 million during the year.

Net Provision for/(Reversal of) Impairment Losses on Financial Assets

The amount represented the net provision for impairment losses on trade receivables of RMB29,769,000 (2021: net reversal of impairment losses on trade receivables of RMB6,355,000 and reversal of impairment losses on other receivables of RMB110,000). The provision for impairment losses was mainly due to increase in the recoverability risks of the trade receivables of the Group during the year.

Share of Profit of an Associate

The amount represented the share of the profit of Topp Financial Leasing (Shanghai) Co., Ltd.* ("Shanghai Topp") of RMB1,379,000 (2021: RMB2,121,000).

Finance Income, Net

Finance income, net mainly included bank interest income and interest income on unwinding discounted trade receivables offset by interest expenses on interest-bearing bank borrowings. The 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 (Credit)/Expense

Income tax (credit)/expense for the year ended 31 December 2022 was mainly attributable to the deferred tax credit arisen from the provision for impairment losses on trade receivables, the profit 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.

(Loss)/Profit Attributable to Owners of the Company

Loss attributable to owners of the Company amounted to RMB40,788,000 for the year ended 31 December 2022 compared with the profit attributable to owner of the Company of RMB10,663,000 for the year ended 31 December 2021. The loss for the year was mainly due to the decrease in revenue and gross profit and the net provision for impairment loss on trade receivables provided as discussed above.

* *For identification purpose only*

Working Capital Management

Net current assets of the Group amounted to RMB423,444,000 (31 December 2021: RMB466,251,000) with a current ratio of 2.9 times (31 December 2021: 2.9 times) as at 31 December 2022.

Inventories increased by RMB3,373,000 from RMB220,512,000 as at 31 December 2021 to RMB223,885,000 as at 31 December 2022. Inventory turnover days was 336 days for the year ended 31 December 2022, representing an increase of 51 days as compared to 285 days for the year ended 31 December 2021. The increase in inventories and inventory turnover days was mainly due to the increase in finished goods that the asphalt mixing plants have delivered but the installation and commissioning have not yet completed.

Trade and bill receivables decreased by RMB71,537,000 from RMB196,364,000 as at 31 December 2021 to RMB124,827,000 as at 31 December 2022. Trade and bill receivables turnover days was 170 days for the year ended 31 December 2022, representing an increase of 6 days as compared to 164 days for the year ended 31 December 2021. The decrease in trade and bill receivables was primarily due to the net provision for impairment loss of RMB29,769,000 provided during the year. The increase in trade and bills receivables turnover days during the year was primarily due to the decrease in number of sales contracts completed 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 decreased by RMB30,073,000 from RMB133,704,000 as at 31 December 2021 to RMB103,631,000 as at 31 December 2022. Trade and bill payables turnover days was 179 days for the year ended 31 December 2022, representing an increase of 14 days as compared to 165 days for the year ended 31 December 2021. 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 2022, the Group had cash and cash equivalents of RMB199,942,000 (31 December 2021: RMB199,644,000) and pledged bank deposits of RMB44,777,000 (31 December 2021: RMB50,029,000). In addition, the Group had interest-bearing bank borrowings of RMB11,506,000 (31 December 2021: RMB19,623,000). 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 1.8% (31 December 2021: 2.9%).

During the year ended 31 December 2022, the Group recorded net cash generated from operating activities of RMB12,476,000 (2021: RMB2,651,000). Net cash generated from investing activities amounted to RMB3,218,000 (2021: RMB10,733,000) for the year ended 31 December 2022. Net cash used in financing activities for the year ended 31 December 2022 amounted to RMB19,352,000 (2021: net cash generated from financing activities RMB213,000).

Capital Commitments and Contingent Liabilities

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

	At 31 December 2022	At 31 December 2021
	RMB'000	*RMB'000*
Contracted for:		
– Property, plant and equipment	**382**	585

As at 31 December 2022, there were no capital commitments authorised but not contracted for (31 December 2021: 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 a guarantee to Shanghai Topp that in the event of customer default, Shanghai Topp has the right 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 2022, the Group's maximum exposure to such guarantees was approximately RMB109,530,000 (2021: RMB74,531,000).

Pledge of Assets

As at 31 December 2022, property, plant and equipment of RMB41,994,000 (31 December 2021: RMB40,237,000), land use right of RMB4,442,000 (31 December 2021: RMB4,573,000) and bank deposits of RMB44,777,000 (31 December 2021: RMB50,029,000) 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 the 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 a negative or positive impact on the Group's export sales. On the other hand, the appreciation or depreciation of the 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 purposes when necessary. The Group did not use any financial instruments for hedging purposes for the year ended 31 December 2022.

Significant Investments and Material Acquisitions or Disposals

During the year ended 31 December 2022, the Group did not have any significant investments or material acquisitions or disposals.

EVENT AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 31 December 2022 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had approximately 384 (2021: 381) employees. The total staff costs for the year ended 31 December 2022 amounted to approximately RMB75,269,000 (2021: RMB75,129,000).

The remuneration policy of the Group was based on the 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 regularly. In accordance with the relevant requirements, the Group made pension contributions 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 2022 and 2021.

DIVIDENDS

The Directors do not recommend the payment of final dividend for the year ended 31 December 2022 (2021: HK$1.20 cents (equivalent to RMB1.00 cents) per ordinary share).

ANNUAL GENERAL MEETING

The 2023 AGM will be held on Thursday, 25 May 2023, and the notice of the 2023 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 2023 AGM, the register of members of the Company will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 19 May 2023.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. During the year ended 31 December 2022, 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 2022, 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 2022.

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 2022 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 2022 as set out in the preliminary 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 year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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 2022 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 2023

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.