



®

德基科技

D&G TECHNOLOGY

D&G TECHNOLOGY HOLDING COMPANY LIMITED

<INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY>

STOCK CODE 1301



2023 ANNUAL REPORT



EcoChallenger 環保挑戰者企業
中銀香港 BOCHK
企業低碳環保傑出大獎2022
Citic Bank Green Environmental Leadership Award



5 Years+
環保先驅
EcoPioneer
中銀香港 BOCHK
企業低碳環保傑出大獎2022
Citic Bank Green Environmental Leadership Award



MANAGEMENT SYSTEM
Corporate Green Governance Award
Hong Kong Green Awards 2023



5 years+
商界展關懷
caring company
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發



GREEN FINANCE
HKQAA
Pre-issuance Stage
Certificate No.: CC 0710



8 years+
香港綠色企業大獎2023
Hong Kong Green Awards



CONTENTS

Corporate Information	2
Five Year Financial Summary	3
Chairman's Statement	4
Management Discussion and Analysis	6
Biographical Details of Directors and Senior Management	18
Corporate Governance Report	23
Report of the Directors	37
Sustainability Highlights	47
Independent Auditor's Report	49
Consolidated Statement of Profit or Loss	54
Consolidated Statement of Comprehensive Income	55
Consolidated Statement of Financial Position	56
Consolidated Statement of Changes in Equity	58
Consolidated Statement of Cash Flows	59
Notes to the Consolidated Financial Statements	60



CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Choi Hung Nang (*Chairman*)
Ms. Choi Kwan Li, Glendy (*Chief Executive Officer*)
Mr. Choi Hon Ting, Derek
Mr. Liu Tom Jing-zhi
Mr. Lao Kam Chi

Non-Executive Directors

Mr. Chan Lewis
Mr. Alain Vincent Fontaine

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Risk Management Committee

Ms. Choi Kwan Li, Glendy (*Chairman*)
Mr. Liu Tom Jing-zhi
Mr. O'Yang Wiley
Mr. Fok Wai Shun, Wilson
Mr. Chung Man Lai (resigned on 31 December 2023)
Mr. Yeung Tsz Kit Alban (appointed on 31 December 2023)

Company Secretary

Mr. Chung Man Lai (resigned on 31 December 2023)
Mr. Yeung Tsz Kit Alban (appointed on 31 December 2023)

Authorised Representatives

Ms. Choi Kwan Li, Glendy
Mr. Chung Man Lai (resigned on 31 December 2023)
Mr. Yeung Tsz Kit Alban (appointed on 31 December 2023)

Registered Office

Cricket Square,
Hutchins Drive, PO Box 2681,
Grand Cayman, KY1-1111,
Cayman Islands

Principal Place of Business in Hong Kong

7/F, Hing Lung Commercial Building,
68-74 Bonham Strand, Sheung Wan,
Hong Kong

Principal Place of Business in the PRC

No.12 Yinghua Road,
Yongqing Industrial Park,
Yongqing County, Langfang City,
Hebei Province,
PRC

Hong Kong Branch Share Registrar

Tricor Investor Services Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

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

Auditor

PricewaterhouseCoopers
Certified Public Accountant and Registered PIE auditor

Legal Advisor

MinterEllison LLP

Principal Bankers

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

Company Website

www.dgtechnology.com

FIVE YEAR FINANCIAL SUMMARY

	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Results					
Revenue	277,861	345,387	429,203	378,929	446,426
Gross Profit	85,264	103,861	140,421	77,997	87,729
(Loss)/profit attributable to owners of the Company for the year	(23,864)	(40,788)	10,663	(17,244)	(35,076)
Assets, Liabilities and Equity					
Total assets	777,127	858,098	919,629	923,128	931,617
Total liabilities	(173,605)	(232,363)	(252,439)	(275,912)	(264,730)
Total equity	603,522	625,735	667,190	647,216	666,887

CHAIRMAN'S STATEMENT



Dear shareholders,

I am pleased to present the annual report of D&G Technology Holding Company Limited (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group") for the year ended 31 December 2023 (the "Year").

Throughout the Year, exceptional challenges were encountered by the Group, our valued clients, and the road construction and maintenance machinery industry. Despite the World Health Organisation declaring an end to the pandemic and regions easing preventive measures, global economic growth remained sluggish. In our major market, China, local governments have focused on restoring economic and livelihood activities whilst adopted a cautious approach towards long-term infrastructure projects, resulting in a less active number of projects and slower progress in the nationwide construction projects than expected. Additionally, our Group has encountered hurdles in securing supplementary orders amidst fierce competition prevailing within the industry. Consequently, the Group recorded a decrease of 19.6% in revenue to RMB277.9 million (2022: RMB345.4 million), and a net loss of RMB23.9 million (2022: net loss of RMB40.8 million).

In the face of adversity, the Group recognized that progress is the key to optimal growth, leading us to diligently improve to stay ahead of the curve. During the Year, we have vigorously equipped ourselves with increased marketing efforts to promote smart eco-friendly road construction and conservation solution for domestic and overseas customers, strengthening R&D efforts on combustion technology for

developing new products, expanding into European countries to diversify our customer base, as well as collaborating with our strategic partners such as China Resources Cement and LiuGong Road Equipment ("LiuGong"), the leading market players in the field of road construction in China, to explore new market opportunities. These proactive measures have empowered us with a solid footing for steady and robust development.

As of 31 December 2023, the Group completed 28 sales contracts of asphalt mixing plants, involved the landmark transportation projects in China, such as Ürümqi Ring Expressway (烏魯木齊環城高速), Nanchang West Outer Ring Expressway (南昌西外環高速公路), Wuxuan Expressway Wuhu to Xuancheng Section Expansion Project (蕪宣高速蕪湖至宣城段改擴建工程), and received overwhelmingly positive responses from our customers. We have further restructured the sales strategies in Pakistan, India, and other South Asian countries, to boost the communication efficiency and sales performance in the Belt and Road corridor. Furthermore, we have also achieved new projects from European customers with strengthening sales efforts.

As an innovator in the field of asphalt mixing equipment, the Group achieved remarkable milestones by receiving orders for the exclusive LiuGong Asphalt Plant ("LAP") series that we co-developed with LiuGong. The products incorporate recycling and environmental protection functions, with mid-end positioning. We have received positive feedback from customers and are confident that the new series of products will further expand our revenue stream in the long run.



Looking ahead, the Group foresees the continuation of a volatile market environment and intense competition, yet we remain cautiously optimistic about the road construction industry prospect driven by the sustained growth of the national economy.

Infrastructure development serves as the continuous driver for societal progress. China achieved 5.2% GDP growth for 2023, reaching the national annual growth target following a flurry of government spending. According to the National Bureau of Statistics, fixed-assets investment went up 3% year on year during the Year, of which investment in roads construction went up 1.2% year on year to 2.6 trillion yuan for the first 11 months of the Year. These figures suggest that the PRC government is persistently contributing efforts in pursuing sustainable growth.

In addition, as the year 2023 marked the tenth anniversary of the flagship Belt and Road Initiative (BRI), the PRC government has committed to allocating additional financial resources and promoting green development, ushering in a wealth of market opportunities. In the recent opening ceremony of the third Belt and Road Forum for International Cooperation, Chinese President Xi mentioned that two Chinese policy banks would each set up a 350 billion yuan financing window, and an additional 80 billion yuan would be injected into the Silk Road Fund.

Over the years, the Group has strategically expanded presence in the Belt and Road countries, and therefore we will ride on our established sales network to explore the business opportunities in the next stage of the Belt and

Road development. Furthermore, the Group's commitment to developing a greener society aligns seamlessly with the PRC government's call for domestic carbon peak and carbon neutrality, as well as green development in Belt and Road countries. The Group is concentrating resources into the research and development team, to provide ingenious and cutting-edge solutions that precisely cater to the environmental demands of the markets. Our established partnership with the esteemed Tsinghua University has positioned us advantageously by providing us early access to emerging technologies that align with industry demands. We are currently co-working with the University team to explore high-performance ultra-low NOx burners, which will further enhance our comprehensive solution and enable us to stay at the forefront of the market.

The Group nurtures the hope of harnessing its technological prowess and leveraging its expansive global sales network to seize lucrative business prospects, optimally capitalizing on the anticipated acceleration of the pace of economic recovery.

Lastly, on behalf of the board of directors of the Company (the "Board" or the "Directors"), I would like to extend our heartfelt appreciation to the exceptional management team and diligent staff for their tireless efforts, and to our valued shareholders and investors for their continuous confidence and unwavering support.

Choi Hung Nang

Chairman

28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

General Review

For the year ended 31 December 2023, D&G Technology Holding Company Limited (the “Company”) and its subsidiaries (collectively the “Group”) continued to be a leading market player in the road construction and maintenance machinery industry in the People’s Republic of China (“PRC”, “China” or “Mainland China”) and overseas markets. It provided smart road construction and conservation solution for different clients by offering a full range of asphalt mixing plants from small to large-scale, recycled asphalt pavement (“RAP”) crushing equipment and sand manufacturing machine, as well as modification services of adding recycling and environmental protection functions, such as bitumen foaming device for warm mix asphalt to existing plants.

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

During the year, the Group continued to participate in top-tier highways construction and maintenance projects in the PRC (it’s major market), including Ürümqi Ring Expressway (烏魯木齊環城高速), Nanchang West Outer Ring Expressway (南昌西外環高速公路), Wuxuan Expressway Wuhu to Xuancheng Section Expansion Project (蕪宣高速蕪湖至宣城段改擴建工程), etc.. Twenty-eight (2022: thirty-three) sales contracts of asphalt mixing plants were completed. Revenue from sales of asphalt mixing plants decreased by approximately 39.0% during the year, whereas, the sales of asphalt mixing plants accounted for approximately 66.2% (2022: 87.3%) of the total revenue of the Group. The Group’s gross profit decreased to RMB85,264,000 (2022: RMB103,861,000) which was mainly attributable to the decrease in sales of asphalt mixing plants offset by the increase in the reversal of provision for impairment losses on trade receivables of RMB11,299,000 (2022: provision for impairment losses on trade receivables of RMB29,769,000). Such a decrease in revenue and profit was mainly attributable to the less active number of projects in the market due to cautious project investment and project delays during the post-COVID period, together with the intense competition in the industry, as well as the depreciation of Renminbi which dragged down the price of our products sold overseas.

As market expansion, the Group increased efforts to tap into the Eastern European and Indian markets, whilst expanding its business along the “Belt and Road” countries. Among the completed sales contracts, a notable number of performance model (PM) of Conventional Plant were accomplished in overseas countries such as Thailand and Russia which provide cost and space saving solution without comprising on output quality. To further penetrate developing markets, the Group introduced a new series of compact mobile asphalt plants to its product line to cater to the demand of the new markets.

To ensure the smooth functioning of our operations, effective internal management is of utmost importance. As part of our cautious approach, we have thoroughly evaluated the recoverability of our trade receivables. In the current year, we are pleased to report a net reversal of provision instead of an additional net provision for impairment loss. This reversal amounts to approximately RMB11,299,000, signifying a positive development compared to the previous year’s additional net provision for impairment loss of approximately RMB29,769,000. Nevertheless, the Group’s dedication to upholding its credit policy and continuously strengthening internal control procedures remains unwavering. These efforts aim to enhance the efficiency of the receivable collection cycle and reduce the number of days debtors take to settle their obligations.

MANAGEMENT DISCUSSION AND ANALYSIS

Development of Upstream and Downstream Asphalt Related Business

Asphalt mixture, the vital material for asphalt road construction, holds great importance for the Group. With a strong emphasis on diversifying income sources and increasing profits, the Group is dedicated to the development of asphalt-related businesses along the supply chain. To harness the power of local expertise and maximize synergies, the Group actively seeks potential strategic partners to collaborate on the production and sale of asphalt mixtures. By forging these strategic alliances, the Group aims to create a robust and thriving asphalt mixture 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 2023, forty (31 December 2022: forty) patents of combustion technology were registered.

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

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

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

During the tenure of the Convertible Bond, the Zhengfang ACT shall purchase no less than five sets of asphalt mixing plants from Langfang D&G. During the year, 2 asphalt mixing plants sales contracts have been completed (2022: 3).

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.

Strategic Partnership

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 Road Equipment's well-established distribution network and strong financial services capabilities, to sell the products to domestic and overseas markets. The Group expects this strategic partnership will further penetrate the mid-end asphalt mixing plant market to win more orders and expand its revenue stream. Furthermore, the collaboration enables LiuGong Road Equipment to enrich and improve its one-stop road construction equipment solution to achieve a win-win situation. Furthermore, the Company is in the progress to collaborate with LiuGong Road Equipment and its subsidiary to form a strategic partnership for manufacturing asphalt mixing plants in the Indian market.

Research and Development

The Group continued to maintain its strong research and development capabilities 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. As at 31 December 2023, the Group owns two hundred and twenty-seven registered patents in the PRC (of which nine were invention patents and seven were appearance patents) and twenty-eight software copyrights. In addition, the registration of forty patents were pending approval as at 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

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. These activities include hosting large customer training seminars in Ningbo, Zhejiang, and distributor technical exchange conferences in Deqing, Zhejiang. Additionally, the Group participated in industry conferences such as the low-carbon green technology exchange conference in Xi'an, Shaanxi, and the asphalt pavement maintenance forum in Guangzhou. International exhibitions, including the Construction Equipment and Technologies Exhibition in Russia and the Mining & Construction Indonesia Exhibition in Jakarta, provided opportunities to showcase the products. Moreover, the Group actively organized and regularly sponsored events by the Green Council focused on environmental awareness, safety, and employee engagement at the Langfang factory and various locations. These marketing activities have helped strengthen customer relationships, promote the products and technologies, increase our brand awareness and demonstrate the Group commitment to sustainability and corporate social responsibility.

In March 2024, the Group was awarded the "5 Years Plus Caring Company" which was organised by the Hong Kong Council of Social Service. In August 2023, the Group was awarded as an "EcoChallenger" and "5 Years+ EcoPioneer" in the BOCHK Corporate Environmental Leadership Awards which was organised by the Federation of Hong Kong Industries and Bank of China (Hong Kong). The awards indicate the recognition of the Group's contribution to the promotion of environmental protection. In September 2023, the Group was awarded the Industry Cares 2023 by the Federation of Hong Kong Industries. In November 2023, 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 2023, the Group was awarded the "Hong Kong Green Awards 2023 – Corporate Green Governance Award" which was organised by the Green Council. The Group has won this award for eight consecutive years which symbolise a high recognition of the Group's commitment to green governance.

Outlook

Looking ahead, China's economy is expected to face various challenges and changes, including ongoing or escalating global geopolitical conflicts, fluctuating consumer sentiment, industrial restructuring, and the increasing influence of environmental sustainability trends on industry development. The World Bank anticipates that China's overall GDP growth is expected to reach 4.5 percent in 2024, lower than the GDP growth of 5.2% in 2023, which was mainly due to the stabilizing growth momentum resulting from the gradual recovery of consumer sentiment and the impact of policy measures. Early this year, China's provincial-level governments have unveiled their growth targets in 2024, ranging from 4.5% to 8%, with emphasis on boosting consumption and improving business environment. Despite the anticipated positive growth for the Chinese economy, both internal provincial government and external organisations have prudent estimates for the Chinese economic development in 2024.

Under such backdrop, the Group maintains a cautious approach to prepare for future opportunities in the PRC region. It will prioritise allocating resources on the areas with greater development potential, such as green transportation infrastructure solutions. Various municipal governments including Shenzhen and Guangzhou unveiled the plan in 2023 to promote the low-carbonization of transportation equipment, strengthening the construction of green transportation infrastructure. As such, the Group will continue to promote the production and sales of RAP crushing and screening equipment which helps improve the utilization rate of recycled materials, as well as joining hands with Tsinghua University to promote a new generation of low-nitrogen burner products. It is expected that Group's green road solution will get greater market recognition in the foreseeable future.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, the Group will capitalize on business prospects in overseas markets. Road and infrastructure construction are important for the overseas countries which are experiencing conflicts, or undergoing growth, and those along the Belt and Road which are seeking sustainable development. The Group is poised to broaden its business reach to the overseas countries with good potential. Leveraging on the strengthened sales and extensive network, it will optimise the comprehensive road construction solution and advanced equipment to cater to clients' diversified needs.

Moreover, the Group will uphold stringent cost-control measures and optimize operational efficiency to ensure consistent and effective business growth. By capturing the marketing opportunities in both domestic and international markets, the Group is committed to maximizing long-term profitability, prioritizing the interests and benefits of its shareholders.

Management Discussion and Analysis

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 2023, the Group recorded a total revenue of RMB277,861,000 (2022: RMB345,387,000), representing a decrease of approximately 19.6% as compared to last year. The gross profit of the Group decreased from approximately RMB103,861,000 for the year ended 31 December 2022 to approximately RMB85,264,000 for the year ended 31 December 2023, representing a decrease of approximately 17.9%. The overall gross profit margin increased by 0.6 percentage points from 30.1% to 30.7%. The Group recorded a net loss attributable to owners of the Company of approximately RMB23,864,000 compared with a net loss of approximately RMB40,788,000 last year.

	2023 RMB'000	2022 RMB'000	Change
Sales of asphalt mixing plants	184,044	301,644	-39.0%
Sales of spare parts and modified equipment	69,898	36,898	89.4%
Sales of other asphalt specialty equipment	23,919	6,845	249.4%
	277,861	345,387	-19.6%

Sales of Asphalt Mixing Plants

	2023 RMB'000	2022 RMB'000	Change
Revenue	184,044	301,644	-39.0%
Gross profit (Note)	49,354	94,130	-47.6%
Gross profit margin	26.8%	31.2%	-4.4pp
Number of contracts	28	33	-5
Average contract value	6,573	9,141	-28.1%

MANAGEMENT DISCUSSION AND ANALYSIS

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

Note: Impairment of inventories of approximately RMB1,973,000 was made for the year ended 31 December 2023 (2022: approximately RMB6,018,000) 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

	2023 RMB'000	2022 RMB'000	Change
Recycling Plants			
Revenue	88,710	134,759	-34.2%
Gross profit	22,949	41,744	-45.0%
Gross profit margin	25.9%	31.0%	-5.1pp
Number of contracts	10	11	-1
Average contract value	8,871	12,251	-27.6%
Conventional Plants			
Revenue	95,334	166,885	-42.9%
Gross profit	26,405	52,386	-49.6%
Gross profit margin	27.7%	31.4%	-3.7pp
Number of contracts	18	22	-4
Average contract value	5,296	7,586	-30.2%

Revenue from the sales of Recycling Plants decreased by 34.2% which was mainly due to the decrease in the number of contracts completed during the year. The gross profit margin decreased by 5.1 percentage points due to smaller model with lower gross profit margin were sold during the year. The decrease in average contract value was due to the proportional decrease in the number of sales with higher capacity as compared to last year.

Revenue from the sales of Conventional Plants decreased by 42.9% 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 3.7 percentage points to 27.7% 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.

MANAGEMENT DISCUSSION AND ANALYSIS

By Geographical Location

	2023 RMB'000	2022 RMB'000	Change
PRC			
Revenue	122,777	269,465	-54.4%
Gross profit	32,803	86,034	-61.9%
Gross profit margin	26.7%	31.9%	-5.2pp
Number of contracts	15	26	-11
Average contract value	8,185	10,364	-21.0%
Overseas			
Revenue	61,267	32,179	90.4%
Gross profit	16,551	8,096	104.4%
Gross profit margin	27.0%	25.2%	1.8pp
Number of contracts	13	7	6
Average contract value	4,713	4,597	2.5%

Revenue from the PRC sales decreased primarily because of the decrease in the number of contracts completed and decrease in the average contract value. The gross profit margin decreased by 5.2 percentage points to 26.7% 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 increase in the average contract value. The gross profit margin increased by 1.8 percentage points to 27.0% as the PM model series of asphalt mixing plant ("AMP") continued to be performing exceptionally well, driving impressive sales and achieving a remarkable doubling of revenue in the current year.

Sales of Spare Parts and Components and Modified Equipment

	2023 RMB'000	2022 RMB'000	Change
Revenue	69,898	36,898	89.4%
Gross profit	32,936	16,194	103.4%
Gross profit margin	47.1%	43.9%	3.2pp

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 approximately RMB34,094,000 (2022: approximately RMB22,535,000). The revenue from sales of modified equipment amounted to approximately RMB35,804,000 (2022: approximately RMB14,363,000). The increase in revenue was mainly due to the increase in the number of customers demand for modification of Conventional Plants and increase in sales order of spare parts and components accordingly. The gross profit margin increased by 3.2 percentage points because several modified equipment orders were with high gross profit margin during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales of other Asphalt Speciality Equipment

	2023 RMB'000	2022 RMB'000	Change
Revenue	23,919	6,845	249.4%
Gross profit	4,947	(445)	-1,211.7%
Gross profit margin	20.7%	-6.5%	27.2pp
Number of contracts	8	3	5
Average contract value	2,990	2,282	31.0%

The Group published several new series of brand of asphalt speciality equipment since 2021 which included the LiuGong Asphalt Plant ("LAP") series asphalt mixing plants, the RAP crushing equipment and the sand manufacturing machine. All the revenue, gross profit margin and average contract value increased as customers are recognizing the value and benefits offered by our products, leading to larger and more lucrative contracts. It is a testament to the growing trust and satisfaction of our customers in the performance and reliability of our asphalt speciality equipment.

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, net gain on disposal of non-current asset classified as asset held for sale, net off with the net foreign exchange loss. The increase was mainly due to decrease in loss on exchange difference.

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 offset by the decrease in distribution fee and the increase in freight and transportation as more overseas orders were made during the year.

Administrative Expenses

Administrative expenses mainly included staff costs, research and development expenses, and legal and professional fees. Decreased in administrative expenses was mainly due to the decrease in salary and staff allowance of RMB2.3 million from company reorganization efforts. However, this decrease was partially offset by an increase of RMB1.0 million in telecommunication and utility expenses following the resumption of economic activities post-COVID.

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

The amount represented the net reversal of provision for impairment losses on trade receivables of approximately RMB11,299,000 (2022: approximately net provision for impairment losses on trade receivables of RMB29,769,000). The reversal of provision for impairment loss was mainly due to the settlement of long overdue trade receivables and decrease in gross 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 approximately RMB1,997,000 (2022: approximately RMB1,379,000).

MANAGEMENT DISCUSSION AND ANALYSIS

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 decrease in net finance income during the year was mainly due to the decrease in interest income on reduced interest rate on deposit.

Income Tax (Expense)/Credit

Income tax (expense)/credit for the year ended 31 December 2023 was mainly attributable to the deferred tax expenses 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 Attributable to Owners of the Company

Loss attributable to owners of the Company amounted to approximately RMB23,864,000 for the year ended 31 December 2023 (2022: RMB40,788,000). The decrease in loss for the year was mainly due to the net reversal of provision for impairment of losses on trade receivables provided as discussed above.

Working Capital Management

Net current assets of the Group amounted to approximately RMB428,440,000 (31 December 2022: approximately RMB423,444,000) with a current ratio of 3.5 times (31 December 2022: 2.9 times) as at 31 December 2023.

Inventories decreased by approximately RMB11,952,000 from approximately RMB223,885,000 as at 31 December 2022 to approximately RMB211,933,000 as at 31 December 2023. Inventory turnover days was 413 days for the year ended 31 December 2023, representing an increase of 77 days as compared to 336 days for the year ended 31 December 2022. The decrease in inventory was mainly due to the completion of some major orders in FY2023. The increase in inventory turnover days was due to decrease in sales and deteriorating inventory aging. We are actively addressing these challenges through strategic initiatives aimed at improving demand forecasting, optimizing inventory levels, and enhancing supply chain efficiency.

Trade and bill receivables decreased by approximately RMB28,270,000 from approximately RMB124,827,000 as at 31 December 2022 to approximately RMB96,557,000 as at 31 December 2023. Trade and bill receivables turnover days was 148 days for the year ended 31 December 2023, representing a decrease of 22 days as compared to 170 days for the year ended 31 December 2022. The decrease in trade and bill receivables was primarily due to the decrease in sales and proper customer repayment during the year. The decrease 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 approximately RMB23,734,000 from approximately RMB103,631,000 as at 31 December 2022 to approximately RMB79,897,000 as at 31 December 2023. Trade and bill payables turnover days was 174 days for the year ended 31 December 2023, representing a decrease of 5 days as compared to 179 days for the year ended 31 December 2022. The decrease in trade and bills payables and turnover days was mainly because of less purchases were made in view of less sales orders.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2023, the Group had cash and cash equivalents of approximately RMB161,654,000 (31 December 2022: approximately RMB199,942,000) and pledged bank deposits of approximately RMB22,625,000 (31 December 2022: RMB44,777,000). In addition, the Group had interest-bearing bank borrowings of approximately RMB909,000 (31 December 2022: approximately RMB11,506,000). The Group's cash and cash equivalents, pledged bank deposits and borrowings were mostly denominated in Renminbi, Hong Kong dollars and United States dollars. The borrowings were mainly arranged on a floating rate basis. The gearing ratio, calculated as total borrowings divided by equity attributable to the owners of the Company, amounted to 0.2% (31 December 2022: 1.8%).

During the year ended 31 December 2023, the Group recorded a net cash used in operating activities of approximately RMB52,145,000 (2022: net cash generated from operating activities of approximately RMB12,476,000). Net cash generated from investing activities amounted to approximately RMB6,130,000 (2022: net cash generated from investing activities approximately RMB3,218,000) for the year ended 31 December 2023. Net cash generated from financing activities for the year ended 31 December 2023 amounted to approximately RMB7,140,000 (2022: net cash used in financing activities approximately RMB19,352,000).

Capital Commitments and Contingent Liabilities

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

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Contracted for – Property, plant and equipment	778	382

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

Certain customers of Langfang D&G, a principal operating subsidiary of the Group, financed their purchases of the Group's plants through finance leases provided by Shanghai Topp. Under the leasing arrangements, Langfang D&G provided guarantee to Shanghai Topp that in the event of customer default, Shanghai Topp 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 2023, the Group's maximum exposure to such guarantees was approximately RMB112,771,000 (2022: approximately RMB109,530,000).

Pledge of Assets

As at 31 December 2023, property, plant and equipment of approximately RMB41,899,000 (31 December 2022: approximately RMB41,994,000), land use right of approximately RMB4,311,000 (31 December 2022: approximately RMB4,442,000) and bank deposits of approximately RMB22,625,000 (31 December 2022: approximately RMB44,777,000) were pledged for borrowings and bills payables of the Group.

Foreign Exchange Risk

The reporting currency of the Group was Renminbi. The Group was exposed to foreign exchange risk through sales and purchases which were denominated in a foreign currency including United States 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 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investments and Material Acquisitions or Disposals

During the year ended 31 December 2023, 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 2023 and up to the date of this report.

Environmental Policy

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

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

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

Compliance with Relevant Laws and Regulations

During the year ended 31 December 2023 and up to the date of this Annual Report, to the best knowledge of the Company, the Group has complied with all the relevant laws and regulations in Mainland China and Hong Kong which have a significant impact on the business and operations of the Group, and there is no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

Relationships with Stakeholders

The Group aims to align its business strategies with its stakeholders' expectations and concerns. To better understand those expectations and concerns, the Group has to communicate and involve its stakeholders in its decision-making process. During the year ended 31 December 2023, the Group has engaged with its stakeholders on an ongoing basis via various engagement methods, such as online media and Wechat.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Principal Risks and Uncertainties

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

Industry risk in the PRC

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

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

Industry risk in the overseas market

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

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

Financial credit risk

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

Environmental compliance risk

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

MANAGEMENT DISCUSSION AND ANALYSIS

Quality control risk

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had approximately 323 (2022: 384) employees. The total staff costs for the year ended 31 December 2023 amounted to approximately RMB73,520,000 (2022: approximately RMB75,269,000).

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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Choi Hung Nang, aged 85, is our co-founder, chairman and executive Director. He was appointed as an executive Director on 11 September 2014. He is primarily responsible for supervising the operations and planning the business and marketing strategies of our Group. Mr. Choi established our Group in February 1999 and has been the chairman and director of Langfang D&G since June 2011. He is also a director of certain entities of the Group.

Mr. Choi graduated from the Changsha Railway Institute, Hunan Province (currently known as Central South University) with a bachelor's degree in railway construction in July 1963. In April 2012, he was awarded the outstanding alumni award from Central South University.

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

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

Ms. Choi Kwan Li, Glendy, aged 53, is our executive Director and chief executive officer. She was appointed as an executive Director on 11 September 2014. She is primarily responsible for overseeing the corporate management of our Group and the overall management and implementation of business and marketing strategies and plans.

Ms. Glendy Choi has over 25 years of experience in the trading and manufacturing of specialised engineering equipment. She was appointed as a director and general manager of Langfang D&G in June 2009 and her title was changed to President in November 2019. She was appointed as the legal representative of Langfang D&G in June 2011. She is also a director of certain entities of the Group.

Ms. Glendy Choi was a master of business administration in marketing. She is a Fellow Certified Risk Planner of The Institute of Crisis and Risk Management, an EFFAS Certified ESG Analyst® (CESGA) and a Certified ESG Planner CEP®. In November 2015, Ms. Glendy Choi was admitted as a member of the Young Presidents' Organisation ("YPO") – World Presidents' Organisation and has been appointed as a Board member of YPO Gold South East Asia Region since July 2022.

Ms. Glendy Choi is a fellow member of The Hong Kong Institute of Directors. She has been a Committee Member of the Hong Kong Young Industrialists Council ("HKYIC") since October 2017 and was appointed as their Honorary Treasurer, International Affairs Committee Vice Chairman, and Member's Affairs Committee Vice Chairman for 2023-2024 in October 2023. In December 2021, Ms. Glendy Choi was appointed as a Vice President of the Greater Bay Area Carbon Neutrality Association. In January 2022, Ms. Glendy Choi was appointed as a member of the ISO Steering Committee (2021-2025) of the Federation of Hong Kong Industries. Since February 2022, Ms. Glendy Choi has been an independent non-executive director of Ace Eight Acquisition Corporation.

Ms. Glendy Choi is one of the awardees of the Young Industrialist Awards Hong Kong 2016 and has been awarded the 7th Asia Pacific Entrepreneurship Awards 2016, Hong Kong Chapter by Enterprise Asia. She was titled by the Hebei Committee of the Communist Party of China and the Hebei Provincial People's Government as one of the Hundred High-tech Private Entrepreneurs in Hebei Province in December 2014. Ms. Glendy Choi was titled "100 Most Influential Persons of China Construction Machinery Industry" for five consecutive years from 2017 to 2021 and was titled "50 Influencers of China Construction Machinery Industry" and "Manager of the Year" in 2022. She is one of the awardees of GBA Outstanding Women Entrepreneur Awards 2023 in 2023.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Choi Hon Ting, Derek (formerly known as Choi Kwan Wai, Derek), aged 55, is our executive Director. He was appointed as an executive Director on 11 September 2014. Mr. Derek Choi has over 32 years of experience in the trading of specialised engineering equipment. He is primarily responsible for overseeing the strategic business development of our Group. Mr. Derek Choi has been appointed as a director of Langfang D&G since June 2011. He is also a director of certain entities of the Group.

Mr. Derek Choi was awarded a bachelor's degree in agricultural engineering from Purdue University in May 1991. Mr. Derek Choi has been admitted as a fellow member of the Hong Kong Institute of Directors since February 2005. In April 2016, he was admitted as a member of Hong Kong Professionals and Senior Executives Association (HKPASEA). Mr. Derek Choi has been appointed as an independent non-executive director of HM International Holdings Limited (Hong Kong stock code: 8416) since 15 December 2016.

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

Mr. Liu Tom Jing-zhi, aged 54, is our executive Director and chief operating officer. He was appointed as an executive Director on 11 September 2014. He is primarily responsible for overseeing the daily operations of manufacturing facilities and the implementation of business strategies and plans of our Group. Mr. Liu has over 20 years of experience in corporate management and business operations. He joined our Group in August 2006 as the director and deputy general manager of Langfang D&G. He is also a director of certain entities of the Group.

In September 1999, Mr. Liu was awarded a graduate diploma in business administration from the University of Technology Sydney. Mr. Liu was recognised as a Person of Innovation* (創新人物) by the Equipment Management Institute of Hebei Province Innovation Development Committee (河北省工業設備管理創新發展峰會組委會) in June 2012. Since April 2013, Mr. Liu has been appointed as a member of the Sixth Committee of Chinese People's Political Consultative Conference, Langfang city (中國人民政治協商會議廊坊市第六屆委員會) for a term of 5 years and has ended in April 2018.

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

Mr. Lao Kam Chi, aged 62, is our executive Director and general manager (sales and marketing). He is primarily responsible for managing and implementing sales and marketing strategies. Mr. Lao has over 36 years of experience in sales and marketing.

Mr. Lao joined our Group in October 2002 as the general manager of the sales and marketing team in Beijing D&G Machinery Company Limited* (北京德基機械有限公司). He has been a director of Langfang D&G since June 2011, and the general manager of our sales and marketing centre since August 2009.

In July 1982, Mr. Lao was awarded a bachelor's degree in engineering from Southwest Jiaotong University (西南交通大學), China.

* For identification purposes only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Chan Lewis (formerly known as Chan Yeung), aged 53, was appointed as a non-executive Director on 15 December 2014. Mr. Chan is the managing partner of Maunakai Capital Partners (Hong Kong) Limited. He is also an executive director of DT Capital Limited (formerly known as Incutech Investments Limited) (Hong Kong stock code: 356). He has over 24 years of experience in asset management and investment research. Mr. Chan received his bachelor's degree in economics from the University of Chicago in June 1994 and his master of arts from Columbia University in May 1996. Mr. Chan further obtained his Ph.D. from Harvard University in June 2000.

Mr. Chan was a winner of the Fama-DFA Prize of the Best Papers published in 2003 in the Journal of Financial Economics. Mr. Chan currently serves as a member of the Admissions, Budgets, and Allocations Committee of the Community Chest of Hong Kong.

Mr. Alain Vincent Fontaine, aged 68, was appointed as a non-executive Director on 15 August 2016. Mr. Fontaine is responsible for providing advice on corporate governance and internal control matters of the Group. Mr. Fontaine obtained a bachelor's degree in electrical engineering from the University of Sherbrooke in Canada in June 1979. He has been a member of the Order of Engineers of Québec since January 1980.

Mr. Fontaine serves as an executive director and the vice-chairman of the Hong Kong Venture Capital and Private Equity Association.

In 2000, he founded Investel Asia, a venture capital and private equity firm and served as its managing director from January 2004 to December 2006. He was the chief executive officer of Newcom LLC from January 2007 to September 2008. Mr. Fontaine served various positions within the BCE Inc. group, a communications group in Canada, including Bell Canada, Bell Ardis and Tata Cellular, for approximately 16 years of his career. Since September 2012, Mr. Fontaine has also been a member of the advisory board of Ocean Equity Partners Fund L.P., an indirect substantial shareholder interested in 48,716,000 shares of the Company, representing approximately 7.62% of the issued share capital of the Company. Mr. Fontaine has also been acting as a non-executive director of Tsaker Chemical Group Limited (Hong Kong stock code: 1986) since April 2015. He was an independent director of China Lending Corporation, a company listed on NASDAQ (ticker: CLDC) from July 2016 to 29 December 2017. He has been the chairman of the board of directors of Clover Leaf Capital Corp. (a Canadian capital pool company listed on the TSX Ventures Exchange in Canada, stock code: CLVR.P) from March 2022 to October 2023.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. O'Yang Wiley, aged 61, has over 37 years of experience in accounting, finance, and the legal industry, and was appointed as our independent non-executive Director on 1 May 2019.

Since October 2012, Mr. O'Yang has been an independent non-executive director, chairman of the audit committee, and a member of the nomination committee of Hong Kong Economic Times Holdings Limited (Hong Kong stock code: 0423) and a member of its remuneration committee since 26 July 2019. Since October 2018, Mr. O'Yang has been an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee of Midea Real Estate Holding Limited (Hong Kong stock code: 3990). Since 11 June 2019, Mr. O'Yang has been an independent non-executive director, chairman of the audit committee, and a member of the nomination committee of AB Builders Group Limited (Hong Kong stock code: 1615). From 11 November 2019 to 12 May 2022, Mr. O'Yang has been an independent non-executive director, chairman of the audit committee, and a member of each of the nomination committee and remuneration committee of Tianyun International Holdings Limited (Hong Kong stock code: 6836). Since 16 February 2022, Mr. O'Yang has been an independent non-executive director, chairman of the audit committee, and a member of each of the nomination committee and remuneration committee of Edvantage Group Holdings Limited (Hong Kong stock code: 382).

Mr. O'Yang has been the managing director of Shanggu Securities Limited since February 2018. Before joining Shanggu Securities Limited, he worked for over 13 years as managing director and executive director in various financial institutions, including CMBC International Holdings Limited, a wholly-owned subsidiary of China Minsheng Banking Corp., Ltd. (Hong Kong stock code: 1988), Kim Eng Securities (Hong Kong) Limited, a wholly-owned subsidiary of Malayan Banking Berhad, UBS AG, Hong Kong branch, J.P. Morgan Securities (Asia Pacific) Limited and BNP Paribas Capital (Asia Pacific) Limited.

Mr. O'Yang had also worked for over six years as a solicitor in private practice at a number of solicitors' firms and was a partner of Richards Butler (currently known as Reed Smith Richards Butler) immediately before he joined BNP Paribas Capital (Asia Pacific) Limited in May 2004.

Mr. O'Yang graduated from the Chinese University of Hong Kong in Hong Kong with a bachelor's degree in Social Science in December 1985 and a master's degree in Business Administration in October 1990. He obtained a common professional examination certificate from the School of Professional and Continuing Education of the University of Hong Kong in Hong Kong in June 1993. He obtained the postgraduate certificate in Laws from the department of professional legal education of the Faculty of Law at the University of Hong Kong in June 1994. He is also a fellow member of the Chartered Association of Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Law Society of Hong Kong.

Mr. Li Zongjin, aged 71, was appointed as our independent non-executive Director on 24 April 2015. He is the Chair Professor of the Faculty of Innovation Engineering at Macau University of Science and Technology from September 2022 and has been the Chair Professor of the Institute of Applied Physics and Materials Engineering at the University of Macau from January 2017 to August 2022. Mr. Li graduated from Zhejiang University, China with a bachelor's degree in structure engineering in 1982. Mr. Li further obtained his master of science in December 1990 and his Ph.D. in December 1993 from Northwestern University, United States of America.

Mr. Li is a fellow of the American Concrete Institute and was a member of the Hong Kong Institute of Engineers.

Mr. Li has over 34 years of experience in the field of civil and structural engineering and has published 6 books in the area of materials engineering. In August 2008, Mr. Li was appointed as a chief scientist under the National Basic Research Program of China (973 Project). Mr. Li's research project on geopolymer-based structural materials preparation technology was awarded second prize by the PRC Ministry of Education in January 2010. Mr. Li received the Arthur R. Anderson Medal from American Concrete Institute in 2017. In July 2017, Mr. Li retired from the Department of Civil and Environmental Engineering of the Hong Kong University of Science and Technology where he was a professor for 23 years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee Wai Yat, Paco, aged 58, was appointed as our independent non-executive Director on 24 April 2015. From February 2017 to December 2022, Mr. Lee has been the general manager (business development, global frozen and related business) of Thai Union Group Public Company Limited (formerly known as Thai Union Frozen Products Public Company Limited) (Stock Exchange of Thailand code: TU). He was also the non-executive director of Avanti Feeds Limited (listed on the Bombay Stock Exchange and National Stock Exchange of India Limited, ticker: AVANTI/AVANTIFEED) and Pakfood Public Company Limited (Stock Exchange of Thailand code: PPC and delisted in November 2013) from 2012 to 2022.

Mr. Lee has over 40 years of experience in capital markets, corporate finance and management. Mr. Lee graduated from Purdue University in May 1991 with a bachelor of science in management. Mr. Lee obtained his master of business administration from the Sasin Graduate Institute of Business Administration (a joint program between the Kellogg School of management of Northwestern University, the Wharton School of the University of Pennsylvania, and Chulalongkorn University) in Bangkok in March 1993.

Mr. Lee completed the Director Certification Program, Advanced Audit Committee Program and Risk Management Program for Corporate Leaders, held by the Thai Institute of Directors in June 2012, November 2020 and November 2021 respectively. Mr. Lee also completed the CFO Orientation Course (financial and accounting preparation) held by the Stock Exchange of Thailand in March 2021. In 2014, Mr. Lee was awarded the 3rd Best Chief Financial Officer in Thailand by FinanceAsia's annual Best Managed Companies Poll.

Mr. Fok Wai Shun, Wilson, aged 49, was appointed as our independent non-executive Director on 24 April 2015. Mr. Fok has over 24 years of experience in the fields of accounting, investment banking, corporate development and finance. Mr. Fok holds a double bachelor degree in commerce and in laws from the University of Melbourne. Mr. Fok was admitted as a solicitor and barrister of the Supreme Court of Victoria, Australia in 1998 and is a fellow of the Hong Kong Institute of Certified Public Accountants and a member of Certified Public Accountants, Australia.

Mr. Fok previously worked in the assurance and transactions services departments of PricewaterhouseCoopers from 2000 to 2004. From 2004 to 2010, Mr. Fok served in various positions at the investment banking division of Piper Jaffray Asia Limited.

From 2010 to 2014, Mr. Fok served at the corporate finance division of CCB International Capital Limited where his last position was executive director. From 2015 to 2018, he was the managing director of Challenge Capital Management Limited.

From 2018 to 2019 and 2021 to 2023, he was the managing director of Titan Financial Services Limited. From 2019 to November 2020, he was the managing director, co-head, and head of IPO of the corporate finance department of Opus Financial Group. Since May 19, 2023 Mr. Fok has been appointed as an independent non-executive Director and a member of the Audit Committee of Pax Global Technology Limited (Hong Kong Stock code: 327).

Since July 2023 Mr. Fok has joined Kum Shing Group, a private group which specialises in providing civil, building, electrical and mechanical engineering services in the energy infrastructure, transportation infrastructure and government sectors in Hong Kong, as Director – New Venture and Investment where he is principally responsible for developing opportunities for new ventures and business models, as well as leading potential mergers and acquisitions, joint ventures, partnerships, strategic cooperation, and investment initiatives.

Senior Management

Mr. Yeung Tsz Kit, Alban, aged 46, was appointed as the chief financial officer, company secretary, member of the risk management committee and authorised representative of the Company on 31 December 2023.

Prior to joining the Company, Mr. Yeung had been working with a few companies listed on the Stock Exchange. He has over 18 years of extensive experience in the corporate secretarial, auditing, accounting and corporate finance and is currently a Chartered Secretary, a Chartered Governance Professional and a fellow member of both The Chartered Governance Institute and The Hong Kong Chartered Governance Institute. Mr. Yeung received a Master of Corporate Governance from the Hong Kong Metropolitan University (formerly known as the Open University of Hong Kong) in 2018 and a Bachelor of Commerce from University of New South Wales, Australia.

Corporate Governance Practices

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to the shareholders of the Company;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

The Board has committed to maintaining high corporate governance standards.

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

The Company has applied the principles and code provisions as set out in Part 2 of the Corporate Governance Code (the “CG Code”) contained in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

In the opinion of the Directors, throughout the year ended 31 December 2023, the Company has complied with all the code provisions as set out in Part 2 of the CG Code.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Listing Rules.

The specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2023.

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

Board of Directors

The Company is headed by an effective Board which assumes responsibility for its leadership and control and is collectively responsible for promoting the Company’s success by directing and supervising the Company’s affairs. Directors take decisions objectively in the best interests of the Company.

CORPORATE GOVERNANCE REPORT

The Board has a balance of skills, experience, and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The Board currently comprises eleven members, consisting of five executive Directors, two non-executive Directors, and four independent non-executive Directors. The executive Directors, non-executive Directors, and independent non-executive Directors during the year ended 31 December 2023 were as follows:

Executive Directors:

Mr. Choi Hung Nang (*Chairman of the Board and chairman of the Nomination Committee*)

Ms. Choi Kwan Li, Glendy

(Chief Executive Officer, chairman of the Risk Management Committee, and member of the Remuneration Committee)

Mr. Choi Hon Ting, Derek

Mr. Liu Tom Jing-zhi (*Chief Operating Officer and member of the Risk Management Committee*)

Mr. Lao Kam Chi

Non-executive Directors:

Mr. Chan Lewis

Mr. Alain Vincent Fontaine

Independent Non-executive Directors:

Mr. O'Yang Wiley (*Chairman of the Audit Committee and member of the Remuneration Committee and Risk Management Committee*)

Mr. Li Zongjin (*Member of the Audit Committee and Nomination Committee*)

Mr. Lee Wai Yat, Paco (*Member of the Audit Committee and Nomination Committee*)

Mr. Fok Wai Shun, Wilson

(Chairman of the Remuneration Committee and member of the Audit Committee and Risk Management Committee)

The biographical information of the Directors as well as the relationships between the members of the Board are set out under "Biographical Details of Directors and Senior Management" on pages 18 to 22 of this Annual Report.

Chairman and Chief Executive Officer

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

Independent Non-executive Directors

During the year ended 31 December 2023, the Board at all times exceeded the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Non-executive Directors and Directors' Re-election

Code provision B.2.2 of the CG Code stipulates that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

All executive Directors have entered into service agreements with the Company from 27 May 2015 and renewed their service agreements with the Company on 27 May 2018 and 27 May 2021. Each of the non-executive Directors and independent non-executive Directors (except Mr. Alain Vincent Fontaine and Mr. O'Yang Wiley) has entered into a service agreement with the Company for an initial term of three years commencing from 27 May 2015 and renewed his service agreement with the Company for a further period of three years commencing from 27 May 2018 and 27 May 2021. Each of the Directors' appointments is subject to the termination at any time by either party giving to the other not less than three months' notice in writing and retirement by rotation and re-election pursuant to the articles of association of the Company (the "Articles of Association") and the Listing Rules.

Mr. Alain Vincent Fontaine, a non-executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 15 August 2016 and renewed his service agreement with the Company for a further period of three years commencing from 15 August 2019 to 15 August 2022. Mr. O'Yang Wiley, an independent non-executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 1 May 2019 to 1 May 2022. Both Mr. Fontaine and Mr. O'Yang's appointments are subject to termination at any time by either party giving to the other not less than three months' notice in writing and retirement by rotation and re-election pursuant to the Articles of Association and the Listing Rules.

In accordance with the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company, provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election at the annual general meeting of the Company.

In addition, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

Continuous Professional Development of Directors

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

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

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

During the year ended 31 December 2023, all Directors provided to the Company their training records. All Directors participated in continuous professional development exercised by way of attending seminars/conferences/forums organised by professional organisations and keep themselves updated on the roles, functions, and duties of a listed company director. In addition, relevant reading materials including directors' manuals, legal and regulatory updates, and seminar handouts have been provided to the Directors for their reference and studying. The training attended by the Directors is in the areas of corporate governance, regulatory update, financial management, director's duties and responsibilities, environmental, social, and governance, business skills and knowledge, etc. The Company is of the view that all Directors have complied with code provision C.1.4 of the CG Code.

Board Committees

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

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

CORPORATE GOVERNANCE REPORT

Audit Committee

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

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

During the year ended 31 December 2023, the Audit Committee held two meetings to review annual financial results and report in respect of the year ended 31 December 2022, interim financial results and report in respect of the six months ended 30 June 2023, significant issues on the financial reporting and compliance procedures, the effectiveness of the internal control and risk management systems and internal audit function, the scope of work and appointment of the external auditor, arrangements for employees to raise concerns about possible improprieties and to discuss the audit plan for the year ended 31 December 2023 of the Company. The attendance records of the Audit Committee are set out under "Attendance Records of Directors and Committee Members" of this Annual Report.

Remuneration Committee

The Remuneration Committee currently comprises three members, namely, Mr. Fok Wai Shun, Wilson (Chairman) (independent non-executive Director), Ms. Choi Kwan Li, Glendy (executive Director), and Mr. O'Yang Wiley (independent non-executive Director).

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management, reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her remuneration.

During the year ended 31 December 2023, the Remuneration Committee held one meeting to make recommendations to the Board on the remuneration policy and structure of the Company, the remuneration packages of the executive Directors and senior management, and other related matters. The attendance records of the Remuneration Committee are set out under "Attendance Records of Directors and Committee Members" of this Annual Report.

Details of the remuneration of the senior management for the year ended 31 December 2023 are set out in note 8(b) in the "Notes to the Consolidated Financial Statements" of this Annual Report.

Nomination Committee

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

The principal duties of the Nomination Committee include reviewing the Board composition, the Company's board diversity policy (the "Board Diversity Policy") and the Company's director nomination policy (the "Director Nomination Policy"), developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

CORPORATE GOVERNANCE REPORT

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that is necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

During the year ended 31 December 2023, the Nomination Committee held one meeting to review the structure, size and composition of the Board, the independence of the independent non-executive Directors, the Board Diversity Policy and to consider the qualifications of the retiring Directors standing for election at the annual general meeting of the Company. The Nomination Committee considered an appropriate balance of diverse perspectives of the Board is maintained. The attendance records of the Nomination Committee are set out under "Attendance Records of Directors and Committee Members" of this Annual Report.

Risk Management Committee

The Risk Management Committee currently comprises five members, namely, Ms. Choi Kwan Li, Glendy (Chairman) (executive Director), Mr. Liu Tom Jing-zhi (executive Director), Mr. O'Yang Wiley, Mr. Fok Wai Shun, Wilson (independent non-executive Directors) and Mr. Yeung Tsz Kit, Alban (chief financial officer).

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

During the year ended 31 December 2023, the Risk Management Committee held four meetings to review and make recommendations on the adequacy and effectiveness of the Group's risk management and internal control system. The attendance records of the Risk Management Committee are set out under "Attendance Records of Directors and Committee Members" of this Annual Report.

Board Diversity Policy

The Company has adopted the Board Diversity Policy which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size, and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider several aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and regional and industry experience.

The Company aims to maintain an appropriate balance of diverse perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as of the date of this Annual Report:

Category	Female	Male
Board	9.1%	90.9%
Senior Management	0.0%	100.0%
Other employees	15.8%	84.2%
Overall workforce	15.5%	84.5%

The Board had targeted to achieve and had achieved at least 1 (9.1%) female Director and 49 (15.8%) female employees in the Group and considers such gender diversity to be satisfactory. The Board is committed to improving gender diversity in senior management. When the Company needs to appoint an additional senior manager in the future for catering to the needs of the Company's development, the Board will consider to appoint a female senior manager.

The Nomination Committee will continue to identify suitable female candidate(s) to develop a pipeline of potential successors for appointment to the Board on merit against objective criteria to maintain gender diversity in the Board.

Board Independence Evaluation

The Company has established its board independence evaluation mechanism (the "Board Independence Evaluation Mechanism") which sets out the processes and procedures to ensure a strong independent element on the Board as well as allows the Board effectively exercises independent judgment to better safeguard shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximize strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct an annual review of its independence. A board independence evaluation report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended 31 December 2023, all Directors completed the independence evaluation in the form of a questionnaire individually and supplemented by individual interviews. A board independence evaluation report was presented to the Board and the evaluation results were satisfactory.

During the year ended 31 December 2023, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Director Nomination Policy

The Board has delegated its responsibilities and authority for the selection and appointment of Directors to the Nomination Committee.

The Company has adopted the Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to the nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience, and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

CORPORATE GOVERNANCE REPORT

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategies;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 December 2023, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision A.2.1 of the CG Code.

During the year ended 31 December 2023, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Records of Directors and Committee Members

The attendance records of each Director at the Board and Board committee meetings and the annual general meeting of the Company held during the year ended 31 December 2023 are set out in the table below:

Name of Director	Attendance/Number of Meetings					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Annual General Meeting
Mr. Choi Hung Nang	4/4	-	-	1/1	-	1/1
Ms. Choi Kwan Li, Glendy	4/4	4/4	1/1	-	4/4	1/1
Mr. Choi Hon Ting, Derek	4/4	-	-	-	-	1/1
Mr. Liu Tom Jing-zhi	4/4	-	-	-	4/4	0/1
Mr. Lao Kam Chi	4/4	-	-	-	-	0/1
Mr. Chan Lewis	3/4	-	-	-	-	1/1
Mr. Alain Vincent Fontaine	4/4	-	-	-	-	1/1
Mr. O'Yang Wiley	4/4	4/4	1/1	-	4/4	1/1
Mr. Li Zongjin	4/4	3/4	-	1/1	-	0/1
Mr. Lee Wai Yat, Paco	4/4	4/4	-	1/1	-	1/1
Mr. Fok Wai Shun, Wilson	4/4	4/4	1/1	-	4/4	1/1

Apart from regular Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of other Directors during the year ended 31 December 2023.

Directors' Responsibility in Respect of the Financial Statements

Financial Reporting

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023.

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 49 to 53 of this Annual Report.

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

Auditor's Remuneration

An analysis of the fees charged by the external auditor of the Company, in respect of audit services and non-audit services for the year ended 31 December 2023 is set out below:

Service Category	Fees RMB'000
Audit Services	950
Non-audit services: Review on the Group's interim condensed consolidated financial information for the period ended 30 June 2023	300
	1,250

Risk Management and Internal Controls

Role of the Board

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

The Board has reviewed the risk management and internal control systems of the Group and considered them to be effective and adequate and did not note any material deviation during the year ended 31 December 2023. The management has confirmed to the Board, the Audit Committee, and the Risk Management Committee on the effectiveness of the risk management and internal control systems of the Company for the year ended 31 December 2023.

CORPORATE GOVERNANCE REPORT

Framework of the Risk Management and Internal Control Systems

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

Board

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

Audit Committee and Risk Management Committee

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

Management

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

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

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

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

Risk Identification:

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

Risk Assessment:

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

Risk Response:

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

CORPORATE GOVERNANCE REPORT

Risk Monitoring and Reporting:

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

Internal Audit Function

The Group has its internal audit function to conduct the annual review of the effectiveness of the risk management and internal control systems for the year ended 31 December 2023. Such review is conducted annually. The scope of the review was previously determined and approved by the Audit Committee and the Risk Management Committee. Major findings and areas for improvement have been reported to the Audit Committee and the Risk Management Committee. All recommendations from the risk management and internal control review adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Group, therefore, considered that the risk management and internal control systems are effective and adequate.

Whistleblowing Policy

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

Anti-corruption Policy

The Company has in place the Anti-corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company and stakeholders to report any suspected corruption and bribery.

Disclosure Policy

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

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

Company Secretary

Mr. Yeung Tsz Kit, Alban who is also the chief financial officer of the Company, was appointed by the Board as the company secretary of the Company with effect from 31 December 2023. The role of the company secretary is to ensure good information flow within the Board and between the Board and senior management, provide advice to the Board in relation to directors' obligations under the Listing Rules and applicable laws and regulations and assist the Board in implementing corporate governance practices. In accordance with Rule 3.29 of the Listing Rules, the Company has received training information from Mr. Yeung, pursuant to the content of which, the Company confirmed that Mr. Yeung had taken not less than 15 hours of relevant professional training to update his skills and knowledge during the year ended 31 December 2023.

CORPORATE GOVERNANCE REPORT

Shareholders' Rights

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

Procedure for shareholders to convene an extraordinary general meeting

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

Procedures for shareholders to put forward proposals

Shareholders who wish to put forward proposals at general meetings of the Company may achieve so by means of convening an extraordinary general meeting in accordance with the procedures set out in the paragraph above.

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

After the publication of the notice of a general meeting by the Company, according to Article 85 of the Articles of Association, if a shareholder of the Company (other than the person to be proposed) duly qualified to attend and vote at an annual general meeting of the Company wishes to propose a person (the "Candidate") for election as a Director at the general meeting, he/she shall deposit a written notice (the "Notice") at the Company's registered office at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands, its principal place of business in Hong Kong at 7/F, Hing Lung Commercial Building, 68-74 Bonham Strand, Sheung Wan, Hong Kong or at the office of the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. The Notice (a) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (b) must be signed by the shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal information. The period for lodgement of the Notice shall commence on the date after the despatch of the notice of the general meeting and end no later than seven days prior to the date of such general meeting. In order to allow the Company's shareholders to have sufficient time to consider the proposal of election of the Candidate as a Director, shareholders who wish to make the proposal are urged to submit and lodge the Notice as early as practicable before the relevant general meeting.

Procedure for putting forward enquiries

For enquiries about shareholdings, shareholders should direct their enquiries to the Company's branch share registrar, Tricor Investor Services Limited, via its online holding enquiry service at www.tricoris.com, or send an email to is-enquiries@hk.tricorglobal.com or call its hotline at (852) 2980 1333, or go in person to its public counter at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

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

Shareholders' information may be disclosed as required by law.

CORPORATE GOVERNANCE REPORT

Communication with Shareholders and Investors/Investor Relations

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

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

There was no change in the Articles of Association during the year ended 31 December 2023. An up-to-date version of the Company's Memorandum and Articles of Association is also available on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

Shareholders' Communication Policy

The Company has in place a Shareholder Communication Policy. The policy aims to promote effective communication between the Company, shareholders and other stakeholders, and enable shareholders to exercise their rights as shareholders effectively in an informed manner.

The Company has established a number of channels for maintaining an on-going dialogue with its shareholders as follows:

1. Means for shareholders to send enquiries to the Company's share registrar or the Company regarding their shareholdings, corporate governance or other matters
2. Corporate communications (e.g., annual report, interim report, circular, proxy form, etc.)
3. Announcements and other documents published pursuant to the Listing Rules
4. Corporate website (www.dgtechnology.com)
5. General meetings
6. Other investor relations communication platforms (e.g., investor/analyst's briefings, roadshows, media interviews, marketing activities for investors and specialist industry forums, etc.)

The Company recognises the importance of shareholders' privacy and will not disclose shareholders' information without their consents unless required by law.

The Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

Dividend Policy

The Company has adopted a dividend policy (the "Dividend Policy") on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval. Such details have been disclosed in this Annual Report.

CORPORATE GOVERNANCE REPORT

Deed of Non-Competition Undertakings

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

The Company has received a declaration made by the Controlling Shareholders in compliance with the deed of non-competition for the year ended 31 December 2023.

The independent non-executive Directors have conducted a review on the compliance and enforcement of the deed of non-competition by the Controlling Shareholders for the year ended 31 December 2023.

Compliance with the Sanctions Undertaking

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

During the year ended 31 December 2023, the internal control committee of the Company, which members are Mr. Yeung Tsz Kit, Alban (chief financial officer of the Company) and Ms. Ng Po Fung (assistant to the Chief Executive Officer), held a meeting to evaluate the Group from a sanctions risk perspective and to ensure the nature and location of the activities or business, as well as the identity of the counterparties and the products involved, etc., would not violate the Sanctions Undertaking.

REPORT OF THE DIRECTORS

The Directors are pleased to present the Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

Principal Place of Business

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

Principal Activities and Business Review

The principal activities of the Group are manufacturing, distribution, research and development and operating lease of asphalt mixing plants and other equipment and sales of spare parts and modified equipment. The principal activities and other particulars of the subsidiaries are set out in note 15 to the consolidated financial statements. During the year, there was no significant change in the Group's principal activities.

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

Results and Dividends

The loss of the Group for the year ended 31 December 2023 and the state of affairs of the Company and the Group as at 31 December 2023 are set out in the audited consolidated financial statements on pages 54 to 120 of this Annual Report.

The directors of the Company do not recommend the payment of a final dividend in respect of the year ended 31 December 2023 (2022: Nil).

The Directors recommend the payment of a special dividend of HK\$0.07 per ordinary share in respect of the year to shareholders on the register of members on Friday, 31 May 2024. Subject to the passing of the relevant resolution at the forthcoming Annual General Meeting ("AGM") of the Company, the special dividend will be payable on or about Friday, 14 June 2024 in cash in Hong Kong dollars.

Five Year Financial Summary

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

Reserves

Movements in the reserves of the Company and the Group during the year are set out in note 35 to the financial statements and the Consolidated Statement of Changes in Equity respectively.

Non-current Assets

Details of acquisitions and other movements in non-current assets (including property, plant and equipment, leases and intangible assets) during the year are set out in notes 12 to 14 to the consolidated financial statements.

Share Issued in the Year

Details of the movements in share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

REPORT OF THE DIRECTORS

Debentures Issued in the Year

No debentures were issued by the Company during the year ended 31 December 2023.

Pre-Emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2023.

Major Customers and Suppliers

During the year ended 31 December 2023, aggregate sales to the Group's largest and five largest customers accounted for 5.1% (2022: 6.3%) and 21.0% (2022: 24.3%), respectively, of the Group's total revenue for the year.

Aggregate purchases from the Group's largest and five largest suppliers accounted for 3.0% (2022: 4.0%) and 11.4% (2022: 14.2%), respectively, of the Group's total purchases for the year ended 31 December 2023. Aggregate purchases from the Group's largest and five largest subcontractors accounted for 5.7% (2022: 7.1%) and 19.7% (2022: 22.0%), respectively, of the Group's total purchases for the year ended 31 December 2023.

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

Relationship with Employees

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

Directors

The Directors during the year ended 31 December 2023 and up to the date of this Annual Report were:

Executive Directors

Mr. Choi Hung Nang (*Chairman*)
Ms. Choi Kwan Li, Glendy (*Chief Executive Officer*)
Mr. Choi Hon Ting, Derek
Mr. Liu Tom Jing-zhi
Mr. Lao Kam Chi

Non-Executive Directors

Mr. Chan Lewis
Mr. Alain Vincent Fontaine

Independent Non-Executive Directors

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

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

Pursuant to Article 84 of the Articles of Association, Ms. Choi Kwan Li, Glendy, Mr. Liu Tom Jing-zhi, Mr. Lao Kam Chi and Mr. Chan Lewis shall retire from the office by rotation at the forthcoming annual general meeting. All the retiring Directors, being eligible, will offer themselves for re-election.

Biographical Details of Directors and Senior Management

Biographical details of the Directors and the senior management of the Company are set out on pages 18 to 22 of this Annual Report.

Directors' Service Contracts

All executive Directors have entered into service agreements with the Company from 27 May 2015 and renewed their service agreements with the Company on 27 May 2018 and 27 May 2021. Each of the non-executive Directors and independent non-executive Directors (except Mr. Alain Vincent Fontaine and Mr. O'Yang Wiley) has entered into a service agreement with the Company for an initial term of three years commencing from 27 May 2015 and renewed his service agreement with the Company for a further period of three years commencing from 27 May 2018 and 27 May 2021. Each of the Directors' appointments is subject to the termination at any time by either party giving to the other not less than three months' notice in writing and retirement by rotation and re-election pursuant to the Articles of Association and the Listing Rules.

Mr. Alain Vincent Fontaine, a non-executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 15 August 2016 and renewed his service agreement with the Company for a further period of three years commencing from 15 August 2019 and 15 August 2022. Mr. O'Yang Wiley, an independent non-executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 1 May 2019 and renewed his service agreement with the Company for a further period of three years commencing from 1 May 2022. Both Mr. Fontaine's and Mr. O'Yang's appointments are subject to the termination at any time by either party giving to the other not less than three months' notice in writing and retirement by rotation and re-election pursuant to the Articles of Association and the Listing Rules.

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

Directors' Remuneration

Details of the remuneration of the Directors are set out in note 36 to the consolidated financial statements, which are recommended by the Remuneration Committee of the Company with reference to the salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

REPORT OF THE DIRECTORS

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

As at 31 December 2023, the interests or short positions of the Directors, the chief executives of the Company (the "Chief Executives") and their associates in the shares of the Company (the "Shares"), underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

(i) Interests in Shares and underlying shares

Name of Director	Long/Short position	Type of interest	Number of Shares and underlying shares held	Approximate percentage of shareholding in the Company
Mr. Choi Hung Nang	Long	Interest in controlled corporation ⁽¹⁾	345,696,000	54.07%
	Long	Interest of spouse ⁽²⁾	620,000	0.10%
	Long	Beneficial owner	56,216,000	8.79%
Ms. Choi Kwan Li, Glendy	Long	Beneficial owner	4,150,000	0.65%
Mr. Choi Hon Ting, Derek	Long	Beneficial owner	4,150,000	0.65%
Mr. Liu Tom Jing-zhi	Long	Interest in controlled corporation ⁽⁴⁾	13,500,000	2.11%
	Long	Interest of spouse ⁽⁴⁾	150,000	0.02%
	Long	Beneficial owner	2,000,000	0.31%
Mr. Lao Kam Chi	Long	Interest in controlled corporation ⁽⁵⁾	9,000,000	1.41%
	Long	Beneficial owner	2,000,000	0.31%
Mr. Chan Lewis	Long	Beneficial owner	300,000	0.05%
Mr. Li Zongjin	Long	Beneficial owner	300,000	0.05%
Mr. Lee Wai Yat, Paco	Long	Beneficial owner	300,000	0.05%
Mr. Fok Wai Shun, Wilson	Long	Beneficial owner	400,000	0.06%

REPORT OF THE DIRECTORS

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

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

Notes:

- The 345,696,000 Shares were held by Prima DG, which is directly held as to 40% by Mr. Choi Hung Nang. Accordingly, by virtue of the SFO, Mr. Choi Hung Nang is deemed to be interested in all the Shares in which Prima DG is interested.
- The 620,000 Shares were held by his spouse, Ms. Tin Suen Chu. Accordingly, by virtue of the SFO, Mr. Choi Hung Nang is deemed to be interested in all the Shares in which Ms. Tin Suen Chu is interested.
- Each of Mr. Choi Hung Nang, Ms. Choi Kwan Li, Glendy and Mr. Choi Hon Ting, Derek was granted 4,000,000 share options during the year ended 31 December 2018 under the share option scheme of the Company adopted on 6 May 2015 (the "Share Option Scheme") 4,000,000 share options were exercised during the year end 31 December 2021 and 4,000,000 share options were lapsed during the year end 31 December 2023.
- The 13,500,000 Shares were held by Zacks Vroom Investment Company Limited, a company wholly-owned by Mr. Liu Tom Jing- zhi. The 150,000 Shares were held by his spouse, Ms. Thai Vanny. Accordingly, by virtue of the SFO, Mr. Liu is deemed to be interested in all the Shares in which Zacks Vroom Investment Company Limited and Ms. Thai Vanny are interested.
- The 9,000,000 Shares were held by Denmike Investment Company Limited, a company wholly-owned by Mr. Lao Kam Chi. Accordingly, by virtue of the SFO, Mr. Lao is deemed to be interested in all the Shares in which Denmike Investment Company Limited is interested.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2023, none of the Directors, the Chief Executives nor their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2023, so far as known to the Directors, the following interests of 5% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Long/Short position	Type of interest	Number of Shares and underlying shares held	Approximate percentage of shareholding in the Company
Prima DG ¹	Long	Beneficial owner	345,696,000	54.07%
Mr. Choi Hung Nang ¹	Long	Interest in controlled corporation	345,696,000	54.07%
	Long	Interest of spouse	620,000	0.10%
	Long	Beneficial owner	56,216,000	8.79%
Ms. Tin Suen Chu ¹	Long	Interest of spouse	401,912,000	62.86%
	Long	Beneficial owner	620,000	0.10%
Regal Sky Holdings Limited ³	Long	Beneficial owner	48,716,000	7.62%
Ocean Equity Partners Fund L.P. ³	Long	Interest in controlled corporation	48,716,000	7.62%
Ocean Equity Partners Fund GP Limited ³	Long	Interest in controlled corporation	48,716,000	7.62%

Notes:

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

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

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

- Mr. Choi Hung Nang was granted 4,000,000 share options during the year ended 31 December 2016 and 4,000,000 share options during the year ended 31 December 2018 under the Share Option Scheme. 4,000,000 share options were exercised during the year ended 31 December 2021 and 4,000,000 share options were lapsed during the year end 31 December 2023.
- Regal Sky Holdings Limited, a company incorporated under the laws of the British Virgin Islands, is controlled by Ocean Equity Partners Fund L.P., which is an exempted limited partnership registered in the Cayman Islands. The general partner of Ocean Equity Partners Fund L.P. is Ocean Equity Partners Fund GP Limited.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2023, no other interests or short positions in the Shares or underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Share Option Scheme

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

The Board may at its absolute discretion (subject to any conditions as it may think fit) grant options to any employee and director (including executive director, non-executive director and independent non-executive director) of any member of the Group and any other eligible participants (the "Eligible Participants") upon the terms set out in the Share Option Scheme.

The subscription price of a Share payable on the exercise of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price shall at least be the highest of: (i) the nominal value of the Shares; (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a day on which the Stock Exchange is open for the business of dealing in securities ("Business Day"); and (iii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of offer or (where applicable) such price as from time to time adjusted pursuant to the Share Option Scheme. HK\$1.00 is payable by an Eligible Participant on acceptance of an offer of option. The period within which the Shares must be taken up under an option shall be determined by the Board at its absolute discretion and in any event, such period shall not be longer than 10 years from the date upon which any particular option is granted in accordance with the Share Option Scheme. There is no general requirement that an option must be held for any minimum period before it can be exercised.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other schemes of our Group must not in aggregate exceed 10% of the total number of Shares in issue as at the date on which the Shares were listed on the main board of the Stock Exchange on 27 May 2015 (the "Limit"), i.e. 60,000,000 Shares representing approximately 9.38% of the issued Shares as at the date of this Annual Report. Options which have lapsed in accordance with the terms of the Share Option Scheme (or any other schemes of the Group) will not be counted for the purpose of calculating the Limit. Subject to the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Company may refresh the Limit at any time provided that: (i) the Limit as refreshed does not exceed 10% of the Shares in issue as at the date of the approval by the refreshed Limit; (ii) the options previously granted (including those outstanding, cancelled, lapsed in accordance with the provisions of the Share Option Scheme or exercised options) will not be counted for the purpose of calculating the Limit as refreshed; and (iii) a circular containing the information and the disclaimer, respectively required under Rule 17.02(2)(d) and Rule 17.02(4) of the Listing Rules shall be despatched to the shareholders together with the notice of the relevant general meeting. Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme at any time shall not exceed 30% of the Shares in issue from time to time.

The total number of Shares issued and which fall to be issued upon exercise of the options granted under the Share Option Scheme and any other schemes of the Group (including both exercised and outstanding options) to each Eligible Participant in any period of 12 consecutive months up to and including the date of grant of the options shall not exceed 1% of the Shares in issue as at the date of grant of the options.

On 5 June 2018 (the "Date of Grant"), options to subscribe for an aggregate of 23,100,000 Shares were granted to certain Eligible Participants under the Share Option Scheme. The exercise price in respect of each option granted under the Share Option Scheme on 5 June 2018 is HK\$1.12 per share. The adjusted closing price of the Shares immediately before the Date of Grant was HK\$1.12 per Share. There was no Eligible Participant with options granted in excess of the individual limit.

REPORT OF THE DIRECTORS

During the year ended 31 December 2023, none of the above share options was cancelled or exercised while 20,000,000 share options lapsed. No share options has been granted under the Share Option Scheme.

No share option expenses recognised during the year ended 31 December 2023 and 2022.

As at 31 December 2023, there is no outstanding exercisable share option (2022: 20,000,000 outstanding exercisable share option).

The details of share options granted on 5 June 2018 under the Share Option Scheme are set out in the note 28 to the consolidated financial statements.

Particulars and movements of share options granted under the Share Option Scheme during year ended 31 December 2023 were as follows:

Name of Grantee	Date of Grant	Exercise Period	Exercise Price per Share	Outstanding as at 1 January 2023	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding as at 31 December 2023
Directors								
Mr. Choi Hung Nang	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	2,000,000	-	-	(2,000,000)	-
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	2,000,000	-	-	(2,000,000)	-
Ms. Choi Kwan Li, Glendy	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	2,000,000	-	-	(2,000,000)	-
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	2,000,000	-	-	(2,000,000)	-
Mr. Choi Hon Ting, Derek	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	2,000,000	-	-	(2,000,000)	-
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	2,000,000	-	-	(2,000,000)	-
Mr. Liu Tom Jing-zhi	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	1,000,000	-	-	(1,000,000)	-
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	1,000,000	-	-	(1,000,000)	-
Mr. Lao Kam Chi	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	1,000,000	-	-	(1,000,000)	-
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	1,000,000	-	-	(1,000,000)	-
Mr. Alain Vincent Fontaine	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	150,000	-	-	(150,000)	-
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	150,000	-	-	(150,000)	-
Mr. Chan Lewis	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	150,000	-	-	(150,000)	-
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	150,000	-	-	(150,000)	-
Mr. Li Zongjin	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	150,000	-	-	(150,000)	-
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	150,000	-	-	(150,000)	-

REPORT OF THE DIRECTORS

Name of Grantee	Date of Grant	Exercise Period	Exercise Price per Share	Outstanding as at 1 January 2023	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding as at 31 December 2023
Mr. Lee Wai Yat, Paco	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	150,000	-	-	(150,000)	-
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	150,000	-	-	(150,000)	-
Mr. Fok Wai Shun, Wilson	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	200,000	-	-	(200,000)	-
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	200,000	-	-	(200,000)	-
				17,600,000	-	-	(17,600,000)	-
Other employees in aggregate	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	1,200,000	-	-	(1,200,000)	-
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	1,200,000	-	-	(1,200,000)	-
				2,400,000	-	-	(2,400,000)	-
				20,000,000	-	-	(20,000,000)	-

Directors' Interests in Transactions, Arrangements or Contracts

No Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries and a Controlling Shareholder or any of its subsidiaries was a party subsisting during or at the end of the year ended 31 December 2023.

Directors' Interests in Competing Business

During the year ended 31 December 2023 and up to the date of this Annual Report, none of the Directors had an interest in a business, which competes or may compete with the business of the Group under the Listing Rules.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2023.

Equity-linked Agreements

Save for the Share Option Scheme as mentioned above, the Company has not entered into any equity-linked agreements during the year ended 31 December 2023.

Permitted Indemnity Provision

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

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

REPORT OF THE DIRECTORS

Directors' Rights to Acquire Shares or Debentures

Apart from the Share Option Scheme and the exercise of share options as mentioned above, at no time during the year ended 31 December 2023 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company and any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company nor exercised any such right.

Connected Transactions and Continuing Connected Transactions

During the year ended 31 December 2023, the Group had not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of the Listing Rules.

Related Party Transactions

Details of the related party transactions undertaken by the Group during the year ended 31 December 2023 are set out in note 34 to the consolidated financial statements. These related party transactions either did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under the Listing Rules.

Subsequent Events

Save as disclosed in this Annual Report, there were no significant subsequent events after the reporting period of the Group.

Sufficiency of Public Float

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

Auditor

The consolidated financial statements for the year ended 31 December 2023 of the Group have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Choi Hung Nang

Chairman

Hong Kong

28 March 2024

SUSTAINABILITY HIGHLIGHTS

In response to the carbon peak and neutrality goals proposed by the government of the People's Republic of China ("China") and responding to the national call, the Group has taken low-carbon and environmental protection as the core direction of technology and product research and development ("R&D"), and continues to follow its low-carbon emission reduction goals and specific measures for the years from 2022 to 2025. The Group has developed a low-carbon action plan for 2024, which includes the following:

- Continuously increasing training on carbon peak and neutrality goals, environmental protection, and energy-related knowledge
- Introducing Energy Management System Certification to strengthen energy management through more scientific methods and achieve energy conservation and emission reduction
- Continuing efforts to increase the proportion of electric and hybrid vehicles as replacement of fuel vehicles to reduce carbon emissions
- Continuously phasing out and updating energy-intensive and highly polluting equipment and processes

The Group continues to elevate its sustainability strategy and performance to promote a green, healthy and sustainable society. The theme of the Report is "Promoting green road construction, accelerating the journey to carbon neutrality". From responsible governance to green operations, the Report exhibits the Group's sustainability performance, demonstrating its commitment to corporate social responsibility in stakeholder engagement. The Group's efforts have been recognised by various organisations, resulting in the attainment of and obtained relevant certifications.

The sustainability performance is highlighted as follows:

Safe Production

- ISO 45001:2018 Occupational Health and Safety Management System certification
- Zero work fatality rate for 9 consecutive years

Innovative and Green Manufacturing

- Application of geothermal heat pumps in the Research and Development Centre
- Upgrade water efficiency equipment to prevent water leakage
- Install new hazardous waste treatment facilities to improve hazardous waste management
- Monitor environmental performance by deploying industrial robots, smart meters, and computer numerical control
- Conduct energy efficiency upgrades
- Replace some of the axial flow fans used for cooling in the assembly workshop during the summer with industrial fans, which reduced energy consumption and improved the appearance of the workshop

Staff Training

- 139 topics – 59 hours on safety and security, 199.5 hours on professional knowledge, and 178.8 hours on management and operation, including carbon peak and neutrality goals and environmental protection knowledge

Patents and Copyrights

- 225 registered patents – 9 invention patents, 7 design patents and 209 utility model patents
- 28 software patents

SUSTAINABILITY HIGHLIGHTS

Environmental Performance

- 10.38 tCO₂e/RMB'M revenue
- 100% of waste recycled
- 19.8 MWh energy consumption/RMB'M revenue
- Electric vehicles replacing fuel vehicles for approximately 30,000 kilometres of travel, resulting in energy cost savings of around RMB14,000
- Compared to 2022, a total of 642,200 kWh of electricity were saved throughout the year
- Approximately 1 million kWh of electricity were generated through photovoltaic power, with 820,000 kWh being self-consumed
- Energy-saving boilers were used to replace the original high-energy-consuming boilers, resulting in natural gas savings (no energy-saving data is available for the first usage cycle)
- Compared to 2022, water consumption decreased by 3,800 tonnes

Recognition and Awards

Award	Organiser/Organisation
Yongqing County Advanced Enterprise in Party Construction Work Plaque	Working Committee and Management Committee of the Communist Party of China Hebei Yongqing Economic Development Zone
Hebei Province Occupational Health Enterprise Plaque	Health Commission of Hebei Province
Langfang Province Occupational Health Enterprise Plaque	Health Commission of Langfang Province
Yongqing Province Occupational Health Enterprise Plaque	Health Commission of Yongqing Province
InnoESG Prize 2022 – ESG Award	SocietyNext Foundation
Caring Company 2022/2023	The Hong Kong Council of Social Service
Certificate of Enterprise Credit Grade – AAA credit grade	Credit Work Committee of China Association for Small and Medium Commercial Enterprises, China Association for Small and Medium Commercial Enterprises
2022-2023 Outstanding Recycling Equipment Manufacturer	Organising Committee of Green City Construction – Asphalt Pavement Maintenance Technology Forum
Langfang Top 100 Grassroots Party Organisations	Langfang Municipal Committee of the Communist Party of China
2022 EcoChallenger	Federation of Hong Kong Industries, BOCHK
United Nations Sustainable Development Goals Achievement Awards Hong Kong 2023 – Bronze Award	Green Council
Industry Cares Recognition Scheme 2022 – Caring Certificate (5 years +)	The Federation of Hong Kong Industries
World Top 100 (Plus 50) Construction Machinery Manufacturers	T50 Summit of World Construction Machinery Industry, Chinese Journal of Mechanical Engineering
China Top 10 Specialized Construction Machinery Manufacturer	T50 Summit of World Construction Machinery Industry, Chinese Journal of Mechanical Engineering
Innovative Small and Medium – sized Enterprises in Hebei Province	The Department of Industry and Information Technology of Hebei Province
Technology Innovation Demonstration Enterprises in Hebei Province	The Department of Industry and Information Technology of Hebei Province
EPC Engineering Award (Preferred Brand of Engineering Construction Machinery and Equipment)	Beijing International Engineering Procurement Conference and Exhibition Organizing Committee
Hong Kong Green Awards 2023 – “Corporate Green Governance Award – Management System”	Green Council

The full Sustainability Report will be available, together with this Annual Report, on the Group's website.



TO THE SHAREHOLDERS OF D&G TECHNOLOGY HOLDING COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of D&G Technology Holding Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 120, which comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters

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

The key audit matters identified in our audit are summarised as follows:

- Recoverability of trade receivables
- Provision for slow-moving inventories

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Recoverability of trade receivables</p> <p>Refer to Note 4(a) Recoverability of trade receivables and Note 20 Trade and bills receivables to the consolidated financial statements</p> <p>The Group's trade receivables are principally derived from its sales of asphalt mixing plants and spare parts, and operating lease income of asphalt mixing plants.</p> <p>As at 31 December 2023, the Group's gross trade receivables from third party customers amounted to RMB170 million. The Group is exposed to risk of impairment of trade receivables. As at 31 December 2023, the expected credit loss amounted to RMB72 million.</p> <p>Management exercised judgements on estimating the level of expected credit losses by assessing future cash flows of trade receivables including a probability weighted amount determined by evaluating a range of possible outcomes based on rolling historical credit loss experience by aging pattern, credit and settlement history, financial capability of its customers, recent settlements received and the current market situation, and applying them to the receivables held at year end.</p> <p>The impact of economic factors, both current and future, is considered in assessing the likelihood of recovery from customers.</p> <p>We focused on this area because provision for impairment charge may have significant impact on the Group's consolidated statement of profit or loss for the year. Significant judgements and estimations are involved in determining the recoverability of trade receivables and the adequacy of impairment provision.</p>	<p>Our procedures in relation to trade receivables included:</p> <ul style="list-style-type: none">• Understood, evaluated and validated on a sample basis the key controls over the impairment assessment process and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, in particular those over the identification of receivables with different credit risk characteristics and the calculation of provision;• Tested on a sample basis the accuracy of the ageing profile of the trade receivables used to assess the recoverability of receivables;• Assessed the appropriateness of the credit loss provisioning methodologies used by the Group;• Assessed the estimates used to determine the expected credit losses by considering cash collection performance against historical trends and the forward looking factors;• Reviewed minutes of the board of directors' meetings relating to the recoverability of trade receivables if any; and• Discussed with management to understand the nature and the judgment involved in estimating the expected credit loss provision on trade receivables and corroborating with their correspondence with the customers. <p>Based on the work performed, we found that management's assessments of the recoverability of trade receivables are supported by available evidence.</p>

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Provision for slow-moving inventories</p> <p>Refer to Note 4(b) Provision for slow-moving inventories and Note 19 Inventories to the consolidated financial statements</p> <p>At 31 December 2023, the carrying value of the Group's inventories amounted to RMB212 million, which represented approximately 27% of the Group's total assets. The cost of inventories may not be recoverable if they are aged and damaged, or become obsolete, or if their selling prices have declined.</p> <p>Management applied a provision methodology for slow-moving inventories based on inventory ageing profiles, historical utilisation rates and committed sales orders and made general provision for long aged inventories and specific provision for inventories identified as not utilisable.</p> <p>We focused on this area due to the magnitude of the inventory balances to the financial position of the Group. Significant judgements and estimations are involved in determining the adequacy of provision for slow-moving inventories.</p>	<p>Our procedures in relation to inventories included:</p> <ul style="list-style-type: none">• Understood and validated the control procedures performed by management, including its periodic review on inventory obsolescence and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors;• Observed management's inventory counts to identify whether there are any damaged or obsolete inventories;• Tested on a sample basis the accuracy of the ageing profile of individual inventory item by checking to the relevant good receipt documents;• Tested on a sample basis the subsequent usage or sales of selected inventory items, obtained through the usage or sales reports generated subsequent to the year end as a basis to identify inventory obsolescence. We discussed with management their assessment on estimated future utilisation, corroborated explanations with the inventory ageing, sales orders and marketability of the finished goods; and• Evaluated management's basis for the general and specific inventory provision, the appropriateness of management's provision methodology and the outcome of management's estimations, analysis made by management and methodology applied to identify inventories that were not usable. <p>Based on the work performed, we found that management's assessment on provision for slow-moving inventories as at 31 December 2023 is supported by available evidence.</p>

Other Information

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

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

INDEPENDENT AUDITOR'S REPORT

Other Information (Continued)

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Chun Wah, Ryan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Revenue	5	277,861	345,387
Cost of sales	7	(192,597)	(241,526)
Gross profit		85,264	103,861
Other income and other gains, net	6	7,509	5,678
Distribution costs	7	(73,240)	(77,594)
Administrative expenses	7	(63,211)	(62,401)
Net reversal of provision for/(provision for) impairment losses on financial assets	7	11,299	(29,769)
Operating loss		(32,379)	(60,225)
Finance income, net	9	10,552	14,940
Share of profit of an associate	16	1,997	1,379
Loss before income tax		(19,830)	(43,906)
Income tax (expense)/credit	10	(4,034)	3,118
Loss attributable to owners of the Company for the year		(23,864)	(40,788)
Loss per share attributable to owners of the Company for the year			
– basic (RMB cents)	11	(3.73)	(6.38)
– diluted (RMB cents)	11	(3.73)	(6.38)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
Loss for the year	(23,864)	(40,788)
Other comprehensive income:		
<i>Item that may be reclassified to profit or loss:</i>		
Currency translation differences	1,651	5,888
Other comprehensive income for the year, net of tax	1,651	5,888
Total comprehensive loss attributable to owners of the Company for the year	(22,213)	(34,900)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	103,582	109,423
Intangible assets	14	2,147	2,892
Investment in an associate	16	62,256	60,259
Deferred tax assets	26	12,258	14,418
Financial asset at fair value through profit or loss	18	–	19,040
Total non-current assets		180,243	206,032
Current assets			
Inventories	19	211,933	223,885
Trade and bills receivables	20	96,557	124,827
Prepayments, deposits and other receivables	21	84,355	56,533
Income tax receivables		–	258
Financial asset at fair value through profit or loss	18	19,760	–
Pledged bank deposits	22	22,625	44,777
Cash and cash equivalents	22	161,654	199,942
Total current assets		596,884	650,222
Non-current assets classified as assets held for sale	23	–	1,844
Total assets		777,127	858,098
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	5,059	5,059
Other reserves		566,946	578,634
Retained earnings		31,517	42,042
Total equity		603,522	625,735

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	13	661	1,085
Deferred tax liabilities	26	4,500	4,500
Total non-current liabilities		5,161	5,585
Current liabilities			
Borrowings	24	909	11,506
Trade and other payables	25	106,370	140,146
Contract liabilities	25	58,165	73,878
Lease liabilities	13	899	1,248
Income tax payable		2,101	–
Total current liabilities		168,444	226,778
Total liabilities		173,605	232,363
Total equity and liabilities		777,127	858,098

The consolidated financial statements on pages 54 to 120 were approved by the Board of Directors on 28 March 2024 and signed on its behalf.

Choi Hung Nang
Director

Choi Kwan Li, Glendy
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company							Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	
Balance at 1 January 2022	5,059	433,689	65,290	13,339	46,614	20,083	83,116	667,190
Comprehensive loss:								
Loss for the year	-	-	-	-	-	-	(40,788)	(40,788)
Other comprehensive income:								
Currency translation differences	-	-	-	-	-	5,888	-	5,888
Total comprehensive income/(loss)	-	-	-	-	-	5,888	(40,788)	(34,900)
Transactions with owners in their capacity as owners								
Transfer to statutory reserve	-	-	-	-	286	-	(286)	-
Dividend paid	-	(6,555)	-	-	-	-	-	(6,555)
Total transactions with owners	-	(6,555)	-	-	286	-	(286)	(6,555)
Balance at 31 December 2022	5,059	427,134	65,290	13,339	46,900	25,971	42,042	625,735
Balance at 1 January 2023	5,059	427,134	65,290	13,339	46,900	25,971	42,042	625,735
Comprehensive loss:								
Loss for the year	-	-	-	-	-	-	(23,864)	(23,864)
Other comprehensive income:								
Currency translation differences	-	-	-	-	-	1,651	-	1,651
Total comprehensive loss	-	-	-	-	-	1,651	(23,864)	(22,213)
Transactions with owners in their capacity as owners								
Transfer to retained earnings in relation to share option scheme	-	-	-	(13,339)	-	-	13,339	-
Total transactions with owners	-	-	-	(13,339)	-	-	13,339	-
Balance at 31 December 2023	5,059	427,134	65,290	-	46,900	27,622	31,517	603,522

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	31(a)	(52,815)	14,149
Income tax refund/(paid)		670	(1,673)
Net cash (used in)/generated from operating activities		(52,145)	12,476
Cash flows from investing activities			
Payments for purchases of intangible assets	14	–	(528)
Payments for purchases of property, plant and equipment		(839)	(2,629)
Proceeds from disposal of property, plant and equipment	31(c)	266	10
Proceeds from disposal of non-current assets classified as assets held for sale		2,402	1,040
Interest received	9	4,301	5,325
Net cash generated from investing activities		6,130	3,218
Cash flows from financing activities			
Proceeds from borrowings	31(b)	4,520	–
Repayments of borrowings	31(b)	(15,377)	(9,068)
Principal elements of lease payments	31(b)	(1,680)	(1,398)
Release of/(addition of) restricted bank deposits pledged for borrowings		20,187	(1,966)
Dividend paid		–	(6,555)
Interest paid	9	(510)	(365)
Net cash generated from/(used in) financing activities		7,140	(19,352)
Net decrease in cash and cash equivalents		(38,875)	(3,658)
Cash and cash equivalents at beginning of the year		199,942	199,644
Exchange gain on cash and cash equivalents		587	3,956
Cash and cash equivalents at end of the year	22	161,654	199,942

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

The Company and its subsidiaries (together, the “Group”) are principally engaged in manufacturing, distribution, research and development of asphalt mixing plants, other asphalt specialty equipment 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 on 27 May 2015.

The 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 (“HKFRSs”) and the 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 HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) New and amended standards adopted by the Group

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

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

The adoption of the above new and amended standards did not have any significant financial impact on these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Basis of preparation (Continued)

(b) New standards and interpretations not yet adopted

Certain amended standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Currency risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

As at 31 December 2023, certain RMB denominated cash and deposits were held by Hong Kong group entities, the functional currency of which is HK\$ (2022: same). If RMB had strengthened/weakened by 5% (2022: 5%) against HK\$ with all other variables held constant, the post-tax loss for the year would have been RMB326,000 lower/higher (2022: RMB80,000), mainly as a result of foreign exchange gains/losses on these RMB denominated cash and deposits.

The currency risk on assets and liabilities denominated in USD which were mainly held by Hong Kong group entities, the functional currency of which is HK\$, is considered to be minimal as HK\$ is currently pegged to USD (2022: Same).

The currency risk on assets and liabilities denominated in EUR, PKR and SGD is considered to be minimal as the Group had limited EUR, PKR and SGD denominated assets and liabilities (2022: Same).

The currency risk on assets and liabilities denominated in HK\$ which were held by People Republic of China ("PRC" or "Mainland China") group companies, the functional currency of which is RMB, is considered to be minimal as these group companies had limited HK\$ denominated assets and liabilities (2022: Same).

Exchange reserve is resulted from the translation of financial positions of entities with functional currency. The Group is primarily exposed to HK\$/RMB exchange rates. The sensitivity of exchange rate of HK\$ is as follows:

	2023 RMB'000	2022 RMB'000
Exchange rate of HK\$ against RMB		
– strengthened by 3% (2022: 9%)	1,334	9,052
– weakened by 3% (2022: 9%)	(1,334)	(9,052)

(ii) Cash flow interest rate risk

As at 31 December 2023 and 2022, all bank borrowings of the Group were at floating rates. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank deposits held at variable rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow interest rate risk (Continued)

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

As at 31 December 2023, if interest rates on borrowings had been 100 basis points higher/lower, with all other variables held constant, post-tax loss for the year would have been RMB2,000 higher/lower (2022: RMB96,000), mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk of the Group mainly arises from deposits with banks and financial institutions, as well as credit exposures to customers such as trade receivables and other receivables.

The carrying amount of these balances in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

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

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

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

As at 31 December 2023, the top 5 trade receivable balances account for 35% (2022: 22%) of the Group's total year end gross trade receivable balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment of financial assets

The Group has the four types of financial assets that are subject to HKFRS 9's expected credit loss model:

- Trade and bills receivables
- Other receivables and deposits excluding prepayments, deferred expenses in relation to value-added tax receivables
- Pledged bank deposits and cash and cash equivalents
- Amount due from a joint venture

While cash and cash equivalents and pledged bank deposits are subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining trade receivables based on shared credit risk characteristics and days past due and collectively assessed for likelihood of recovery, taking into account the customers' past settlement pattern, existing market conditions as well as forward looking estimates at the end of each reporting period. The Group has identified Gross Domestic Product and the annual average exchange rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment of financial assets (Continued)

Trade receivables (Continued)

The following table presents the balances of gross carrying amounts and the loss allowance in respect of trade receivables assessed on individual and collective basis as at 31 December 2023 and 2022:

	Gross carrying amount RMB'000	Weighted average expected credit loss rates	Loss allowance RMB'000
As at 31 December 2023			
Individual basis	44,401	100%	44,401
Collective basis			
Within 1 year	94,862	1%	779
1 to 2 years	3,878	33%	1,289
2 to 3 years	2,258	47%	1,069
Over 3 years	24,851	100%	24,851
	170,250		72,389
As at 31 December 2022			
Individual basis	48,951	100%	48,951
Collective basis			
Within 1 year	87,512	2%	1,507
1 to 2 years	46,452	9%	3,999
2 to 3 years	5,876	49%	2,887
Over 3 years	26,344	100%	26,344
	215,135		83,688

The changes in loss allowances for all trade receivables are set out as follows:

	2023 RMB'000	2022 RMB'000
Opening loss allowance as at 1 January	83,688	53,919
(Decrease)/increase in loss allowance recognised in consolidated statement of profit or loss during the year	(11,299)	29,769
At 31 December	72,389	83,688

The movements of impairment losses on trade receivables are presented as net (reversal of provision for)/ provision for impairment losses on financial assets within operating profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment of financial assets (Continued)

Other financial assets at amortised cost

For other financial assets at amortised cost including deposits, other receivables and bills receivables, management considers that their credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The credit risk on these financial assets is assessed by management to be immaterial (2022: same) after considering the financial conditions of these entities. Accordingly, the impairment provision is determined based on the 12-month expected credit loss which is minimal. As at 31 December 2023 and 2022, substantially all of the Group's bank balances are deposited in major financial institutions located in the Mainland China and Hong Kong. Management does not expect any losses from non-performance by these banks.

(c) Liquidity risk

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

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

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

	At 31 December 2023			Carrying amount on consolidated statement of financial position RMB'000
	Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	Total RMB'000	
Borrowings	962	–	962	909
Lease liabilities	952	698	1,650	1,560
Trade and other payables (Note)	102,985	–	102,985	102,985
	104,899	698	105,597	105,454

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	At 31 December 2022			Carrying amount on consolidated statement of financial position RMB'000
	Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	Total RMB'000	
Borrowings	11,616	–	11,616	11,506
Lease liabilities	1,311	1,117	2,428	2,333
Trade and other payables (Note)	130,331	–	130,331	130,331
	143,258	1,117	144,375	144,170

Note: The balance presented above excludes accrued salaries, contract liabilities and other provisions.

The table below summarises the maturity analysis of the Group's bank loans with a repayable on demand clause based on agreed scheduled repayments set out in the loan agreements.

	2023 RMB'000	2022 RMB'000
Within 1 year	909	11,506

Taking into account the Group's financial position, the Directors do not consider that it is probable that the banks will exercise their discretions to demand immediate repayment. The Executive Directors believe that such loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.2 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital by maintaining a net cash position throughout the year and on the basis of its gearing ratio. This ratio is calculated as total borrowings divided by total equity attributable to the owners of the Company. The gearing ratios as at 31 December 2023 and 31 December 2022 are as follows:

	2023 RMB'000	2022 RMB'000
Borrowings (Note 24)	909	11,506
Total equity	603,522	625,735
Gearing ratio	0.2%	1.8%

The gearing ratio decreased from 1.8% as at 31 December 2022 to 0.2% as at 31 December 2023 as a result of the decrease in borrowings during the year ended 31 December 2023.

3.3 Fair value estimation

The directors of the Company determine the appropriate valuation techniques and inputs for fair value measurements of the Group's financial assets at fair value through profit or loss.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 and 2 inputs are not available, the Group engages third party qualified valuers to perform the valuation for financial instruments that are measured at fair value on a recurring basis. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3). The directors of the Company and the senior management team work closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model.

As at 31 December 2023 and 2022, the Group only had a financial asset at fair value through profit or loss measured in Level 3. There were no transfers among the three levels during either of the years ended 31 December 2023 or 2022. For the details of the fair value measurement of the financial asset at fair value through profit or loss, please refer to Note 18.

The directors of the Company consider that the carrying amounts of the Group's financial assets and liabilities including trade and bills receivables, prepayments, deposits and other receivables, amount due from an associate, cash and cash equivalents, pledged bank deposits, trade and other payables, lease liabilities, and borrowings approximate their fair values.

3.4 Offsetting financial assets and financial liabilities

No financial assets and financial liabilities were subject to offsetting, enforceable master netting arrangements and similar agreements as at 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and judgments

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

(a) Recoverability of trade receivables

Provision for expected credit losses is made when the Group will not collect all amounts due. The provision is determined by grouping together trade debtors with similar risk characteristics and collectively or individually assessing them for likelihood of recovery. The provision reflects lifetime expected credit losses i.e. possible default events over the expected life of the trade receivables, weighted by the probability of that default occurring. Judgment has been applied in determining the level of provision for expected credit losses, taking into account the credit risk characteristics of customers and the likelihood of recovery assessed on a combination of collective and individual basis as relevant. While the provision is considered appropriate, changes in estimation basis or economic conditions could lead to a change in the level of provision recorded and consequently on the charge or credit to profit or loss.

(b) Provision for slow-moving inventories

The Group estimates the provision for inventory based on inventory ageing profiles, historical inventory utilisation rates and committed sales orders and made specific and general provision for slow-moving inventories. Provision for inventory is recorded where events or changes in circumstances indicate that the carrying amount of inventories will not be fully realised. The quantification of inventory provision requires the use of estimates and judgement. Where the outcomes are different from the original estimates, such differences will impact the carrying value of inventories and provision for inventory in the years in which such estimates have been changed.

(c) Current and deferred income tax provision

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

Deferred tax assets relating to temporary differences and tax losses are recognised when management expects it is probable that future taxable profits will be available to utilise against the temporary differences or tax losses. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets in the period in which such estimates have been changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment information

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

Revenue consists of the following:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of asphalt mixing plants	184,044	301,644
Sales of spare parts and modified equipment	69,898	36,898
Sales of other asphalt specialty equipment	23,919	6,845
	277,861	345,387
Revenue from contracts with customers recognised – at a point in time	277,861	345,387

(a) Revenue from external customers by country

	2023 RMB'000	2022 RMB'000
Mainland China	200,158	308,472
Outside Mainland China	77,703	36,915
	277,861	345,387

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment information (Continued)

(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:

	2023 RMB'000	2022 RMB'000
Mainland China	122,444	141,066
Outside Mainland China	45,541	50,548
	167,985	191,614

(c) Information about major customer

No customer with whom transactions have exceeded 10% of the Group's revenue for the years ended 31 December 2023 and 2022.

(d) Contract liabilities

The Group recognised the following revenue related contract liabilities as at 31 December 2023:

	2023 RMB'000	2022 RMB'000
Contract liabilities	58,165	73,878

(i) Significant change in contract liabilities

Contract liabilities of the Group mainly represent the advance payments made by customers while the underlying goods or services are yet to be delivered. Contract liabilities decreased as a result of the fluctuation in sales orders with advance payments.

(ii) Unsatisfied performance obligations

During the year ended 31 December 2023, except for RMB13,414,000 (2022: RMB13,586,000) that has not been recognised as revenue, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue.

(iii) Assets recognised from incremental costs to obtain a contract

As at 31 December 2023, no contract assets was recognised (2022: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment information (Continued)

(e) Accounting policies of revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods or rendering of services in the ordinary course of the Group's activity.

Revenue is recognised when or as the control of the good or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset that an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services. Specific criteria where revenue is recognised are described below:

(i) *Sale of goods*

The Group manufactures and sells asphalts mixing plants, spare parts, modified equipment, bitumen, bitumen tanks and equipment. Revenue is recognised when the control of the products are transferred to the customers at a point in time, being products are delivered to and installed at the customers' premises and accepted by the customers, the customers have full discretion over the channel and price to sell the products and the use of the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Accordingly, the risks of obsolescence and loss have been transferred to the customers.

A receivable is recognised when the goods are delivered to and accepted by the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) *Rental income from operating leases*

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

(iii) *Financing components*

The Group adjusts the transaction prices at initial recognition for the time value of money in respect of certain sales of asphalts mixing plants as the Group expects that the period between the transfer of the promised goods to the customer and the payment by the customer exceeds one year. The Group does not adjust the transaction prices for the time value of money in respect of other sale transactions as the Group does not expect the collection of related trade receivables exceeds one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Other income and other gains, net

	2023 RMB'000	2022 RMB'000
Other income		
Government grants (Note)	4,612	4,275
Others	-	16
	4,612	4,291
Other gains, net		
Fair value gain on a financial asset at fair value through profit or loss	720	677
Interest income from a financial asset at fair value through profit or loss	1,132	1,132
Gain on disposal of non-current asset classified as asset held for sale, net of tax	558	1,049
Gain on disposal of property, plant and equipment	261	-
Net foreign exchange loss	(99)	(1,615)
Others	325	144
	2,897	1,387
	7,509	5,678

Note:

The amount mainly represents operating subsidies. There were no unfulfilled conditions or other contingencies attached to these grants.

Government grant relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Expenses by nature

	2023 RMB'000	2022 RMB'000
Cost of inventories (Note 19)	175,212	213,499
Freight and transportation expenses	15,915	11,070
Employee benefit expenses (including directors' emoluments) (Note 8)	73,520	75,269
Depreciation and amortisation (Notes 12 to 14)		
– Other property, plant and equipment	8,774	8,681
– Intangible assets	838	800
Net (reversal of provision for)/provision for impairment losses on trade receivables (Note 3.1(b))	(11,299)	29,769
Provision for impairment of inventories, net (Note 19)	1,973	6,018
Commission to distributors	13,007	24,472
Travelling expenses	6,800	5,103
Marketing expenses	5,673	7,715
Repair and maintenance expenses	7,285	3,436
Auditor's remunerations		
– Audit services	950	1,455
– Non-audit services	300	300
Other expenses	18,801	23,703
Total cost of sales, distribution costs, administrative expenses and net (reversal of provision for)/ provision for impairment losses on financial assets	317,749	411,290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Employee benefit expenses (including directors' emoluments)

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

	2023 RMB'000	2022 RMB'000
Wages, salaries and allowances	61,865	62,903
Pension costs – defined contribution plans (Note)	11,655	12,366
	73,520	75,269

Note:

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

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

Contributions to the MPF Scheme and the PRC Pension Scheme vest immediately. During the years ended 31 December 2022 and 2023, there were no contributions forfeited by the Group on behalf of its employees who leave the plan prior to vesting fully in such contribution, nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 December 2022 and 2023, no forfeited contributions were available for utilisation by the Group to reduce the existing level of contributions.

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

(b) Five highest paid individuals

During the years ended 31 December 2023 and 2022, the five individuals whose emoluments were the highest in the Group for the year included five directors whose emoluments are reflected in the analysis shown in Note 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Finance income, net

	2023 RMB'000	2022 RMB'000
Finance cost		
Interest expenses on bank borrowings	(510)	(365)
Interest expenses on lease liabilities	(91)	(104)
	(601)	(469)
Finance income		
Interest income on bank deposits	4,301	5,320
Interest income from a joint venture (Note 34(a))	-	5
Unwinding discount interest on trade receivables not expected to be settled within one year	6,852	10,084
	11,153	15,409
Finance income, net	10,552	14,940

10 Income tax expense/(credit)

(a) Income tax expense/(credit)

	2023 RMB'000	2022 RMB'000
Current income tax:		
– PRC corporate income tax	1,958	1,158
– Overseas tax	-	72
– Over provision in prior years	(84)	(633)
	1,874	597
Deferred income tax (Note 26)	2,160	(3,715)
	4,034	(3,118)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Income tax expense/(credit) (Continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2023 RMB'000	2022 RMB'000
Loss before tax	(19,830)	(43,906)
Notional tax on loss before tax, calculated at the rates applicable to the jurisdictions concerned (i)	(7,363)	(8,738)
Effect of preferential tax rate (ii)	5,248	2,536
Tax losses and other temporary differences for which no deferred tax asset was recognised	7,223	5,511
Income not subject to tax	(771)	(405)
Additional deduction for qualified research and development expenses (iii)	(2,319)	(2,639)
Withholding tax in respect of dividend declared by a subsidiary in Mainland China (iv)	2,100	1,250
Over provision in prior years	(84)	(633)
	4,034	(3,118)

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 (2022: 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 (2022: Nil).

The Group's Mainland China subsidiaries are subject to PRC corporate income tax rate of 25% (2022: 25%).

- (ii) A wholly-owned subsidiary of the Company, Langfang D&G Machinery Technology Company Limited ("Langfang D&G"), is qualified as a "high new technology enterprise" under the PRC corporate income tax law and relevant regulations and it is entitled to a preferential income tax rate of 15% (2022: 15%).
- (iii) Under the PRC corporate income tax law and relevant regulations, a 100% additional tax deduction is allowed for qualified research and development expenses.
- (iv) The withholding tax rate was 5% on the remittance of dividends from the subsidiary in the Mainland China during the year and unremitted earnings of that subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Loss per share

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

	2023	2022
Loss attributable to owners of the Company (RMB'000)	(23,864)	(40,788)
Weighted average number of ordinary shares in issue	639,408,000	639,408,000
Basic loss per share (expressed in RMB cents per share)	(3.73)	(6.38)

For the years ended 31 December 2023 and 2022, diluted loss per share is the same as basic loss per share as there were no potential dilutive shares.

12 Property, plant and equipment

	Leasehold land RMB'000	Land use right RMB'000	Leased properties RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2023										
Opening net book amount	46,524	4,442	2,249	47,498	2,045	4,133	460	1,662	410	109,423
Additions	-	-	349	-	-	410	513	98	269	1,639
Disposals	-	-	-	-	-	-	-	(5)	-	(5)
Transfers	-	-	-	-	-	535	-	-	(535)	-
Transfers to intangible assets	-	-	-	-	-	-	-	-	(89)	(89)
Depreciation charge for the year	(58)	(131)	(1,537)	(3,520)	(694)	(2,333)	(142)	(359)	-	(8,774)
Exchange differences	1,288	-	12	78	6	-	2	2	-	1,388
Closing net book amount	47,754	4,311	1,073	44,056	1,357	2,745	833	1,398	55	103,582
At 31 December 2023										
Cost	48,153	6,533	4,486	80,827	3,953	28,818	2,030	8,173	55	183,028
Accumulated depreciation and impairment	(399)	(2,222)	(3,413)	(36,771)	(2,596)	(26,073)	(1,197)	(6,775)	-	(79,446)
Net book amount	47,754	4,311	1,073	44,056	1,357	2,745	833	1,398	55	103,582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Property, plant and equipment (Continued)

	Leasehold land RMB'000	Land use right RMB'000	Leased properties RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2022										
Opening net book amount	42,928	4,573	2,304	50,815	559	5,816	506	1,546	1,993	111,040
Additions	-	-	1,241	-	304	399	67	633	631	3,275
Disposals	-	-	-	-	-	(10)	-	-	-	(10)
Transfers	-	-	-	-	1,702	-	-	-	(1,702)	-
Transfers to intangible assets	-	-	-	-	-	-	-	-	(512)	(512)
Depreciation charge for the year	(55)	(131)	(1,315)	(3,554)	(560)	(2,423)	(113)	(530)	-	(8,681)
Exchange differences	3,651	-	19	237	40	351	-	13	-	4,311
Closing net book amount	46,524	4,442	2,249	47,498	2,045	4,133	460	1,662	410	109,423
At 31 December 2022										
Cost	46,856	6,533	4,224	80,714	3,901	27,873	2,009	8,090	410	180,610
Accumulated depreciation and impairment	(332)	(2,091)	(1,975)	(33,216)	(1,856)	(23,740)	(1,549)	(6,428)	-	(71,187)
Net book amount	46,524	4,442	2,249	47,498	2,045	4,133	460	1,662	410	109,423

Depreciation expense of RMB3,840,000 and RMB4,934,000 (2022: RMB3,778,000 and RMB4,903,000) has been charged to "cost of sales" and "administrative expenses", respectively.

As at 31 December 2023, leasehold land, land use right and leased properties amounted to RMB47,754,000, RMB4,311,000 and RMB1,073,000 (2022: RMB46,524,000, RMB4,442,000 and RMB2,249,000), respectively, represented right-of-use assets of the Group upon adoption of HKFRS16.

As at 31 December 2023, leasehold land and buildings with a total net book amount of RMB36,836,000 and RMB5,063,000 were pledged as security for bank loans and bills payables, respectively (2022: RMB36,045,000 and RMB5,949,000) (Notes 24 and 25(ii)).

Land use right with net book amount of RMB4,311,000 represented pieces of land located in the Mainland China with lease periods of 50 years expiring in 2056, which were pledged as security for bills payables as at 31 December 2023 (2022: RMB4,442,000) (Note 25(ii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Property, plant and equipment (Continued)

Depreciation methods and useful lives

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and land use right, the shorter lease term as follows:

Plant and buildings	10 – 20 years
Leasehold improvements	over the shorter of the lease term or 5 years
Machinery	3 – 10 years
Office equipment and furniture	4 – 10 years
Motor vehicles	5 years
Land use right	over the shorter of the lease term or 50 years
Leasehold land	over the lease term

See Note 37.5 for the other accounting policies relevant to property, plant and equipment.

13 Leases

This note provides information for leases where the Group is a lessee.

The Group leases various offices primarily located in Mainland China and Hong Kong. Rental contracts are typically made for fixed periods of 2 to 5 years.

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2023 RMB'000	2022 RMB'000
Right-of-use assets (included in property, plant and equipment (Note 12))		
Land use right (Note)	4,311	4,442
Leasehold land (Note)	47,754	46,524
Leased properties	1,073	2,249
	53,138	53,215
Lease liabilities		
Current	899	1,248
Non-current	661	1,085
	1,560	2,333

Note:

The Group has land lease arrangements in the Mainland China and leasehold land in Hong Kong.

Additions to the right-of-use assets during the year ended 31 December 2023 were RMB800,000 (2022: RMB965,000) (Note 31(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Leases (Continued)

(ii) Amounts recognised in the consolidated statement of profit or loss

Depreciation expenses amounted to RMB1,537,000 (2022: RMB1,315,000), RMB58,000 (2022: RMB55,000) and RMB131,000 (2022: RMB131,000) related to leased properties, leasehold land and land use right respectively were charged to the consolidated statement of profit or loss during the year ended 31 December 2023.

Interest expense in relation to lease liabilities amounted to RMB91,000 (2022: RMB104,000) was charged to the consolidated statement of profit or loss and was included in finance costs.

The total cash outflow for leases for the year ended 31 December 2023 was RMB1,680,000 (2022: RMB1,398,000).

14 Intangible assets

	RMB'000
Year ended 31 December 2022	
Opening net book amount	2,639
Transfers from property, plant and equipment	512
Additions	528
Amortisation charge (Note 7)	(800)
Exchange difference	13
<hr/>	
Closing net book amount	2,892
<hr/>	
At 31 December 2022	
Cost	9,515
Accumulated amortisation	(6,623)
<hr/>	
Net book amount	2,892
<hr/>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Intangible assets (Continued)

	RMB'000
Year ended 31 December 2023	
Opening net book amount	2,892
Transfers from property, plant and equipment	89
Amortisation charge (Note 7)	(838)
Exchange difference	4
Closing net book amount	2,147
At 31 December 2023	
Cost	9,519
Accumulated amortisation	(7,372)
Net book amount	2,147

The Group's intangible assets mainly represent computer software. Amortisation of approximately RMB838,000 (2022: RMB800,000) is included in administrative expenses.

Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

IT development and software 5 – 10 years

See Note 37.7 for the other accounting policies relevant to intangible assets, and Note 37.8 for the Group's policy regarding impairments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Subsidiaries

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

Particulars of the principal subsidiaries as at 31 December 2023 and 2022 are shown as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operations	Legal form	Particulars of issued share capital/paid-in capital	Proportion of equity interest directly held by the Company	Proportion of equity interest held by the Group
Rich Benefit International Limited ("Rich Benefit") (萬利國際有限公司)	The British Virgin Islands	Investment holding	Limited liability	100 shares of US\$1 each (2022: Same)	100% (2022: Same)	100% (2022: Same)
BW Enterprise Company Limited ("BW Enterprise") (百威企業有限公司)	Hong Kong	Investment holding and sales of asphalt mixing plants	Limited liability	HK\$30,000,000 (2022: Same)	– (2022: Same)	100% (2022: Same)
Langfang D&G* (廊坊德基機械科技有限公司)	Mainland China	Manufacture of asphalt mixing plants	Foreign investment enterprise with Limited liability	Registered and paid-in capital of RMB200,000,000 (2022: Same)	– (2022: Same)	100% (2022: Same)
Primach Technology Pte Ltd ("Primach")	Singapore	Sales of asphalt mixing plants	Limited liability	SGD10,000 (2022: Same)	– (2022: Same)	100% (2022: Same)
D&G Machinery Pakistan Co. (Private) Limited	Pakistan	Leasing of asphalt mixing plants	Limited liability	10,000 shares of PAK10 each (2022: Same)	– (2022: Same)	99.98% (2022: Same)
Super Diamond Group Ltd	The British Virgin Islands	Leasing of property	Limited liability	100 shares of US\$1 each (2022: Same)	– (2022: Same)	100% (2022: Same)

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

Except for D&G Machinery Pakistan Co. (Private) Limited, all subsidiaries of the Group are wholly-owned. There was no material non-controlling interest as at 31 December 2023 (2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Investment in an associate

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

	2023 RMB'000	2022 RMB'000
Balance at 1 January	60,259	58,880
Share of profit	1,997	1,379
Balance at 31 December	62,256	60,259

Set out below are the details of the associate of the Group as at 31 December 2023 which, in the opinion of the directors, is material to the Group. The entity listed below has paid-in capital consisting solely of equity interests, which is held indirectly by the Group.

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of relationship	Measurement method	Carrying Amounts 2023 RMB'000	Carrying Amounts 2022 RMB'000
Topp Financial Leasing (Shanghai) Co., Ltd. (拓普融資租賃(上海) 有限公司)	Mainland China	33.33%(2022: Same)	Associate	Equity method	62,256	60,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Investment in an associate (Continued)

Topp Financial Leasing (Shanghai) Co., Ltd. (“Shanghai Topp”)

The tables below present the summarised financial information of Shanghai Topp. The information disclosed reflects the amounts presented in the financial statements of the associate but not the Company’s share of those amounts. They have been amended to reflect the adjustments made when using the equity method, including fair value adjustments and modifications for differences in accounting policies, where necessary.

Summarised statement of financial position

	2023 RMB'000	2022 RMB'000
Current assets		
– Cash and cash equivalents	64,225	65,498
– Other current assets	129,893	131,710
Total current assets	194,118	197,208
Total non-current assets	2,125	2,267
Non-current liabilities	(24)	(1,209)
Current liabilities		
– Financial liabilities (excluding trade payables)	(10,680)	(4,861)
– Other current liabilities	(791)	(14,649)
Total current liabilities	(11,471)	(19,510)
Net assets	184,748	178,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Investment in an associate (Continued)

Topp Financial Leasing (Shanghai) Co., Ltd. (“Shanghai Topp”) (Continued)

Reconciliation to carrying amounts

	2023 RMB'000	2022 RMB'000
Opening net assets as at 1 January	178,756	174,619
Profit for the year ended 31 December	5,992	4,137
Closing net assets	184,748	178,756
Group's equity interest	33.33%	33.33%
Group's share of net assets	61,576	59,579
Fair value gain on retained investment	680	680
Carrying amount as at 31 December	62,256	60,259

Summarised statement of comprehensive income

	For the year ended 31 December 2023 RMB'000	For the year ended 31 December 2022 RMB'000
Revenue	10,164	5,666
Finance cost, net	(505)	(814)
Depreciation and amortisation	(468)	(1,042)
Other operating (expenses)/income	(1,164)	1,712
Income tax expense	(2,035)	(1,385)
Profit and total comprehensive income for the year	5,992	4,137

There were no commitment and contingent liabilities in respect of Shanghai Topp as at 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Financial instruments by category

The Group holds the following financial instruments:

	2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets at amortised cost:		
Trade and bills receivables (Note 20)	96,557	124,827
Deposits and other receivables, excluding prepayments (Note 21)	28,473	14,687
Pledged bank deposits (Note 22)	22,625	44,777
Cash and cash equivalents (Note 22)	161,654	199,942
Financial assets at fair value through profit or loss:		
– Investment in convertible bond (Note 18)	19,760	19,040
	329,069	403,273
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables*	101,560	130,331
Borrowings (Note 24)	909	11,506
Lease liabilities (Note 13)	1,560	2,333
	104,029	144,170

* Excluding non-financial liabilities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Financial asset at fair value through profit or loss

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

	2023 RMB'000	2022 RMB'000
Non-current asset		
Investment in convertible bond	–	19,040
Current asset		
Investment in convertible bond	19,760	–

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

The director of the Company and senior management performed a fair value assessment of the convertible bond as at 31 December 2023 by engaging an independent firm of professionally qualified valuers to perform a valuation of the Issuer using the discounted cash flow model under the income approach. Based on the fair value assessment, the carrying amount of the investment in the convertible bond approximates its fair value.

The key assumptions adopted in the valuation are as follows:

	2023	2022
Gross margin	21%	19%
Expected volatility	39%	39%
Risk-free rate	2%	2%
Discount rate	8%	8%

As at 31 December 2023, increasing/decreasing discount rate by 1% would decrease/increase the fair value of the investment in convertible bond by RMB60,000 and RMB61,000 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Inventories

	2023 RMB'000	2022 RMB'000
Raw materials	57,345	81,367
Work in progress	133,113	138,268
Finished goods	21,475	4,250
	211,933	223,885

The cost of inventories recognised as expense and included in “cost of sales” amounted to approximately RMB175,212,000 (2022: RMB213,499,000). The inventories as at 31 December 2023 and 2022 were stated at the lower of cost and net realisable value. The net provision for impairment of inventories of RMB1,973,000 (2022: RMB6,018,000) has been included in “cost of sales” in the consolidated statement of profit or loss for the year ended 31 December 2023.

Accounting policies for inventories

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

20 Trade and bills receivables

	2023 RMB'000	2022 RMB'000
Trade receivables from third-parties	170,250	215,135
Loss allowance (Note 3.1(b))	(72,389)	(83,688)
Discounting impact	(6,794)	(7,560)
	91,067	123,887
Bills receivables	5,490	940
Total trade and bills receivables	96,557	124,827

Trade receivables under credit sales arrangement are due for payment in accordance with specific payment terms as agreed with individual customers on a case-by-case basis, subject to the fulfilment of conditions as stipulated in the respective sales contracts. Credit terms up to 18 months were generally granted to the Group’s customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Trade and bills receivables (Continued)

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

	2023 RMB'000	2022 RMB'000
Within 1 year	94,862	87,512
1 to 2 years	3,878	46,452
2 to 3 years	31,324	40,789
Over 3 years	40,186	40,382
	170,250	215,135

The carrying amounts of the Group's gross trade receivables were denominated in the following currencies:

	2023 RMB'000	2022 RMB'000
RMB	169,922	214,737
PKR	328	398
	170,250	215,135

The carrying amounts of the Group's bills receivables were all denominated in RMB.

(i) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment. See Note 37.12 for a further information for the Group's accounting for trade receivables and Note 37.10.4 and Note 3.1(b) for a description of the Group's impairment policies.

(ii) Fair values of trade and bills receivables

The carrying amounts of trade and bills receivables approximated their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Trade and bills receivables (Continued)

(iii) Impairment and risk exposure

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Information about the loss allowance of trade receivables and the Group's exposure to credit risk on trade receivables can be found in Note 3.1(b).

The creation and release of loss allowance has been disclosed in the consolidated statement of profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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

21 Prepayments, deposits and other receivables

	2023 RMB'000	2022 RMB'000
Current:		
Prepayments to suppliers	55,882	41,846
Other receivables and deposits	28,473	14,687
Total prepayments, deposits and other receivables	84,355	56,533

The carrying amounts of deposits and other receivables approximated their fair values.

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

	2023 RMB'000	2022 RMB'000
RMB	78,506	53,761
HK\$	987	2,682
USD	31	30
Others	4,831	60
	84,355	56,533

Information about the loss allowance of other receivables and deposits and the Group's exposure to credit risk on other receivables and deposits can be found in Note 3.1(b).

The creation and release of loss allowance has been disclosed in the consolidated statement of profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Cash and cash equivalents and pledged bank deposits

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

	2023 RMB'000	2022 RMB'000
Cash at bank and on hand	161,654	199,942
Restricted bank deposits pledged in respect of bank borrowings (Note 24)	4,614	24,239
Restricted bank deposits pledged in respect of bills payables (Note 25)	18,011	20,538
	22,625	44,777
Total cash and cash equivalents and pledged bank deposits	184,279	244,719

The effective interest rate on bank deposits was 2.33% (2022: 2.17%) per annum.

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

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

	2023 RMB'000	2022 RMB'000
RMB	161,233	198,344
HK\$	2,434	14,783
USD	19,422	25,205
Others	1,190	6,387
	184,279	244,719

Significant restrictions

Bank balances of the Group as at 31 December 2023 amounting to RMB143,687,000 (2022: RMB162,480,000) were placed with certain banks in the Mainland China. The remittance of these balances is subject to the foreign exchange control restrictions imposed by the PRC government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Non-current assets classified as assets held for sale

	2023 RMB'000	2022 RMB'000
Investment in a joint venture (Note (i))	–	1,844

Note:

(i) Investment in a joint venture held for sale

The Group injected capital of RMB1,000,000 into a newly established company, Sichuan Rui Tong De Long New Materials Technology Limited (“Sichuan RTDL”) on 19 June 2019. Sichuan RTDL is principally engaged in sales and leasing of asphalt mixing plants.

On 30 May 2021, the Group entered into an agreement to transfer 50% of equity interest in Sichuan RTDL to the joint venture partner, an independent third party of the Group for a consideration of RMB2,402,000. According to the terms of the agreement, the joint venture partner has waived the Group’s amount due to Sichuan RTDL of RMB500,000. Since the share transfer has not been completed as at 31 December 2022, the investment in a joint venture has been classified as non-current asset classified as held for sale and the carrying amount of the investment in a joint venture of RMB2,344,000 would net-off against the amount due to Sichuan RTDL of RMB500,000.

As at 31 December 2022, Sichuan RTDL was held as to approximately 50% by the Group.

Name of entity	Place of business/ country of incorporation	% of ownership interest	Measurement method	Carrying Amount 2022 RMB'000
Sichuan RTDL (四川瑞通德隆科技 有限公司)	Mainland China	50%	Equity method	–

The directors are of the opinion that Sichuan RTDL is not material to the Group. Accordingly, summarised financial information of Sichuan RTDL is not presented.

On 21 August 2023, the transaction was completed. Gain on disposal of non-current assets classified as assets held for sale, net of tax of RMB558,000 was included in “other gains, net” in the consolidated statement of profit or loss. On 21 August 2023, Sichuan RTDL has been deregistered.

(ii) Non-recurring fair value measurements

Non-current assets classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification. The fair values of the investment in a joint venture and machinery were determined based on the considerations stated in the relevant agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Borrowings

Borrowings are analysed as follows:

	2023 RMB'000	2022 RMB'000
Secured bank loans	909	11,506

As at 31 December 2023 and 2022, all bank borrowings of the Group were at floating rates.

At 31 December 2023, the Group's bank loans were secured by the corporate guarantee provided by the Company, pledged bank deposits and property, plant and equipment (2022: same). Borrowings of RMB909,000 (2022: RMB11,506,000) were secured by the pledged bank deposits of RMB4,614,000 (2022: RMB24,239,000) and property, plant and equipment of RMB36,836,000 (2022: RMB36,045,000).

At 31 December 2023, the Group's borrowings, without considering the repayment on demand clause, were repayable within 1 year.

The carry amounts of the Group's borrowings were denominated in HK\$.

The effective interest rates per annum of the Group's borrowings was 5.96% (2022: 3.30%).

As at 31 December 2023, the Group had undrawn borrowing facilities amounting to RMB47,066,000 (2022: RMB27,461,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 Trade and other payables and contract liabilities

	2023 RMB'000	2022 RMB'000
Current:		
Trade payables (i)	19,839	34,851
Bills payables (i)	60,058	68,780
	79,897	103,631
Amount due to a related party (Note 34(b))	266	281
Other payables and accruals	26,207	36,234
	26,473	36,515
Total trade and other payables	106,370	140,146
Contract liabilities	58,165	73,878
	164,535	214,024

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

	2023 RMB'000	2022 RMB'000
Within 3 months	30,601	40,009
After 3 months but within 6 months	35,052	53,235
After 6 months but within 1 year	12,093	8,147
Over 1 year	2,151	2,240
	79,897	103,631

(ii) As at 31 December 2023, bills payables of RMB60,058,000 (2022: RMB68,459,000) were secured by the Group's pledged bank deposits of RMB18,011,000 (2022: RMB20,538,000), buildings of RMB5,063,000 (2022: RMB5,949,000) and land use right of RMB4,311,000 (2022: RMB4,442,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 Trade and other payables and contract liabilities (Continued)

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

	2023 RMB'000	2022 RMB'000
RMB	130,739	180,055
HK\$	33,641	33,761
Others	155	208
	164,535	214,024

26 Deferred income tax

The analysis of deferred tax assets and liabilities is as follows:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	12,258	14,418
Deferred tax liabilities	4,500	4,500

(a) Deferred tax assets

The balance comprises temporary differences attributable to:

	2023 RMB'000	2022 RMB'000
Provision for impairment of trade receivables	11,651	13,346
Accrued expenses and other payables	3	3
Product warranty provision	105	195
Others	499	874
	12,258	14,418

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Deferred income tax (Continued)

(a) Deferred tax assets (Continued)

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

Deferred tax assets arising from:	Provision for impairment of trade receivables RMB'000	Accrued expenses and other payables RMB'000	Product warranty provision RMB'000	Others RMB'000	Total RMB'000
Balance at 1 January 2022	8,792	86	330	1,495	10,703
Credit/(charge) to profit or loss	4,554	(83)	(135)	(621)	3,715
Balance at 31 December 2022	13,346	3	195	874	14,418
Balance at 1 January 2023	13,346	3	195	874	14,418
Charge to profit or loss	(1,695)	-	(90)	(375)	(2,160)
Balance at 31 December 2023	11,651	3	105	499	12,258

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of RMB32,573,000 (2022: RMB23,312,000) in respect of losses amounting to RMB164,490,000 (2022: RMB123,252,000) that can be carried forward against future taxable income. Total unrecognised tax losses of RMB103,631,000 (2022: RMB91,284,000) can be carried forward indefinitely while unrecognised tax losses of RMB4,146,000, RMB10,522,000, RMB561,000, RMB11,200,000 and RMB28,891,000 will expire in 2024, 2025, 2026, 2027 and 2028 respectively (2022: RMB5,539,000, RMB4,146,000, RMB10,522,000, RMB561,000 and RMB11,200,000 will expire in 2023, 2024, 2025, 2026 and 2027 respectively).

(b) Deferred tax liabilities

The balance comprises temporary differences attributable to:

	2023 RMB'000	2022 RMB'000
Withholding tax on undistributed earnings	4,500	4,500

There is no movement in deferred tax liabilities during the year.

During the year ended 31 December 2023, a PRC subsidiary declared dividends amounted to RMB40,000,000 (2022: RMB25,000,000) out of the undistributed earnings and the Group recognised a withholding tax amounted to RMB2,100,000 (2022: RMB1,250,000).

The PRC corporate income tax law and relevant regulations impose a withholding tax at 5%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings of Mainland China enterprises accumulated from 1 January 2008 to overseas shareholders. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. The Group has not recognised deferred tax liabilities in respect of the undistributed earnings of the Company's Mainland China subsidiaries of approximately RMB260,316,000 at 31 December 2023 (2022: RMB317,343,000) as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these earnings will not be distributed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Share capital

Authorised:

	Number of Ordinary shares of HK\$0.01 each	Nominal value of ordinary shares HK\$
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	2,000,000,000	20,000,000

Issued and fully paid:

	Number of shares (‘000)	Nominal value of ordinary shares HK\$‘000	Nominal value of ordinary shares RMB‘000	Share Premium RMB‘000
At 1 January 2022	639,408	6,395	5,059	433,689
Dividend paid	–	–	–	(6,555)
At 31 December 2022, 1 January 2023 and 31 December 2023	639,408	6,395	5,059	427,134

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

28 Share-based payments

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

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

On 5 June 2018 (the “Date of Grant”), options to subscribe for an aggregate of 23,100,000 shares were granted to certain eligible participants under the Share Option Scheme. The exercise price in respect of each option granted under the Share Option Scheme on the Date of Grant is HK\$1.12 per share. Options will be vested in two tranches on 1 October 2019 and 1 October 2020 if participants are still in employment with the Group on the respective dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Share-based payments (Continued)

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

	Average exercise price in HK\$ per share option	Number of share options (‘000)
At 1 January 2022, 31 December 2022 and 1 January 2023	1.12	20,000
Forfeited	1.12	(20,000)
At 31 December 2023	1.12	–

On 4 June 2023, 20,000,000 outstanding options have been expired. RMB13,339,000 was transferred from share-based payment reserve to retained earnings in the consolidated statement of changes in equity. As at 31 December 2023, there is no outstanding exercisable share option (2022: 20,000,000).

The fair value of the options granted during the year ended 31 December 2018 determined using the binomial valuation model was HK\$1.01 per option. The significant inputs into the model were the share price of HK\$1.12, exercise price shown above, the expected option life of five years, dividend yield of 0% and the risk-free interest rate of 2.21%. No options were granted during the year ended 31 December 2023.

29 Capital and statutory reserves

(a) Capital reserve

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

(b) Statutory reserves

The PRC laws and regulations require companies registered in the Mainland China to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A Mainland China company is required to appropriate an amount of not less than 10% of statutory profits after income tax to statutory surplus reserves, prior to distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretionary surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

30 Dividends

The directors of the Company do not recommend the payment of a final dividend in respect of the year ended 31 December 2023 (2022: Nil).

The directors of the Company have recommended the payment of a special dividend of approximately HK\$0.07 per ordinary share (2022: have not recommended the payment of a dividend) in respect of the year ended 31 December 2023. The proposed special 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 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Note to consolidated statement of cash flows

(a) Cash (used in)/generated from operations

Reconciliation of loss before tax to cash (used in)/generated from operations is as follows:

	Note	2023 RMB'000	2022 RMB'000
Loss before tax		(19,830)	(43,906)
Adjustments for:			
– Depreciation and amortisation	7	9,612	9,481
– Finance costs	9	601	469
– Finance income	9	(11,153)	(15,409)
– Share of profit of an associate	16	(1,997)	(1,379)
– Net (reversal of provision for)/provision for impairment losses on trade receivables	7	(11,299)	29,769
– Provision for impairment of inventories, net	19	1,973	6,018
– Fair value gain on a financial asset at fair value through profit or loss	6	(720)	(677)
– Gain on disposal of non-current asset classified as asset held for sale, net of tax	6	(558)	(1,049)
– Gain on disposal of property, plant and equipment	6	(261)	–
		(33,632)	(16,683)
Changes in working capital:			
– Inventories		10,001	(9,391)
– Trade and other receivables		18,678	43,846
– Restricted bank deposits pledged for bills payables		2,527	7,217
– Trade and other payables and contract liabilities		(50,389)	(12,627)
– Amount due from a joint venture		–	1,787
Cash (used in)/generated from operations		(52,815)	14,149

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Note to consolidated statement of cash flows (Continued)

(b) Liabilities arising from financing activities

	Lease liabilities RMB'000	Borrowings RMB'000
As at 1 January 2022	2,368	19,623
Repayments of borrowings	–	(9,608)
Addition of leases	965	–
Repayment of principal portion of lease liabilities	(1,398)	–
Unwinding discount interest on lease liabilities (Note 9)	104	–
Foreign exchange adjustments	294	1,491
As at 31 December 2022 and 1 January 2023	2,333	11,506
Proceeds from borrowings	–	4,520
Repayments of borrowings	–	(15,377)
Addition of leases	800	–
Repayment of principal portion of lease liabilities	(1,680)	–
Unwinding discount interest on lease liabilities (Note 9)	91	–
Foreign exchange adjustments	16	260
As at 31 December 2023	1,560	909

(c) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2023 RMB'000	2022 RMB'000
Net book amount	5	10
Net gain on disposal of property, plant and equipment	261	–
Total consideration from disposal of property, plant and equipment	266	10
Proceeds from disposal of property, plant and equipment received	266	10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Commitments

- (a) Capital commitments as at 31 December 2023 not provided for in the consolidated financial statements were as follows:

	2023 RMB'000	2022 RMB'000
Contracted for:		
Property, plant and equipment	778	382

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

(b) Operating lease commitments – as lessee

At 31 December 2022 and 2023, the total future minimum lease payments under non-cancellable operating leases not recognised in the consolidated financial statements were as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year	4	4

33 Financial guarantee

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 2023, the Group's maximum exposure to such guarantees was approximately RMB112,771,000 (2022: RMB109,530,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Related party transactions

The Group is controlled by Prima DG Investment Holding Company Limited (incorporated in the British Virgin Islands), which owns approximately 54% of the Company's issued shares. The ultimate controlling party of the Group is Choi Family (Mr. Choi Hung Nang, Ms. Tin Suen Chu, Mr. Choi Hon Ting, Derek and Ms. Choi Kwan Li, Glendy).

(a) Transactions with related parties

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

	2023 RMB'000	2022 RMB'000
Interest income from a joint venture – Sichuan RTDL	–	5

The above transactions were entered at terms mutually agreed with the related parties in the ordinary course of the Group's business.

(b) Year end balances

	Note	2023 RMB'000	2022 RMB'000
Included in other payables: Amounts due to a related party – Entity controlled by Choi Family	(i)	266	281

Note:

(i) As at 31 December 2023 and 2022, the amounts due to a related party were unsecured, interest free and repayable on demand.

(c) Key management compensation

The details of remuneration for key management personnel of the Group are set out in Note 36 and Note 8(b) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Statement of financial position and reserve movement of the Company

	Note	2023 RMB'000	2022 RMB'000
Non-current asset			
Amounts due from subsidiaries		447,904	439,350
Total non-current asset		447,904	439,350
Current assets			
Other receivables		244	241
Cash and cash equivalents		286	256
Total current assets		530	497
Total assets		448,434	439,847
Equity			
Share capital		5,059	5,059
Reserves	(a)	443,375	434,534
		448,434	439,593
Current liabilities			
Other payables		-	254
Total liabilities		-	254
Total equity and liabilities		448,434	439,847

The statement of financial position of the Company was approved by the Board of Directors on 28 March 2024 and signed on its behalf.

Choi Hung Nang

Director

Choi Kwan Li, Glendy

Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Statement of financial position and reserve movement of the Company (Continued)

(a) Reserve movements of the Company

	Share premium RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 31 December 2021 and 1 January 2022	433,689	7,888	13,339	17,771	(62,885)	409,802
Total comprehensive income/(loss) for the year	-	-	-	34,966	(3,679)	31,287
Dividend paid	(6,555)	-	-	-	-	(6,555)
Balance at 31 December 2022	427,134	7,888	13,339	52,737	(66,564)	434,534
Balance at 31 December 2022 and 1 January 2023	427,134	7,888	13,339	52,737	(66,564)	434,534
Total comprehensive income/(loss) for the year	-	-	-	12,127	(3,286)	8,841
Employment share option scheme - Transfer to retained earnings in relation to share option scheme	-	-	(13,339)	-	13,339	-
Balance at 31 December 2023	427,134	7,888	-	64,864	(56,511)	443,375

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking for the year ended 31 December 2023					
	Director's fees RMB'000	Salaries, allowances and benefits in kind (including share-based compensation) RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Choi Hung Nang (<i>Chairman</i>)	174	1,490	-	-	1,664
Mr. Choi Hon Ting, Derek	174	845	-	25	1,044
Ms. Choi Kwan Li, Glendy (<i>Chief Executive Officer</i>)	174	1,490	-	25	1,689
Mr. Liu Tom Jing-zhi	174	933	-	25	1,132
Mr. Lao Kam Chi	174	1,078	-	25	1,277
Non-executive directors					
Mr. Chan Lewis	174	-	-	-	174
Mr. Alain Vincent Fontaine	174	-	-	-	174
Independent non-executive directors					
Mr. Li Zongjin	174	-	-	-	174
Mr. Lee Wai Yat, Paco	174	-	-	-	174
Mr. Fok Wai Shun, Wilson	174	-	-	-	174
Mr. O' Yang Wiley	174	-	-	-	174
	1,914	5,836	-	100	7,850

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking for the year ended 31 December 2022				
	Director's fees RMB'000	Salaries, allowances and benefits in kind (including share-based compensation) RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Choi Hung Nang (<i>Chairman</i>)	165	1,931	–	–	2,096
Mr. Choi Hon Ting, Derek	165	827	–	24	1,016
Ms. Choi Kwan Li, Glendy (<i>Chief Executive Officer</i>)	165	1,455	–	24	1,644
Mr. Liu Tom Jing-zhi	165	973	–	24	1,162
Mr. Lao Kam Chi	165	1,106	–	24	1,295
Non-executive directors					
Mr. Chan Lewis	165	–	–	–	165
Mr. Alain Vincent Fontaine	165	–	–	–	165
Independent non-executive directors					
Mr. Li Zongjin	165	–	–	–	165
Mr. Lee Wai Yat, Paco	165	–	–	–	165
Mr. Fok Wai Shun, Wilson	165	–	–	–	165
Mr. O' Yang Wiley	165	–	–	–	165
	1,815	6,292	–	96	8,203

There were no amounts paid during the year to the directors in connection with their retirement from employment or compensation for loss of office with the Company, or inducement to join (2022: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2022: Nil).

No emoluments were paid or receivable in respect of directors' other services in connection with the management of affairs of the Company or its subsidiary undertakings for the year ended 31 December 2023 (2022: Nil).

There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2022: Nil).

There are no significant transactions, arrangements and contracts relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2022: Same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Summary of other potentially material accounting policies

37.1 Principles of consolidation and equity accounting

37.1.1 *Subsidiaries*

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

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

37.1.2 *Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

37.1.3 *Joint arrangements*

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Investment in a joint venture is accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

37.1.4 *Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The carrying amount of equity-accounted investment is tested for impairment in accordance with the policy described in Note 37.8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Summary of other potentially material accounting policies (Continued)

37.1 Principles of consolidation and equity accounting (Continued)

37.1.5 Changes in ownership interests

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

37.2 Separate financial statements

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

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

37.3 Segment reporting

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

37.4 Foreign currency translation

(a) Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Summary of other potentially material accounting policies (Continued)

37.4 Foreign currency translation (Continued)

(b) Transactions and balances

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

All foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within "other income and other gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

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

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Summary of other potentially material accounting policies (Continued)

37.4 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal

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

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

37.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Land use right is classified as a sub-class of right-of-use assets and presented within property, plant and equipment.

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 37.8). Gains or losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within "other income and other gains, net" in the consolidated statement of profit or loss.

37.6 Construction-in-progress

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost. Cost includes the costs of construction of buildings and the costs of plant and machinery. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated in Note 37.5.

37.7 Intangible assets

Separately acquired intangible assets are recognised at historical cost at the acquisition date. Intangible assets have a finite useful life and are carried at cost less accumulated amortisation and accumulated losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Summary of other potentially material accounting policies (Continued)

37.8 Impairment of non-financial assets

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

37.9 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the consolidated statement of financial position.

37.10 Financial assets

37.10.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Summary of other potentially material accounting policies (Continued)

37.10 Financial assets (Continued)

37.10.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

37.10.3 Measurement of financial assets

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains, net in the period in which it arises.

37.10.4 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost and FVPL. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Summary of other potentially material accounting policies (Continued)

37.11 Offsetting financial instruments

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

37.12 Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment. See Note 37.10.4 and Note 3.1(b) for a description of the Group's impairment policies.

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

37.13 Cash and cash equivalents

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

37.14 Share capital

Ordinary shares are classified as equity.

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

37.15 Trade and other payables

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

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

37.16 Financial guarantee contracts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Summary of other potentially material accounting policies (Continued)

37.17 Borrowings

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

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

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

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

37.18 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

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

37.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Summary of other potentially material accounting policies (Continued)

37.19 Current and deferred income tax (Continued)

(b) *Deferred income tax*

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

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

37.20 Employee benefits

(a) *Defined contribution schemes*

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

(b) *Performance bonus*

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

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

(c) *Employee leave entitlements*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Summary of other potentially material accounting policies (Continued)

37.21 Equity-settled share-based payment transactions

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

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

The total expense is recognised over the vesting period, which is the period over which all of the specific vesting conditions are to be satisfied.

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

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

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

37.22 Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Summary of other potentially material accounting policies (Continued)

37.23 Contingent liabilities

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

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

37.24 Loss per share

(i) Loss per share

Loss per share is calculated by dividing:

- the loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

37.25 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost and financial assets at fair value through other comprehensive income calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Summary of other potentially material accounting policies (Continued)

37.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

37.27 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. For leases of real estate for which the Group is a lessee, the Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased properties may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Summary of other potentially material accounting policies (Continued)

37.27 Leases (Continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of offices and staff quarters are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less.

37.28 Dividend distribution

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