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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1301)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2015	2014	Change
	RMB'000	*RMB'000*	
Revenue	**197,188**	169,559	+16.3%
Gross profit	**79,965**	68,345	+17.0%
Profit for the period	**18,589**	16,561	+12.2%
Profit attributable to equity shareholders of the Company	**18,589**	13,468	+38.0%
Profit attributable to equity shareholders of the Company before listing expenses	**30,389**	13,468	+125.6%
Basic earnings per share (RMB cents)	**4.4**	3.6	
Gross profit margin	**40.6%**	40.3%	+0.3pp
Net profit margin	**9.4%**	9.8%	-1.0pp
Effective tax rate	**21.7%**	17.9%	+3.8pp

The board of directors (the "**Board**") of D&G Technology Holding Company Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2015 together with the comparative figures for the same period of last year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**197,188**	169,559
Cost of sales		**(117,223)**	(101,214)
Gross profit		**79,965**	68,345
Other revenue and net income	*5*	**809**	855
Distribution costs		**(21,289)**	(18,537)
Administrative expenses		**(34,935)**	(29,772)
Profit from operations		**24,550**	20,891
Finance costs	*6(a)*	**(818)**	(714)
PROFIT BEFORE TAXATION	*6*	**23,732**	20,177
Income tax	*7*	**(5,143)**	(3,616)
PROFIT FOR THE PERIOD		**18,589**	16,561
Attributable to:			
Equity shareholders of the Company		**18,589**	13,468
Non-controlling interests		**–**	3,093
		18,589	16,561
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	*8*		
Basic and diluted		**4.4 cents**	3.6 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD		**18,589**	16,561
OTHER COMPREHENSIVE INCOME FOR THE PERIOD THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Exchange differences on translation of financial statements of overseas entities		**(341)**	31
Total comprehensive income for the period		**18,248**	16,592
Attributable to:			
Equity shareholders of the Company		**18,248**	13,499
Non-controlling interests		**–**	3,093
		18,248	16,592

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	**30 June 2015** *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**74,833**	64,555
Lease prepayments		**5,422**	5,488
Trade receivables		**18,546**	23,796
Other non-current assets		**2,230**	1,727
Deferred tax assets		**9,308**	7,960
Total non-current assets		**110,339**	103,526
CURRENT ASSETS			
Inventories	*9*	**146,280**	113,776
Trade and bills receivables	*10*	**350,490**	289,224
Other receivables		**20,376**	48,892
Pledged bank deposits		**11,162**	6,575
Cash and cash equivalents		**304,337**	28,607
Total current assets		**832,645**	487,074
CURRENT LIABILITES			
Loans and borrowings	*11*	**44,405**	162,546
Trade and bills payables	*12*	**122,135**	72,985
Other payables		**36,300**	81,220
Income tax payable		**3,967**	6,769
Total current liabilities		**206,807**	323,520
Net current assets		**625,838**	163,554
NET ASSETS		**736,177**	267,080
EQUITY			
Share capital	*13*	**4,888**	–
Reserves		**731,289**	267,080
TOTAL EQUITY		**736,177**	267,080

Notes

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 11 September 2014 as an exempted company with limited liability under the Companies Law, (Cap.22) (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to the completion of various steps of the group reorganisation, the Company became the holding company of the companies comprising the Group on 31 December 2014.

The Company's shares were listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 May 2015 ("**Listing Date**").

The Group is principally engaged in manufacturing, distribution, research and development of asphalt mixing machinery.

2. BASIS OF PREPARATION

This interim consolidated financial information has been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"), including compliance with Hong Kong Accounting Standard 34 ("**HKAS**"), Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

This interim consolidated financial information has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim consolidated financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The interim financial information is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2014 that is included in the interim consolidated financial information as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contribution*
- Annual improvements to HKFRSs 2010-2012 Cycle
- Annual improvements to HKFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

The amount of each significant category of revenue regonised in revenue is as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of asphalt mixing plants	**174,460**	152,230
Sales of spare parts and provision of equipment modification services	**12,932**	11,980
Operating lease income of asphalt mixing plants	**9,796**	5,349
	197,188	169,559

(b) Segment reporting

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the sales and operating lease of asphalt mixing machinery and other relevant spare parts and provision of equipment modification services.

(i) Information about geographical area

The following tables set out information about the geographical location of the Group's revenue from external customers. The geographical location of revenue is based on the selling location. All specified non-current assets are physically located in the PRC. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment.

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from external customers		
Mainland China	**183,970**	163,599
Outside Mainland China	**13,218**	5,960
	197,188	169,559

5. OTHER REVENUE AND NET INCOME

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other revenue		
Interest income	**434**	415
Government grants	**169**	–
	603	415
Other net income		
Rental income from investment properties, net of direct operating expenses	**–**	677
Net loss on disposal of property, plant and equipment and other non-current assets	**(14)**	(118)
Others	**220**	(119)
	206	440
	809	855

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on loans and borrowings wholly repayable within 5 years	**1,489**	821
Discounted bills interest	**146**	–
Net foreign exchange gain	**(817)**	(107)
	818	714

(b) Staff costs

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries and wages	**20,767**	16,702
Contributions to defined contribution plans	**4,690**	3,925
	25,457	20,627

(c) Other items

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation		
Assets held for use under operating leases	**2,370**	1,580
Other assets	**2,233**	2,419
	4,603	3,999
Amortisation		
Lease prepayments	**65**	100
Intangible assets	**102**	113
	167	213
Operating lease charges	**699**	698
Research and development costs	**3,596**	4,203
Provision of impairment losses of trade receivables	**3,135**	5,607
Cost of inventories[#]	**113,687**	99,218

[#] Cost of inventories includes RMB9,731,000 (six months ended 30 June 2014: RMB7,686,000) related to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7. INCOME TAX

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
Provision for PRC income tax for the period	**7,071**	4,592
Over-provision in prior year	**(580)**	–
Deferred tax	**(1,348)**	(976)
	5,143	3,616

(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.

(ii) No provision for Hong Kong Profits Tax was made for the subsidiaries incorporated in Hong Kong as the subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during each of the six months ended 30 June 2015 and 2014. The payments of dividends by Hong Kong companies are not subject to any withholding tax.

(iii) According to the PRC Corporate Income Tax Law, the Company's PRC subsidiaries are subject to income tax at the statutory rate of 25%.

(iv) According to the PRC Enterprise Income Tax Law and its relevant regulations, entities that are qualified as high-technology enterprises under the tax law are entitled to a preferential income tax rate of 15%. The Company's subsidiary, Langfang D&G Machinery Technology Company Limited ("**LFDG**") obtained the renewal of its high-technology enterprise qualification on 19 September 2014, and completed the filing procedures with Langfang local tax authority on 10 April 2015. Accordingly, LFDG is entitled to preferential income tax rate of 15% for the years from 2014 to 2016.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB18,589,000 (six months ended 30 June 2014: RMB13,468,000) and the weighted average of 421,885,757 ordinary shares (six months ended 30 June 2014: 378,000,000 shares) in issue during the interim period.

The weighted average number of shares in issue during the six months ended 30 June 2015 is based on the assumption that 378,000,000 ordinary shares of the Company are in issue, comprising 8,400 shares in issue and 377,991,600 shares issued pursuant to the capitalisation issue, as if these shares were outstanding throughout the period from 1 January 2015 to the Listing Date, and reflects the weighting of 150,000,000 shares issued under initial public offering, 19,258,000 shares issued under over-allotment and 72,000,000 shares issued pursuant to the capitalisation of shareholder's loans. The weighted average number of shares in issue during the six months ended 30 June 2014 is based on the assumption that 378,000,000 shares of the Company are in issue, comprising 8,400 shares in issue and 377,991,600 shares issued pursuant to the capitalisation issue, as if the shares were outstanding throughout that period.

There were no dilutive potential ordinary shares during the six months ended 30 June 2015 and 2014, and therefore, diluted earnings per share is the same as the basic earnings per share.

9. INVENTORIES

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials	**56,315**	42,624
Work in progress	**52,536**	51,813
Finished goods	**32,309**	15,382
Outsourcing materials	**5,120**	3,957
	146,280	113,776

No inventory provision was made as at 30 June 2015 and 31 December 2014.

10. TRADE AND BILLS RECEIVABLES

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**386,321**	329,248
Less: unrecognised interest income	**(1,060)**	(1,144)
	385,261	328,104
Less: provision for impairment	**(23,022)**	(19,887)
	362,239	308,217
Less: trade receivables due after one year	**(18,546)**	(23,796)
	343,693	284,421
Bills receivables	**6,797**	4,803
	350,490	289,224

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 fulfillment of conditions as stipulated in the respective sales contracts. Customers are normally required to make an upfront payment or deposit based on certain percentage of the product price as agreed on a case by case basis. The remaining sum is usually being settled by way of instalments up to a period of 18 months after the date of delivery of products. Instalment payments with terms more than one year are discounted at a rate which approximates the debtor's borrowing rate in transactions with an independent lender under comparable terms and conditions. For the period ended 30 June 2015 and the year ended 31 December 2014, the weighted average discount rate was approximately 5.25% and 6.15% per annum, respectively. As at 30 June 2015 and 31 December 2014, trade receivables due after one year of RMB18,546,000 and RMB23,796,000 were presented net of unrecognised interest income of RMB167,000 and RMB322,000 respectively.

An ageing analysis based on the billing date of trade receivables, and net of provision for impairment as at the end of reporting period is as follows:

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Less than 3 months	**102,306**	109,260
3 to 6 months	**50,731**	78,019
6 to 12 months	**142,712**	43,485
Over 12 months	**66,490**	77,453
	362,239	308,217

An ageing analysis based on the due date of trade receivables as at the end of reporting period is as follows:

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**227,131**	175,906
Less than 3 months past due	**35,769**	47,138
3 to 12 months past due	**39,246**	33,185
Over 12 months past due	**4,983**	5,051
Total amount past due but not impaired	**79,998**	85,374
Total amount of trade receivables with provision of impairment losses made	**55,110**	46,937
	362,239	308,217

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good payment track records with the Group and did not encounter financial difficulty or fail to fulfill their repayment plan. Based on past experience with these customers and evaluation of their current creditability, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11. LOANS AND BORROWINGS

Loans and borrowings were repayable within one year or on demand and can be analysed as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unsecured bank loans	**16,905**	4,533
Secured bank loans	**27,500**	32,000
Bank loan guaranteed by related parties	**–**	9,459
Shareholder's loans	**–**	116,554
	44,405	162,546

12. TRADE AND BILLS PAYABLES

An ageing analysis of trade and bills payables as at the end of reporting period is as follows:

	30 June	31 December
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**110,358**	40,636
After 3 months but within 6 months	**11,455**	32,014
After 6 months but within 1 year	**322**	335
	122,135	72,985

13. SHARE CAPITAL

(i) Ordinary shares

		At 30 June 2015		At 31 December 2014	
	Par Value	**No. of shares**	***HK$***	No. of shares	*HK$*
	HK$	***'000***	***'000***	*'000*	*'000*
Ordinary shares, issued and fully paid					
At 1 January	0.01	**8**	**–**	–	–
Shares issued	0.01	**–**	**–**	8	–
Capitalisation issue *(Note(ii))*	0.01	**377,992**	**3,780**	–	–
Capitalisation of shareholder's loans *(Note(iii))*	0.01	**72,000**	**720**	–	–
Public offering and over-allotment *(Note(iv))*	0.01	**169,258**	**1,693**	–	–
At 30 June/31 December	0.01	**619,258**	**6,193**	8	–
RMB equivalent *('000)*			**4,888**		–

(ii) Issue of shares upon reorganisation

The Company was incorporated in the Cayman Islands on 11 September 2014 with an authorised share capital of HK$10,000 divided into 1,000,000 shares with a par value of HK$0.01 each and 7,900 shares were allotted and issued by the Company on such date of incorporation.

In connection with the group reorganisation, on 31 December 2014, the Company respectively allotted and issued 300 shares, 100 shares and 100 shares, to Wonderful Investment Holding Company Limited, DY Investment Holding Company Limited and Decai Investment Holding Company Limited at a consideration of HK$6,000,000, HK$2,000,000 and HK$2,000,000, respectively (equivalent to approximately RMB7,888,000 in aggregate).

On 6 May 2015, the Company increased its authorised share capital from HK$10,000 to HK$20,000,000 by the creation of an additional 1,999,000,000 shares.

(iii) Capitalisation issue and capitalisation of shareholder's loans

Pursuant to the written resolution dated 6 May 2015, the Company allotted and issued 377,991,600 shares of HK$0.01 each to the then existing shareholders. This resolution was conditional upon the share premium account being credited as a result of the Company's public offering and pursuant to this resolution, a sum of HK$3,779,916 (equivalent to RMB2,983,866) standing to the credit of the share premium account as of 27 May 2015 was subsequently applied in paying up this capitalisation in full.

Pursuant to the written resolution dated 6 May 2015, the Company also allotted and issued 72,000,000 shares of HK$0.01 each, all credited as fully paid, on the Listing Date, in full repayment of shareholder's loans in the amount of HK$205,862,101 (equivalent to RMB162,507,542). Consequently, HK$720,000 (equivalent to RMB568,368) and HK$205,142,101 (equivalent to RMB161,939,174) were recorded in share capital and share premium, respectively.

(iv) Issue of shares under public offering

On 27 May 2015, the Company issued 150,000,000 shares with a par value of HK$0.01, at a price of HK$2.28 per share by way of public offering to Hong Kong and overseas investors. On 22 June 2015, the over-allotment option was exercised and the Company allotted and issued 19,258,000 shares with a par value of HK$0.01, at a price of HK$2.28 per share. Net proceeds from these issues amounted to RMB288,342,000 (after offsetting expenses directly attributable to the issue of shares of RMB16,241,000), out of which RMB1,336,000 and RMB287,006,000 were recorded in share capital and share premium, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2015, the Group continued to be a leading market player in the road construction and maintenance machinery industry focusing on medium to large scale asphalt mixing plants. The Group provided one-stop customised solutions to the customers in the PRC and overseas markets by specialising in the research and development, design, manufacturing and sale of conventional and recycling asphalt mixing plants.

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

The Recycling Plants of the Group, in addition to producing regular asphalt mixtures, are also able to produce recycled asphalt mixtures which contain a combination of reclaimed asphalt pavement ("**RAP**") and new materials such as bitumen, aggregates and fillers. The designed RAP added capacity of the Recycling Plants ranges from 15% to 60%, representing reduction and savings in the use of new materials during the production of recycled asphalt mixtures. The use of Recycling Plants achieves the objectives of resources recycling and cost saving in the production of asphalt mixtures.

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. During the first half of 2015, the Group continued to participate in the top-tier highways construction and maintenance projects in the PRC. There were 25 (2014: 25) asphalt mixing plants contracts completed by the Group during the period and the asphalt mixing plants were used in major highway construction and maintenance projects such as National Highway 310 Expansion Project (310國道改擴建工程), Jinan-Qingdao Expressway Expansion Project (濟青高速公路改擴建工程), Shiyan-

Tianshui Expressway (十天高速公路), Yinchuan Yellow River Bridge (銀川黃河大橋), Quanzhou City Highway (泉州環城高速公路) and Zhengzhou Port Municipal Project (鄭州港區市政建設). Demand for Recycling Plants from the market and customers continued to grow which resulted in an increase of 18.7% of turnover from sales of Recycling Plants. Revenue from Recycling Plants accounted for 64.2% (six months ended 30 June 2014: 62.0%) of sales of asphalt mixing plants during the period. In addition, the Group continued to develop overseas market and completed projects in Russia and India during the period.

Our operating lease business of asphalt mixing plants continued to develop significantly amid the strong market demand and customised solutions offered to the customers. During the period, the number of asphalt mixing plants under operating leases increased from 5 to 7. The asphalt mixing plants leased by the Group during the period were used in major highways construction and maintenance projects such as the Beijing-HongKong-Macau Expressway Expansion (京港澳高速改擴建), Yuexi-Wuhan Expressway (岳武高速) and Chaozhou-Huizhou Expressway (潮惠高速).

Research and Development

To maintain our position as a leading market player in the road construction and maintenance machinery industry focusing on medium to large scale asphalt mixing plants, we continued to maintain the strong research and development capabilities. As at 30 June 2015, the Group had 40 registered patents (of which 3 were invention patents), 3 pending patent registration and 22 software copyrights.

In addition, the Group continued to cooperate with the Research Institute of Highway, Ministry of Transport (交通運輸部公路科學研究院) and Institute of Tsinghua University, Heibei (河北清華發展研究院) in a number of national technical support projects focusing on the energy saving, emission reduction, environmental protection and recycling aspects of resources recycling. The current research and development projects include "Asphalt Pavement Recycling Technology Equipment and Demonstration" (廢舊瀝青路面再生利用技術裝備及示範) and "Design Optimisation of the Asphalt Mixing Plant Drying System and the Development of New Technologies" (瀝青攪拌站烘乾系統的設計優化和新技術開發). Langfang D&G Machinery Technology Company Limited, the major subsidiary of the Company, qualifies as a high-technology enterprise under the tax law and is entitled to a preferential income tax rate of 15%.

Marketing

The Group placed great emphasis on the marketing and promotion of the brands, products and services offered. The Group developed its sales and marketing platform with its own sales network and distributors in the PRC as well as the overseas markets. The Group continuously offered customised solutions, distinguishing features and highly-reliable products to seize local and global opportunities in the road construction and maintenance industry. During the period, the Group held and participated in various promotional events, exhibitions and technical seminars in the PRC and overseas, such as the Hefei Transport Construction Hot-Mix Recycling Technology Seminar (合肥交建熱再生技術交流會). Project Qatar 2015 which is an important exhibition for Qatar's fast growing construction sector, and CTT Moscow 2015 which is the biggest yearly construction equipment exhibition in Russia.

The Group is also taking advantage of various online platforms including international B2B web platform, mobile website and WeChat platform to better serve the customers and promote the brand, products and services of the Group. All these online platforms are expected to be ready in the second half of the year.

FINANCIAL REVIEW

During the six months ended 30 June 2015, the Group achieved a healthy and solid growth of business as a result of the execution of the strategies for the sustainable growth of the business of the Group. The Group recorded an aggregate turnover of RMB197,188,000 (six months ended 30 June 2014: RMB169,559,000) for the six months ended 30 June 2015, representing an increase of 16.3% as compared to the same period of last year. Gross profit for the period increased from RMB68,345,000 for the six months ended 30 June 2014 to RMB79,965,000 for the six months ended 30 June 2015, representing an increase of 17.0%. Gross profit margin slightly increased 0.3 percentage point from 40.3% to 40.6%. Profit attributable to equity shareholders of the Company was RMB18,589,000 (six months ended 30 June 2014: RMB13,468,000), representing an increase of 38.0% as compared to the same period of last year. Profit attributable to equity shareholders of the Company before listing expenses was RMB30,389,000 (six months ended 30 June 2014: RMB13,468,000), representing an increase of 125.6% as compared to the same period of last year.

	Six months ended 30 June		
	2015	2014	Change
	RMB'000	*RMB'000*	
Sales of asphalt mixing plants	**174,460**	152,230	+14.6%
Sales of spare parts and provision of equipment modification services	**12,932**	11,980	+7.9%
Operating lease income of asphalt mixing plants	**9,796**	5,349	+83.1%
	197,188	169,559	+16.3%

Sales of Asphalt Mixing Plants

	Six months ended 30 June		
	2015	2014	Change
	RMB'000	*RMB'000*	
Turnover	**174,460**	152,230	+14.6%
Gross profit	**68,365**	60,151	+13.7%
Gross profit margin	**39.2%**	39.5%	-0.3pp
Number of contracts	**25**	25	–
Average contract value (RMB'000)	**6,978**	6,089	+14.6%

Turnover from the sales of asphalt mixing plants increased primarily because of the increase in average contract value completed during the period. The demand for large capacity and high degree of customisation of asphalt mixing plants from the customers generally resulted in the increase in the average contract value from RMB6,089,000 to RMB6,978,000 of the projects completed during the period. Gross profit margin continued to maintain at a satisfactory and high level of 39.2% during the period.

By Types of Plants

	Six months ended 30 June		
	2015	2014	Change
	RMB'000	*RMB'000*	
Recycling Plant			
Turnover	**112,062**	94,375	+18.7%
Gross profit	**44,026**	38,638	+13.9%
Gross profit margin	**39.3%**	40.9%	-1.7pp
Number of contracts	**16**	15	+1
Average contract value (RMB'000)	**7,004**	6,292	+11.3%
Conventional Plant			
Turnover	**62,398**	57,855	+7.9%
Gross profit	**24,339**	21,513	+13.1%
Gross profit margin	**39.0%**	37.2%	+1.8pp
Number of contracts	**9**	10	-1
Average contract value (RMB'000)	**6,933**	5,786	+19.8%

Turnover from the sales of Recycling Plants increased by 18.7% which was mainly as a result of increase in average contract value of 11.3% during the period. The increase in average contract value was mainly resulted from the demand for high capacity and high degree of customisation of asphalt mixing plants from customers. Gross profit margin slightly decreased from 40.9% to 39.3% during the period primarily because the gross profit of overseas sales of Recycling Plants were relatively low in order to further penetrate into the India market. Gross profit margin of Recycling Plants sold in the PRC continued to grow from 41.7% and reached 42.0% during the period.

Turnover from the sales of Conventional Plants increased by 7.9% primarily because the average contract value increased significantly during the period. The increase in average contract value was mainly resulted from the demand for high capacity asphalt mixing plants from the customers. Gross profit margin also increased by 1.8 percentage point as benefited from the increase in average contract value.

By Geographical Location

	Six months ended 30 June		
	2015	2014	Change
	RMB'000	*RMB'000*	
PRC			
Turnover	161,566	127,768	+26.5%
Gross profit	66,021	52,139	+26.6%
Gross profit margin	40.9%	40.8%	+0.1pp
Number of contracts	22	20	+2
Average contract value (RMB'000)	7,344	6,388	+15.0%
Overseas			
Turnover	12,894	24,462	-47.3%
Gross profit	2,344	8,012	-70.7%
Gross profit margin	18.2%	32.8%	-14.6pp
Number of contracts	3	5	-2
Average contract value (RMB'000)	4,298	4,892	-12.1%

Turnover from the sales in the PRC increased primarily because of the increase number of contracts as well as the increase in average contract value. Gross profit margin remained high and stable at 40.9%.

Turnover from overseas sales included direct export and indirect export to overseas markets. Such amount decreased mainly because of the decrease in number of contracts completed and the decrease in average contract value during the period. Decrease in the number of contracts completed overseas was mainly because there were seven asphalt mixing plants pending for acceptance from customers or delivery which were recognised as inventory as at 30 June 2015 and recognised as revenue subsequent to the period end date. Gross profit margin decreased by 14.6 percentage points mainly because the Group adopted an aggressive pricing strategy in India in order to further penetrate into this overseas market.

Sales of spare parts and components and provision of equipment modification services

	Six months ended 30 June		
	2015	2014	Change
	RMB'000	*RMB'000*	
Turnover	**12,932**	11,980	+7.9%
Gross profit	**5,340**	4,841	+10.3%
Gross profit margin	**41.3%**	40.4%	+0.9pp

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

Turnover from the sales of spare parts and components and provision of equipment modification services increased healthily during the period. Gross profit margin also further improved by 0.9 percentage point during the period.

Operating lease of asphalt mixing plants

	Six months ended 30 June		
	2015	2014	Change
	RMB'000	*RMB'000*	
Turnover	**9,796**	5,349	+83.1%
Gross profit	**6,260**	3,353	+86.7%
Gross profit margin	**63.9%**	62.7%	+1.2pp
Number of plants held for operating lease	**7**	5	+2

The Group offered operating lease of asphalt mixing plants directly to our customers. The lease contracts entered into with the customers generally had provisions on rental per tonne and minimum production quantity commitment.

Turnover from operating lease of asphalt mixing plants increased significantly primarily because the number of asphalt mixing plants under operating lease contracts increased from 5 to 7 during the period as a result of the strong demand from the customers. The average rental per tonne of asphalt mixture produced was approximately RMB15. Gross profit margin continued to increase and reached 63.9% during the period.

Other Revenue and Net Income

During the six months ended 30 June 2015, other revenue and net income mainly represented bank interest income and government grants.

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 remained stable during the period and represented about 10.8% (2014: 10.9%) of turnover for the six months ended 30 June 2015.

Administrative Expenses

Administrative expenses mainly included staff costs, research and development expenses, professional fees, provision for bad debts and depreciation. Administrative expenses increased by approximately RMB5,163,000 or 17.3%, from RMB29,772,000 for the six months ended 30 June 2014 to RMB34,935,000 for the six months ended 30 June 2015, primarily due to the charge of listing expenses of RMB11,800,000 in the first half of 2015 with respect to the Hong Kong IPO, offset by the decrease in provision of impairment losses of trade receivables of RMB2,472,000. During the period, administrative expenses accounted for 17.7% (six months ended 30 June 2014: 17.6%) of turnover.

Finance Costs

Finance costs mainly included interest expenses on interest-bearing bank loan and borrowings.

Income Tax

The effective tax rate for six months ended 30 June 2015 amounted to 21.7% (six months ended 30 June 2014: 17.9%), mainly because of the preferential income tax rate of 15% entitled by our subsidiary in the PRC as a “high-technology enterprise”. Increase in the effective tax rate was mainly due to listing expenses which were not tax deductible.

Profit Attributable to Equity Shareholders of the Company

Profit attributable to equity shareholders of the Company increased by about 38.0% from RMB13,468,000 for the six months ended 30 June 2014 to RMB18,589,000 for the six months ended 30 June 2015.

Profit attributable to equity shareholders of the Company before listing expenses significantly increased by 125.6% from RMB13,468,000 for the six months ended 30 June 2014 to RMB30,389,000 for the six months ended 30 June 2015.

Working Capital Management

Net current assets of the Group amounted to RMB625,838,000 (31 December 2014: RMB163,554,000) with a current ratio of 4.0 (31 December 2014: 1.5) times as at 30 June 2015. The shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 May 2015 with net proceeds from the global offering of approximately HK$334.4 million (equivalent to approximately RMB263.9 million). The unutilised net proceeds from the global offering placed with banks resulted in the significant increase in net current assets and current ratio as at 30 June 2015.

Inventories increased by RMB32,504,000 from RMB113,776,000 as of 31 December 2014 to RMB146,280,000 as at 30 June 2015. Inventory turnover days was 200 for the six months ended 30 June 2015, representing an increase of 47 days as compared to 153 days for the year ended 31 December 2014. The increase in inventory turnover days was mainly because of increase of finished goods pending for delivery and acceptance by customers.

Trade and bills receivables increased by RMB56,016,000, from RMB313,020,000 as at 31 December 2014 to RMB369,036,000 as at 30 June 2015. Trade and bills receivables turnover days was 311 for the six months ended 30 June 2015, representing an increase of 98 days as compared to 213 days for the year ended 31 December 2014. The increase in trade and bills receivables turnover days was mainly due to the increase in sales and delay in payments from some of our PRC customers due to the slow settlement of government fundings for the PRC road construction and maintenance projects. The Group believes that this was an industry wide phenomenon in the PRC. The Group has credit policy and internal control procedures in place to review and collect the trade receivables in order to improve the collection cycle.

Trade and bills payables increased by RMB49,150,000, from RMB72,985,000 as at 31 December 2014 to RMB122,135,000 as at 30 June 2015. Trade and bills payables turnover days was 150 for the six months ended 30 June 2015, representing an increase of 48 days as compared to 102 days for the year ended 31 December 2014. The increase in trade and bills payables and trade and bills payables turnover days was mainly because of the extended payment to suppliers and subcontractors and the increased use of bills.

Liquidity and Financial Resources

As at 30 June 2015, the Group had cash and cash equivalents of RMB304,337,000 (31 December 2014: RMB28,607,000). In addition, the Group had pledged deposits of RMB11,162,000 (31 December 2014: RMB6,575,000). As at 30 June 2015, the Group had loans and borrowings of RMB44,405,000 (31 December 2014: RMB162,546,000). The gearing ratio, calculated as total loans and borrowings divided by equity attributable to the equity shareholders of the Company, amounted to 6% (31 December 2014: 61%). The decrease in gearing ratio was mainly because of the increase in equity as a result of the unutilised net proceeds from the global offering and the capitalisation of shareholder's loans.

During the six months ended 30 June 2015, the Group recorded a cash outflow from operating activities of RMB9,889,000 (six months ended 30 June 2014: RMB46,436,000). Net cash generated from investing activities amounted to RMB10,381,000 (2014: net cash used of RMB774,000) for the six months ended 30 June 2015. Net cash generated from financing activities for the six months ended 30 June 2015 amounted to RMB275,241,000 (six months ended 30 June 2014: net cash used of RMB6,502,000), which was mainly resulted from the net proceeds from the global offering.

Capital Commitments and Contingent Liabilities

As at 30 June 2015, the Group had no capital commitments in respect of plant, property and equipment.

Certain customers of the Group financed their purchase of the Group's machinery products through finance leases provided by third-party leasing companies. Under the third party leasing arrangement, the Group provided guarantee to the third-party leasing companies that in the event of customer default, the Group is required to make payment to the leasing companies for the outstanding lease payments due from the customer. At the same time, the Group is entitled to repossess and sell the leased machinery, and retain any net proceeds in excess of the guarantee payments made to the leasing companies. As at 30 June 2015, the Group's maximum exposure to such guarantees was RMB12,444,000 (31 December 2014: RMB32,684,000).

Foreign Exchange Risk

The reporting currency of the Group was Renminbi ("**RMB**"). The Group was exposed to foreign exchange risk primarily through sales and purchases which were denominated in a foreign currency including United States dollars and Euros. The appreciation or depreciation of RMB against these foreign currencies would increase or decrease the price of the Group's products which are sold to overseas market and may bring negative or positive impact on the Group's export sales. On the other hand, the appreciation or depreciation of RMB would also decrease or increase the cost of sales of the Group in respect of the purchases of raw material from overseas.

Significant Investments and Material Acquisitions

During the six months ended 30 June 2015, the Group did not have any significant investments or acquisitions.

USE OF PROCEEDS

Net proceeds from the global offering were approximately RMB263.9 million (equivalent to approximately HK$334.4 million), after deducting the underwriting commissions and other listing expenses. The Group intends to apply such proceeds in a manner consistent with the intended use of proceeds as disclosed in the prospectus of the Company. As at 30 June 2015, the unutilised proceeds were deposited in licensed banks in Hong Kong.

As of 30 June 2015, the Group has utilised the net proceeds as set out below:

	Percentage to total amount	**Net proceeds** *RMB'million*	**Utilised amount** *RMB'million*	**Unutilised amount** *RMB'million*
Expansion of the manufacturing facilities				
Acquisition of land	15%	39.6	–	39.6
Development and construction of the manufacturing facilities	25%	65.9	–	65.9
Purchase equipment for the manufacturing facilities	10%	26.4	–	26.4
Research and development	20%	52.8	–	52.8
Development of new business	10%	26.4	–	26.4
Expansion of the sales and distribution networks and promotional activities	10%	26.4	–	26.4
Working capital and general corporate purposes	10%	26.4	–	26.4
	100%	263.9	–	263.9

PROSPECTS

As a one-stop customised solution provider of asphalt mixing plants, the Group is confident that the continuous investment in highway infrastructure in the PRC will strengthen the demand for asphalt mixing plants. In particular, the demand for recycling plants will grow further as a result of the increased mileage of highway due for maintenance, favourable policies by the PRC government as well as the increasing motivation and awareness in recycling in the industry. Moreover, the Group has proven track record in selling asphalt mixing plants and providing customised solutions to customers overseas. With the initiative of "One Belt One Road" by the PRC government, the Group is set to expand overseas market business.

The Group is currently expanding the manufacturing facilities in Langfang to increase the production capacity. It is aimed to complete the expansion of manufacturing facilities in 2016 such that the increased production capacity is able to satisfy the increasing demand of the products in asphalt mixing plants in both PRC and overseas markets. The expansion plan is currently in progress.

The Group has a well-established research and development system to manage technological innovation. Recently, the Group is closely collaborating with its customer, Hunan Road & Bridge Construction Group Co., Ltd., in a large pavement maintenance project at the Hunan Litan section of the main National Shanghai-Kunming Expressway (滬昆高速). The project is deploying the Group's self-developed "drum dryer recycling technology" and is the first asphalt pavement project that adopts environmentally-friendly and low emission hot-mix plant recycling technology in the surface layer, which can bring significant saving in material costs. The recycling technology is used in a section around 88km long and around 35,000 tonnes of recycled asphalt mixtures are produced and paved. After completion and repeated testings, it is proven that the loading capacity, friction performance, rut-resistance, noise reduction and prevention of water penetration of the surface layer using the recycled asphalt mixtures are comparable to the new asphalt mixtures.

The Group is also collaborating with Ganyu Transport Bureau to participate in another large national road improvement project in Lianyungang Ganyu section of National Highway 310 (310國道). The project is deploying the Group's latest monoblock recycling plant to produce a total of 32,000 tonnes recycled asphalt mixtures. The Group expects that hot-mix plant recycling technology will become the trend of medium and large scale maintenance project in the PRC and will provide encouraging return to the Group in the near future.

With the initiative of "One Belt One Road" by the PRC government, the Group is prepared and ready to expand overseas market business. A new brand of asphalt mixing plants and solutions, PRIMACH, tailored for the market in the countries along the path of "One Belt One Road" will be launched in the second half of this year. Customised technology and solutions include simple assembly features, specific structure for convenient transportation and customised capacity and software to fit the needs of customers in these overseas countries. The Group will set up an office in Singapore in the second half of this year which serves as the primary regional office to coordinate and expand the business in this area. In addition, the Group will set up service centres in Russia, Middle East and India in the second half of this year to serve the increasing number of customers across the region. The Group believes that the overseas business will provide a favourable return to the Group and also bring a diversified and healthy revenue mix in the long run.

In addition, the Group has been looking for new business opportunities in the road construction and maintenance industry, in order to further expand the business along the industry. Looking ahead, the Group is confident and optimistic about the prospect of the business and is committed to achieve healthy, sustainable and diversified growth of business in the long run.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, the Group had approximately 427 (31 December 2014: 422) employees. The total staff costs for the six months ended 30 June 2015 amounted to approximately RMB25,457,000 (six months ended 30 June 2014: RMB20,627,000).

The recruitment policy of the Group is based on performance of employee, market conditions, business demands and expansion plans. The Group offered different remuneration packages to the employees based on their position, including 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 provides training to employees on a regular basis. In accordance with the relevant requirements, the Group makes contributions to pension and provided other employees benefits.

The Group has adopted a share option scheme pursuant to which employees may be granted options to subscribe for shares as incentives or rewards for their service rendered to the Group. Since the adoption of the share option scheme and up to 30 June 2015, no option has been granted.

INTERIM DIVIDEND

No interim dividend was proposed by the Board for the six months ended 30 June 2015.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities throughout the period commencing from the Listing Date to 30 June 2015.

CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance practices. The Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout the period commencing from the Listing Date to 30 June 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by Directors. Specific enquiry has been made to all the Directors and all the Directors have confirmed that they have complied with the Model Code throughout the period commencing from the Listing Date to 30 June 2015.

REVIEW OF INTERIM RESULTS

The Company has an audit committee (the "**Audit Committee**") which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises four members, namely Mr. Law Wang Chak, Waltery (Chairman), Mr. Li Zongjin, Mr. Lee Wai Yat, Paco and Mr. Fok Wai Shun, Wilson. All of them are independent non-executive Directors. The interim results of the Group for the six months ended 30 June 2015 have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange and the website of the Company.

The 2015 interim report containing all the information required by the Listing Rules will also be published on the website of the Stock Exchange and the website of the Company and will be despatched to the shareholders of the Company in due course.

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

Hong Kong, 27 August 2015

As of the date of this announcement, the executive directors of the Company are Mr. Choi Hung Nang, Ms. Choi Kwan Li, Glendy, Mr. Choi Hon Ting, Derek, Mr. Liu Tom Jing-zhi, Mr. Lao Kam Chi and Mr. Yu Ronghua; the non-executive director of the Company is Mr. Chan Lewis; and the independent non-executive directors of the Company are Mr. Law Wang Chak, Waltery, Mr. Li Zongjin, Mr. Lee Wai Yat, Paco and Mr. Fok Wai Shun, Wilson.