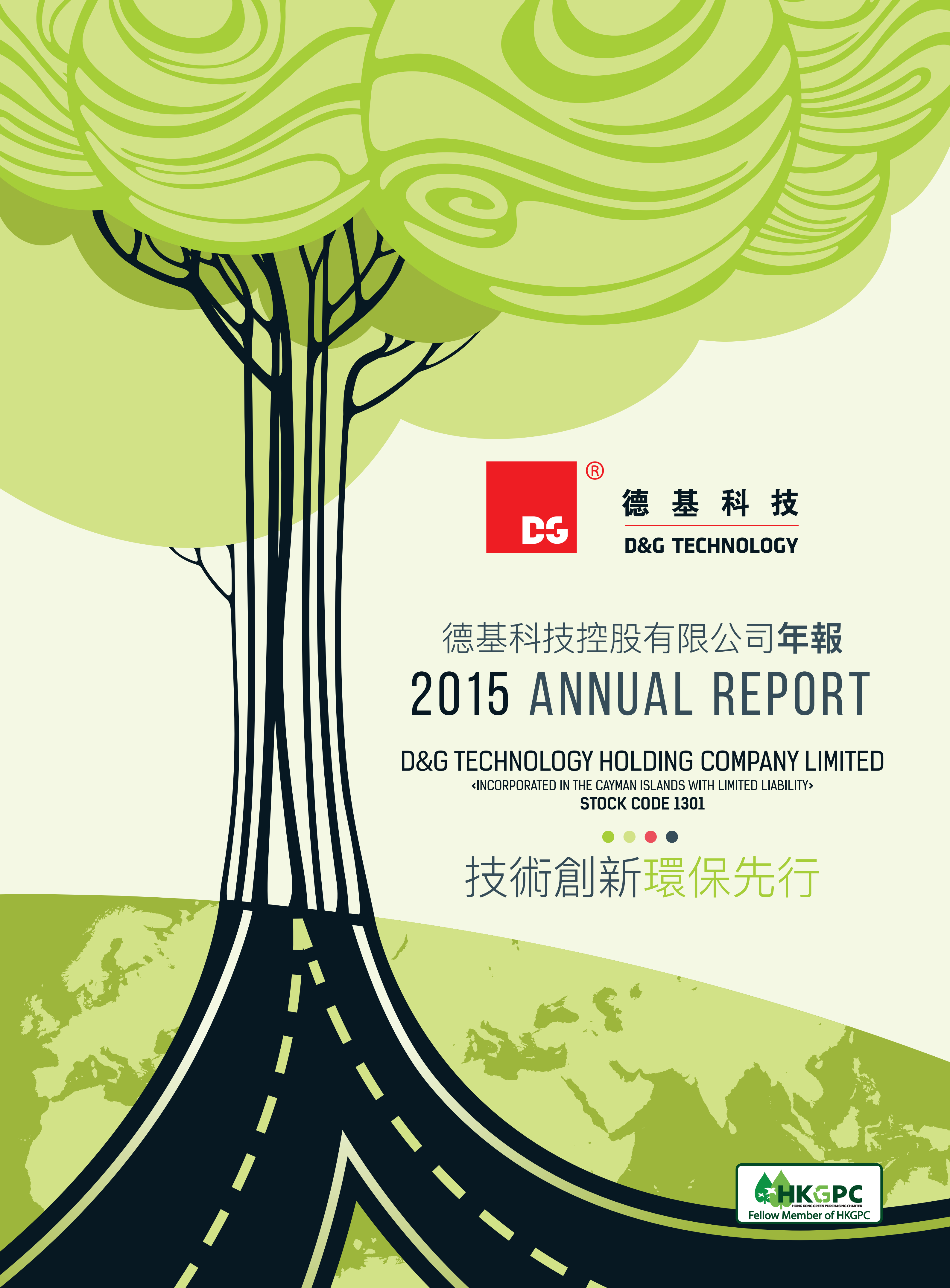

德基科技
D&G TECHNOLOGY

德基科技控股有限公司年報
2015 ANNUAL REPORT

D&G TECHNOLOGY HOLDING COMPANY LIMITED

<INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY>

STOCK CODE 1301

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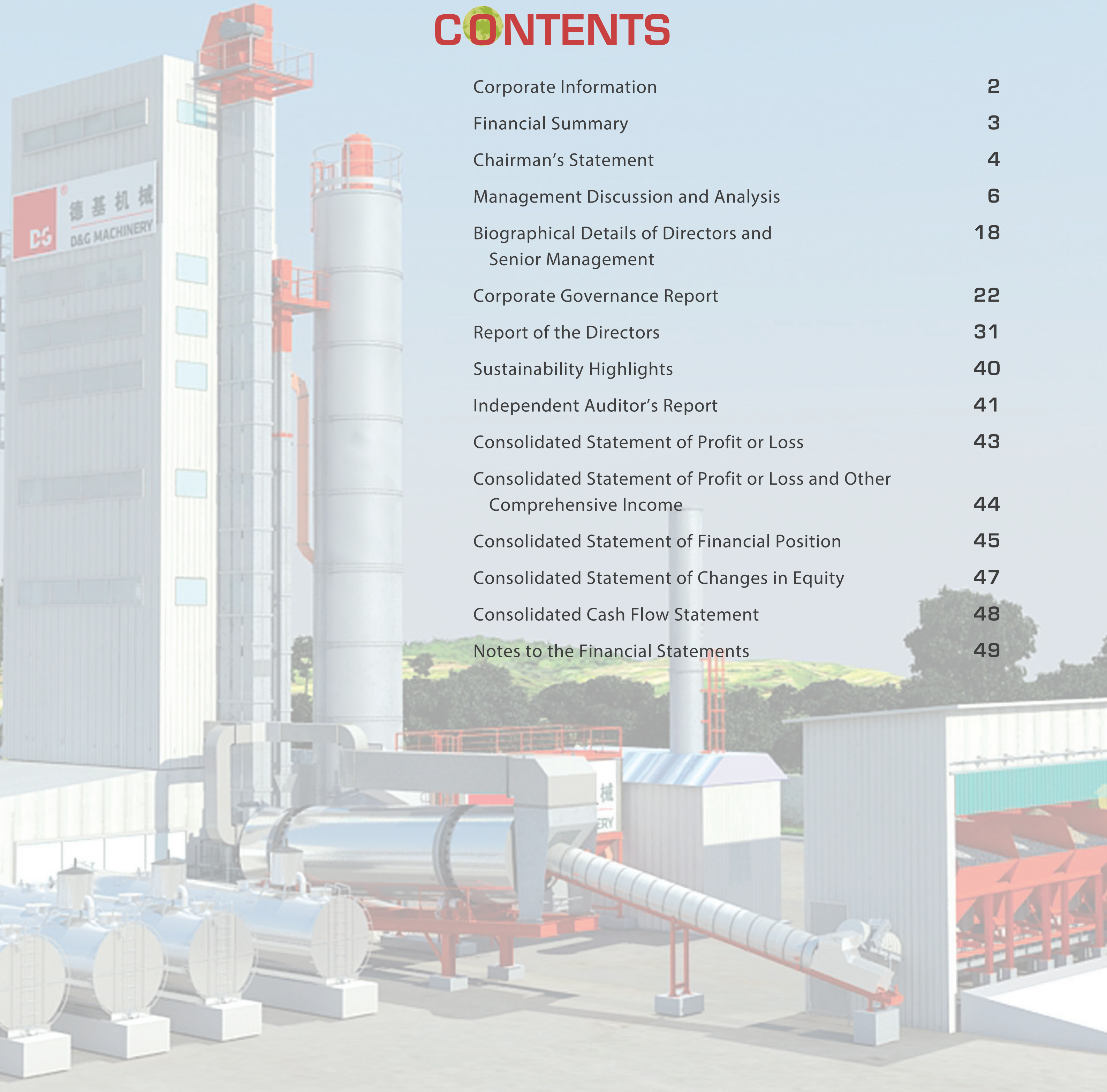


CORPORATE INFORMATION

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
Mr. Yu Ronghua

Non-Executive Director

Mr. Chan Lewis

Independent Non-Executive Directors

Mr. Law Wang Chak, Waltery
Mr. Li Zongjin
Mr. Lee Wai Yat, Paco
Mr. Fok Wai Shun, Wilson

Audit Committee

Mr. Law Wang Chak, Waltery *(Chairman)*
Mr. Lee Wai Yat, Paco
Mr. Li Zongjin
Mr. Fok Wai Shun, Wilson

Remuneration Committee

Mr. Fok Wai Shun, Wilson *(Chairman)*
Ms. Choi Kwan Li, Glendy
Mr. Law Wang Chak, Waltery

Nomination Committee

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

Risk Management Committee (Established on 30 March 2016)

Ms. Choi Kwan Li, Glendy *(Chairman)*
Mr. Liu Tom Jing-zhi
Mr. Law Wang Chak, Waltery
Mr. Fok Wai Shun, Wilson
Mr. To Kwong Yeung

Company Secretary

Mr. To Kwong Yeung

Authorised Representatives

Ms. Choi Kwan Li, Glendy
Mr. To Kwong Yeung

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
Level 22 Hopewell Centre,
183 Queen's Road East,
Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

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

Auditor

KPMG, Certified Public Accountants

Legal Advisor

MinterEllison

Principal Bankers

Industrial Bank Co., Ltd.
Industrial and Commercial Bank of China
Nanyang Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

Compliance Adviser

Shenwan Hongyuan Capital (H.K.) Limited
(formerly known as "Shenyin Wanguo Capital (H.K.) Limited")

Company Website

www.dgtechnology.com

FINANCIAL SUMMARY

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Results				
Revenue	**390,027**	444,313	412,260	364,339
Cost of Sales	**(224,619)**	(260,130)	(238,528)	(214,500)
Gross profit	**165,408**	184,183	173,732	149,839
Other income	**4,241**	4,686	5,995	1,763
Distribution costs	**(38,695)**	(39,084)	(36,254)	(33,281)
Administrative expenses	**(84,137)**	(46,637)	(53,605)	(46,743)
Profit from operations	**46,817**	103,148	89,868	71,578
Finance costs	**(4,454)**	(1,808)	(3,714)	(11,422)
Profit before taxation	**42,363**	101,340	86,154	60,156
Income tax	**(11,575)**	(18,182)	(13,662)	(10,438)
Profit for the year	**30,788**	83,158	72,492	49,718
Profit for the year attributable to:				
Equity shareholders of the Company	**30,788**	74,326	60,338	46,279
Non-controlling interests	**–**	8,832	12,154	3,439
	30,788	83,158	72,492	49,718
Assets, Liabilities and Equity				
Non-current assets	**112,001**	103,526	103,636	85,774
Current assets	**862,504**	487,074	392,986	331,882
Current liabilities	**(212,239)**	(323,520)	(151,157)	(144,471)
Non-current liabilities	**–**	–	–	–
Total Equity	**762,266**	267,080	345,465	273,185

Note:

The figures for the years ended 31 December 2012, 2013 and 2014 have been extracted from the Prospectus of the Company dated 14 May 2015.

CHAIRMAN'S STATEMENT

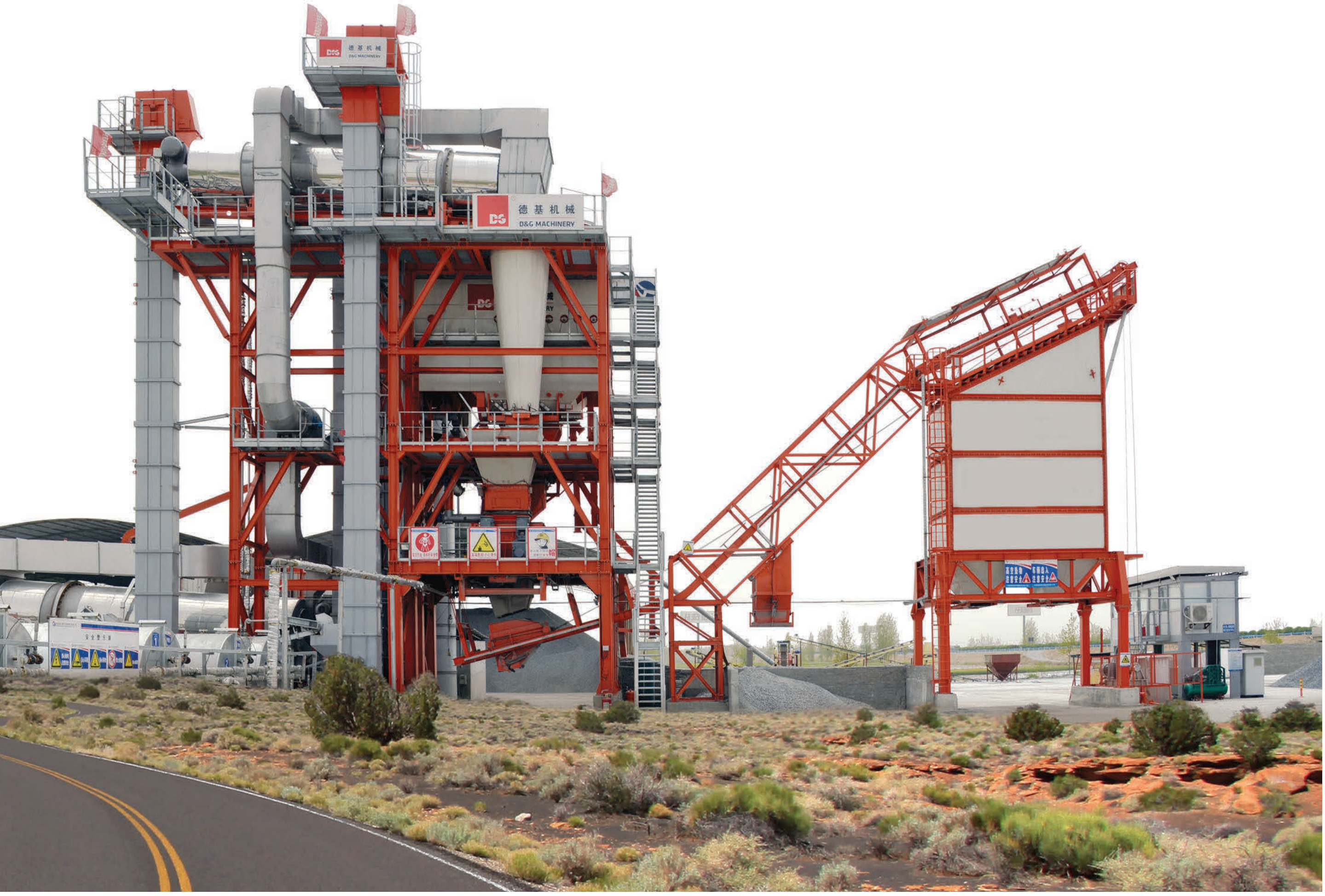
Dear Shareholders,

I am pleased to present the first 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 2015.

This is the first annual report of the Group since the successful listing of shares of the Company (the "Shares") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 May 2015 (the "Listing Date"), which is an important milestone of the Company. It also signifies a brand new stage of the Group and lays a solid foundation for the development and expansion of the Group in the long run.

During the year, the Group continued to expand its overseas business as planned. A new and tailored brand of asphalt mixing plants and solutions, PRIMACH, was successfully launched in Singapore in the second half of 2015, providing customised technology and solutions targeting the needs of the customers from the "One Belt One Road" countries. The Group has set up a wholly-owned subsidiary in Singapore to provide customised technology and solutions of PRIMACH plants to customers from these countries, which include features and software that are easy to assemble, transport, install and maintain. It is encouraging that the Group has already delivered the first PRIMACH plant to Thailand soon after the launch of this brand and product line.

In addition to overseas development, the Group has entered into a product and service supply contract with K. Wah Asphalt Limited for the supply of a recycling hot mix batch asphalt mixing plant in Hong Kong, including the design, supply, delivery, installation supervision, commissioning, testing and warranty works. The plant will be delivered in 2016 and it is the first project of the Group in Hong Kong which signifies the capabilities of the Group's products and services in meeting the Hong Kong standards. As a company founded in Hong Kong, the Company is proud to participate in infrastructure projects in Hong Kong with the Group's customised solutions, advanced technology and extensive experience, so as to contribute to the future development of Hong Kong.



Looking ahead, the Group will continue to grasp the opportunities under "One Belt One Road" initiative. The Group is actively pursuing various large scale "One Belt One Road" overseas projects led by state-owned enterprises. The Group is confident that with our strengths on high quality asphalt mixing plants, on-site operation and value-added services, a number of such overseas projects can be obtained. The Group is also investing resources in developing direct business relationships with customers from the "One Belt One Road" countries. In March 2016, the Group signed a memorandum of understanding with an Indonesia partner, PT Intraco Penta Tbk, planning to operate a joint venture to jointly develop the asphalt mixture business in Indonesia. The Group is also actively building up its business network in Southeast Asia and is in discussion with potential local partners in Vietnam and Myanmar regarding the distributorship arrangement.

With continuous innovations and the pursuit of excellence, the Group's success is widely recognised in the market. It has received various awards in 2015, including China Top 50 Construction Machinery Manufacturers, 2015 Top 50 PRC Construction Machinery Leasing Enterprises, Top 10 Best PRC After-sales Service Enterprise, Most Influential PRC Brand of Asphalt Mixing Plants and 2015 Annual Outstanding Asphalt Pavement Equipment Manufacturers.

Following the successful listing, the Group has entered into a new platform and stage of development. In addition to maintaining its leading position in the People's Republic of China (the "PRC", "Mainland China" or "China"), the Group will broaden the business horizon, leverage the strength and experience accumulated, capture the opportunities of "One Belt One Road" initiative and explore to develop upstream and downstream business, with an aim to bring fruitful returns to the shareholders of the Company.

Last but not least, I, on behalf of the board of directors of the Company (the "Board" or the "Directors"), would like to express our sincere gratitude to the management team and staff for their dedication, and to our shareholders and investors for their trust and support to the Group.

Choi Hung Nang
Chairman

30 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 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 PRC and overseas customers, specialising in research and development, design, manufacture and sale of conventional and recycling asphalt mixing plants. 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.

Business Review

In 2015, although China has continued its plan to increase the investment in infrastructure projects, the funds for such infrastructure projects have not been available as planned in recent months, resulting in the general hold-up of road construction and maintenance projects in China in the fourth quarter of 2015. The capital and cash flow in the road construction and maintenance industry has also become tighter and slower. Notwithstanding, the Group continued to participate in the top-tier highways construction and maintenance projects in the PRC. During the year, the Group completed the sale of 46 asphalt mixing plants and the lease of 9 asphalt mixing plants in 12 leasing contracts.

In 2015, the Group participated in various highway projects in Mainland China, including close cooperation 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 deployed 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 considered to be a technical breakthrough and can bring significant saving in material costs. 35,000 tonnes of recycled asphalt mixture was produced and paved on the surface layer of a road section of 88km long. After completion and repeated testing, it has been proven that the loading capacity, friction performance, rut-resistance, noise reduction and prevention of water penetration of the surface layer using the recycled asphalt mixture is comparable to the new asphalt mixture.

The Group also collaborated 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 deployed the Group's latest Monoblock recycling plant to produce a total of 32,000 tonnes recycled asphalt mixtures. In addition, the Group participated in a number of expressway projects during the year, including Jinggangao Expressway (G4), San Xi Expressway, Yue Wu Expressway, Coastal Expressway, Jinan-Dongying Expressway, Fuzhou Loop Expressway, etc.

Up to the year ended 31 December 2015, the Group has asphalt mixing plants projects in a total of 22 overseas countries, including Australia, Russia, India, Saudi Arabia, Brunei, United Arab Emirates, Kazakhstan and Mongolia, among which the first time export districts included Mozambique, Thailand and Hong Kong. The plant to be delivered to Hong Kong in 2016 is a recycling asphalt mixing plant custom designed with strong environmental protection. It will be the most comprehensive environmental asphalt mixing plant in Hong Kong.

During the year ended 31 December 2015, the Group also expanded its business and entered into potential markets.

Development of Upstream and Downstream Asphalt Related Business

Asphalt mixture is the essential asphalt road construction material. The Group is committed to the development of asphalt related business, along the supply chain with an aim to increasing income sources and raising profit. Currently, the Group is actively following up two asphalt mixture projects in Mainland China involving a total production volume of 500,000 tonnes of asphalt mixtures.

In order to enhance the Group's one-stop total solution capability to the customers as well as to implement the Group's business development plan, the Group has registered and set up a finance lease company in Shanghai Free-Trade Zone in March 2016 which will complement the business of the Group in the future.

With the initiative of "One Belt One Road" by the PRC government, a new and tailored brand of asphalt mixing plants and solutions, PRIMACH, was launched successfully in Singapore in the second half of 2015, providing customised technology and solutions targeting the needs of the customers in the countries along "One Belt One Road". The Group has set up a subsidiary in Singapore and has delivered the first PRIMACH plant to Thailand.

Research and Development

To maintain the Group's position as a leading market player in the road construction and maintenance machinery industry focusing on medium to large scale asphalt mixing plants, the Group continued to maintain the strong research and development capabilities. As at 31 December 2015, the Group had 42 registered patents in the PRC (of which 3 were invention patents), 3 patents pending registration, and 22 software copyrights.

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, Hebei (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), which is a project subsidised by the PRC government. Research on Monoblock recycle asphalt mixing plant has completed and on-site industrial testing on Monoblock recycling plant is being carried out. In addition, collaboration with Institute of Tsinghua University, Hebei (河北清華發展研究院) on the burning system design and energy consumption optimisation project is now under on-site industrial testing.

Langfang D&G Machinery Technology Company Limited* (廊坊德基機械科技有限公司) ("Langfang D&G"), the major subsidiary of the Company, successfully passed the comprehensive review and expert review by Hebei Province Development and Reform Commission and other six government departments in August 2015, and is approved and authorised as a Provincial Enterprise Technical Center (河北省企業技術中心). This promotion symbolises the Group's technology innovation, research and development ability and innovation achievements have reached the advanced level in the industry. Langfang D&G, also 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. During the year, 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, CTT Moscow 2015 which is the biggest yearly construction equipment exhibition in Russia, Country-wide Hot-mix Recycling Plant Technology Seminar co-organised with Ganyu Transport, Hunan Kaisida Loudi Technology Seminar, Jinan Andi Recycling Technology Seminar and etc. Among which, the recycling technology seminar held in Ganyu in October 2015, attracted more than 300 customers and a site visit displaying the national first Monoblock Asphalt Mixing Plant was arranged.

The Group has also utilised different online platforms, including global trading B2B online platform, mobile phone websites and Wechat platform to provide better services to customers and for better brand image. Such online platforms have been launched in 2015.

Awards

With continuous innovations and the pursuit of excellence, the Group's success is widely recognised in the market. It has received various awards in 2015, including China Top 50 Construction Machinery Manufacturers, 2015 Top 50 PRC Construction Machinery Leasing Enterprises, Top 10 Best PRC After-sales Service Enterprise, Most Influential PRC Brand of Asphalt Mixing Plants and 2015 Annual Outstanding Asphalt Pavement Equipment Manufacturers.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

In 2013, the PRC government announced the strategic initiative of "One Belt One Road" with an aim to foster trading connections among Asia, Europe and Africa countries, for capital financing, infrastructure investment and policy coordination. The Group is putting effort to promote direct business relationships with customers in the countries along the "One Belt One Road" economic belt. In March 2016, the Group has signed a memorandum of understanding with an Indonesia partner PT Intraco Penta Tbk with planning to operate a joint venture to jointly develop the asphalt mixture business in Indonesia. The Group is also actively building up its business network in Asia. Currently, the Group is in discussion with potential local partners in Vietnam and Myanmar regarding the distributorship arrangement. In addition, the Group is actively pursuing various large scale "One Belt One Road" overseas projects led by state-owned enterprises. The Group is confident that with our strengths on high quality asphalt mixing plants, on-site operation and value-added services, a number of such overseas projects can be obtained.

With more awareness on environmental protection during the asphalt mixture production of the road construction and maintenance companies and the PRC government's strong desire to reduce pollution from industrial sector, there is a growing demand on our recycling and environmental friendly products. Together with the cost-saving advantages, the demand of Monoblock recycling asphalt plants as well as the modification service of adding on recycling and environmental functions to existing plants is expected to increase.

Meanwhile, the Group is committed to increasing production capacity to cater for the market demand. A painting facility with full environmental protection was built in 2015. The Group has started the construction of a three-storey Research and Development building, which is expected to complete in late August 2016 and to commence operation by the end of 2016.

"One Belt One Road" is the core development strategy in PRC covering broad spectrum of economic, political and social aspects in Mainland China and abroad. Investment in infrastructure overseas is a way of building up strategic partnerships with countries along the "One Belt One Road" regions. Looking ahead, the Group will continue to make good use of the "One Belt One Road" opportunities to develop business and explore potential markets. Domestically, infrastructure establishment and improvement is an important part of PRC's 13th Five-Year Plan. Funding of road construction projects will gradually be in place and the industry expects more projects will be implemented in order to fulfill the Government's Plan. Just in 2016 alone, it is expected that there will be 4,500km of expressway to be built and around 16,000km of national and provincial highways to be either built or renovated. The Group is confident to continue to be the leading player in the market and will use the best endeavor to bring better returns to the shareholders of the Company.

Financial Review

During the year ended 31 December 2015, the Group recorded an aggregate revenue of RMB390,027,000 (2014: RMB444,313,000), representing a decrease of 12.2% as compared to that of last year. Gross profit decreased by 10.2% from RMB184,183,000 for the year ended 31 December 2014 to RMB165,408,000 for the year ended 31 December 2015. Gross profit margin increased 0.9 percentage point from 41.5% to 42.4%.

	2015 **RMB'000**	2014 RMB'000	Change
Sales of asphalt mixing plants	**321,436**	385,568	-16.6%
Sales of spare parts and provision of equipment modification services	**26,286**	34,012	-22.7%
Operating lease income of asphalt mixing plants	**42,305**	24,733	+71.0%
	390,027	444,313	-12.2%

Sales of Asphalt Mixing Plants

	2015 RMB'000	2014 RMB'000	Change
Revenue	**321,436**	385,568	-16.6%
Gross profit	**124,771**	150,091	-16.9%
Gross profit margin	**38.8%**	38.9%	-0.1pp
Number of contracts	**46**	59	-13
Average contract value	**6,988**	6,535	+6.9%

Revenue from the sales of asphalt mixing plants decreased as a result of the decrease in number of contracts recognised as revenue offset by the increase in average contract value completed during the year. The decrease in revenue was mainly attributable to the fact that although China has continued its plan to increase the investment in infrastructure projects, the funds for such infrastructure projects have not been available as planned in recent months, resulting in the decrease in revenue of the Group from the sales of asphalt mixing plants, spare parts and components and the provision of equipment modification services in China in the fourth quarter of 2015. 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 RMB6,535,000 to RMB6,988,000 of the projects completed during the year. Gross profit margin continued to maintain at a satisfactory and high level of 38.8% during the year.

By Types of Plants

	2015 RMB'000	2014 RMB'000	Change
Recycling Plant			
Revenue	**174,670**	187,149	-6.7%
Gross profit	**69,416**	74,451	-6.8%
Gross profit margin	**39.7%**	39.8%	-0.1pp
Number of contracts	**25**	29	-4
Average contract value	**6,987**	6,453	+8.3%
Conventional Plant			
Revenue	**146,766**	198,419	-26.0%
Gross profit	**55,355**	75,640	-26.8%
Gross profit margin	**37.7%**	38.1%	-0.4pp
Number of contracts	**21**	30	-9
Average contract value	**6,989**	6,614	+5.7%

Revenue from the sales of Recycling Plants decreased by 6.7% which was mainly as a result of decrease in number of contracts offset by the increase in average contract value during the year. 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 maintained stable at 39.7% during the year.

Revenue from the sales of Conventional Plants decreased by 26.0% primarily because of the decrease in number of contracts offset by the increase in the average contract value during the year. The increase in average contract value was mainly resulted from the demand for high capacity asphalt mixing plants from the customers. Gross profit margin remained at relatively stable level of 37.7% during the year.

By Geographical Location

	2015 RMB'000	2014 RMB'000	Change
PRC			
Revenue	**263,872**	328,846	-19.8%
Gross profit	**108,117**	133,477	-19.0%
Gross profit margin	**41.0%**	40.6%	+0.4pp
Number of contracts	**36**	48	-12
Average contract value (RMB'000)	**7,330**	6,851	+7.0%
Overseas			
Revenue	**57,564**	56,722	+1.5%
Gross profit	**16,654**	16,614	+0.2%
Gross profit margin	**28.9%**	29.3%	-0.4pp
Number of contracts	**10**	11	-1
Average contract value (RMB'000)	**5,756**	5,157	+11.6%

Revenue from the sales in the PRC decreased primarily because of the decrease in number of contracts offset by the increase in average contract value. The decrease in revenue was mainly attributable to the fact that although China has continued its plan to increase the investment in infrastructure projects, the funds for such infrastructure projects have not been available as planned in recent months, resulting in the decrease in sales of asphalt mixing plants in the fourth quarter of 2015. Gross profit margin remained relatively stable at 41.0% during the year.

Revenue from overseas sales which included direct and indirect export sales to overseas markets slightly increased mainly because of the increase average contract value offset by the decrease in number of contracts completed during the year. Gross profit margin remained relatively stable at 28.9% during the year.

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

	2015 RMB'000	2014 RMB'000	Change
Revenue	**26,286**	34,012	-22.7%
Gross profit	**10,153**	15,219	-33.3%
Gross profit margin	**38.6%**	44.7%	-6.1pp

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.

Revenue from the sales of spare parts and components and provision of equipment modification services decreased during the year mainly because of the hold-up of some road construction projects and caused funding issues for some customers to consider rendering spare parts and modification services. Gross profit margin decreased mainly because there was less modification services sales during the year which generally had a higher margin than sales of spare parts and components.

Operating lease of asphalt mixing plants

	2015 RMB'000	2014 RMB'000	Change
Revenue	**42,305**	24,733	+71.0%
Gross profit	**30,484**	18,873	+61.5%
Gross profit margin	**72.1%**	76.3%	-4.2pp
Number of plants held for operating lease	**9**	5	+4

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

Revenue from operating lease of asphalt mixing plants increased significantly primarily because of the number of asphalt mixing plants held for operating lease increased from 5 to 9 during the year as a result of the increasing demand from the customers. After few years of operating lease experience, the Group has built up expertise and reputation in the asphalt plant operating lease business which the customers appreciate in general. Gross profit margin maintained at a high level of 72.1% during the year.

Other Income

Other 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 represented 9.9% (2014: 8.8%) of revenue for the year ended 31 December 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 RMB37,500,000 from RMB46,637,000 for the year ended 31 December 2014 to RMB84,137,000 for the year ended 31 December 2015, primarily due to the increase in listing and other professional expenses of approximately RMB18,624,000 and the increase in provision for impairment losses of trade receivables of approximately RMB11,779,000.

As the funds for the infrastructure projects have not been available as planned in recent months, the Group has noted that the capital and cash flow in the road construction and maintenance industry has become tighter and slower than expected. Therefore, the collection of outstanding trade receivables from the customers of the Group has been slower than that for the year ended 31 December 2014. As a result, the Group has increased the amount of the non-cash accounting provision for impairment losses of trade receivables according to its accounting policy.

Finance Costs

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

Income Tax

The effective tax rate for the year ended 31 December 2015 increased from 17.9% for the year ended 31 December 2014 to 27.3% for the year ended 31 December 2015 mainly because of the listing and other professional expenses which were not tax deductible, offset by the preferential income tax rate of 15% entitled by a subsidiary in the PRC as a "high-technology enterprise".

Profit Attributable to Equity Shareholders of the Company

Profit attributable to equity shareholders of the Company decreased by 58.6% from RMB74,326,000 for the year ended 31 December 2014 to RMB30,788,000 for the year ended 31 December 2015 as a result of the above-mentioned factors.

Working Capital Management

Net current assets of the Group amounted to RMB650,265,000 (2014: RMB163,554,000) with a current ratio of 4.1 (2014: 1.5) times as at 31 December 2015. The shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date 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 31 December 2015.

Inventories increased by RMB17,981,000 from RMB113,776,000 as of 31 December 2014 to RMB131,757,000 as at 31 December 2015. Inventory turnover days was 199 for the year ended 31 December 2015, representing an increase of 46 days as compared to 153 days for the year ended 31 December 2014. The increase in inventory turnover days was mainly because of the increase in raw materials and work in progress for the contracts not yet recognised as revenue.

Trade and bills receivables increased by RMB75,077,000 from RMB313,020,000 as at 31 December 2014 to RMB388,097,000 as at 31 December 2015. Trade and bills receivables turnover days was 328 for the year ended 31 December 2015, representing an increase of 115 days as compared to 213 days for the year ended 31 December 2014. The increase in trade and bills receivables and trade and bills receivables turnover days was mainly due to the increased delays in payments from some of the PRC customers due to the slow settlement of government funding 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 and bills receivables in order to improve the collection cycle.

Trade and bills payables decreased by RMB4,795,000, from RMB72,985,000 as at 31 December 2014 to RMB68,190,000 as at 31 December 2015. Trade and bills payables turnover days was 115 for the year ended 31 December 2015, representing an increase of 13 days as compared to 102 days for the year ended 31 December 2014. The increase in trade and bills payables turnover days was mainly because of the extended payment to suppliers and subcontractors.

Liquidity and Financial Resources

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

As at 31 December 2015, the Group had cash and cash equivalents and bank deposits of RMB168,881,000 (2014: RMB28,607,000) and RMB162,439,000 (2014: RMB6,575,000), respectively. In addition, the Group had interest-bearing bank borrowings of RMB103,381,000 (2014: RMB162,546,000) as at 31 December 2015, RMB73,093,000 (2014: Nil) of which was bank borrowing from the factoring of accounts receivable as working capital for the operations of the Group. The bank borrowings were denominated in Renminbi ("RMB"), repayable within one year or on demand and interest-bearing from 3.92% to 5.87% per annum. The gearing ratio, calculated as total bank borrowings divided by equity attributable to the equity shareholders of the Company, amounted to 14% (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 year ended 31 December 2015, the Group recorded a net cash outflow from operating activities of RMB55,722,000 (2014: RMB60,892,000). Net cash used in investing activities amounted to RMB90,670,000 (2014 net cash generated from investing activities: RMB107,000) for the year ended 31 December 2015. Net cash generated from financing activities for the year ended 31 December 2015 amounted to RMB274,651,000 (2014: RMB21,983,000), which was mainly resulted from the net proceeds from the global offering and the factoring of accounts receivable to finance the working capital of the operations of the Group.

The adjusted net operating cash inflow amounted to RMB17,371,000 for the year ended 31 December 2015, which included the factoring of accounts receivable of RMB73,093,000 presented as proceeds from bank loans and borrowings in financing activities.

Capital Commitments and Contingent Liabilities

As at 31 December 2015, the Group had capital commitments in respect of plant, property and equipment as follows:

	2015 **RMB'000**	2014 RMB'000
Contracted for	**3,449**	8,723
Authorised but not contracted for	**6,032**	71
	9,481	8,794

Certain customers of the Group finance 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 was 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 31 December 2015, the Group's maximum exposure to such guarantees were RMB9,599,000 (2014: RMB 32,684,000). The terms of these guarantees coincided with the tenure of the lease contracts which generally ranged from 1 to 2 years. For the year ended 31 December 2015, there was no payment made for repossession of machinery incurred under the guarantee arrangement as a result of customer default.

Pledge of Assets

As at 31 December 2015, bank deposits and trade receivables of RMB60,370,000 (2014: RMB6,575,000) and RMB73,093,000 (2014: Nil), respectively, were pledged for loans and borrowings and bills payable of the Group.

Foreign Exchange Risk

The reporting currency of the Group was RMB. 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 RMB against these foreign currencies would increase or decrease the price of the Group's products which were sold to overseas market and might bring negative or positive impact on the Group's export sales. On the other hand, the appreciation or depreciation of RMB would also decrease or increase the cost of sales of the Group in respect of the purchases of raw materials from overseas.

Significant Investments and Material Acquisitions or Disposals

During the year ended 31 December 2015, the Group did not have any significant investments, acquisitions or disposals of subsidiaries, associates and joint ventures.

Environmental Policy

The Group aims to develop itself into a green company by connecting with nature, and recognises the impact on the environment and the natural resources in neighboring communities. The Group operates in an environmentally-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 resource 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 mitigate 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 would 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. Further details are set out in the first Sustainability Report of the Group.

Compliance with Relevant Laws and Regulations

During the year ended 31 December 2015 and up to the date of this report, to the best of 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 was 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 2015, 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 plans 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.

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 sector 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 for road construction and maintenance work declines, this could lead to less expected business and construction activity nationwide. If there are changes in the PRC laws, regulations or policies which lead to a decline in investment on 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 a slower-than-expected economic growth and unfavorable macroeconomic conditions in these overseas markets, this could lead to less expected demand of 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 slow settlement of government funding for PRC road construction or maintenance projects that our customers participated in, and changes in implementation of infrastructure projects against original plan. There is credit risk exposure that 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 environmental compliance policy and procedures in place to ensure the discharge of pollutants and wastes and other activities are in compliance 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 in order 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.

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, 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 are able to 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 customized products from a limited number of domestic or overseas suppliers. The Group has stringent quality control standard 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 2015, the Group had approximately 444 (2014: 422) employees. The total staff costs for the year ended 31 December 2015 amounted to approximately RMB51,515,000 (2014: RMB42,455,000).

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, salaries, discretionary bonuses, contributions to pension schemes, housing and other allowances and benefits in kind subject to applicable laws, rules and regulations. The Group also provided training to employees on a regular basis. In accordance with the relevant requirements, the Group made contributions to pension and provided other employees benefits.

The Group has adopted a share option scheme pursuant to which employees may be granted options to subscribe for shares of the Company as incentives or rewards for their service rendered to the Group. Since the adoption of the share option scheme and up to 31 December 2015, no option has been granted.

Use of Proceeds

Net proceeds from the global offering of the Company were approximately HK$334.4 million (equivalent to approximately RMB263.9 million), after deducting the underwriting commissions and other listing expenses. The Group intended to apply such proceeds in a manner consistent with the intended use of proceeds as disclosed in the prospectus of the Company. As at 31 December 2015, the unutilised proceeds were deposited in banks in Hong Kong and China.

As of 31 December 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	5.1	60.8
Purchase equipment for the manufacturing facilities	10%	26.4	1.0	25.4
Research and development	20%	52.8	8.9	43.9
Development of new business	10%	26.4	–	26.4
Expansion of the sales and distribution networks and promotional activities	10%	26.4	0.5	25.9
Working capital and general corporate purposes	10%	26.4	26.4	–
	100%	263.9	41.9	222.0

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Choi Hung Nang, aged 77, 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. Since April 2012, Mr. Choi has also been appointed as a guest professor at the Central South University for a term of five years, and as an honorary director of the board of directors of Central South University for a term of four years.

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 45, 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 17 years of experience in the trading and manufacturing of specialized engineering equipment. Ms. Glendy Choi was appointed as a director and general manager of Langfang D&G in June 2009. She was also 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 awarded a bachelor's degree in management sciences from the London School of Economics and Political Science in August 1992, and a master of business administration in marketing from the City University, London in November 1993. She is a fellow of certified risk planner of The Institute of Crisis and Risk Management, Hong Kong. In November 2014, Ms. Glendy Choi was admitted as a fellow of The Hong Kong Institute of Directors.

In November 2012, Ms. Glendy Choi was appointed as a Vice President of the China Construction Machinery Association Road Machine Chapter* (中國工程機械工業協會築路機械分會) for a term of four years. In December 2014, she has also been named by the Hebei Committee of the Communist Party of China* (中共河北省委) and the Hebei Provincial People's Government* (河北省人民政府) as one of the Hundred High-tech Private Entrepreneurs in Hebei Province* (河北省百名科技型民營企業家). She was admitted as a member of the Young Presidents' Organization – World Presidents' Organization in November 2015.

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.

Mr. Choi Hon Ting, Derek (formerly known as Choi Kwan Wai, Derek), aged 47, is our executive Director. He was appointed as an executive Director on 11 September 2014. Mr. Derek Choi has over 24 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 an executive council member of the China New Energy Chamber of Commerce since 2012 and is the chairman of the International Society of Trenchless Technologies. Mr. Derek Choi is a founding member of the China Hong Kong Society of Trenchless Technologies and served as vice-chairman, chairman, and executive secretary from 2002 to 2004.

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.

* *For identification purpose only*

Mr. Liu Tom Jing-zhi, aged 46, 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 daily operations of manufacturing facilities and the implementation of business strategies and plans of our Group. Mr. Liu has over 12 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.

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 54, is our executive Director and general manager (sales and marketing). He was appointed as an executive Director on 11 September 2014. He is primarily responsible for managing and implementing sales and marketing strategies. Mr. Lao has over 28 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), Chengdu. Mr. Lao has also been appointed as the vice-chairman of the China Highway Construction Machine Branch (中國公路學會築路機械分會) for a term of five years since May 2012.

Mr. Yu Ronghua, aged 50, is our Executive Director and general manager (strategy and planning). He was appointed as an executive director on 11 September 2014. Mr. Yu has over 16 years of experience in corporate finance and management. He is primarily responsible for overseeing the implementation of business strategies and project plans. Since June 2011, Mr. Yu was appointed as a director and the deputy general manager of Langfang D&G. He is also a director of certain entities of the Group.

Mr. Yu obtained his bachelor's degree in engineering from Shanghai University in July 1997. Mr. Yu joined the Pudong branch of Industrial and Commercial Bank of China, Shanghai where he worked for more than 5 years from August 1997 to December 2002 in business development and management. In May 2008, Mr. Yu obtained a master of business administration from the University of Southern Queensland. In March 2013, Mr. Yu was certified as a qualified independent director and as a qualified board secretary by the Shanghai Stock Exchange.

Non-executive Director

Mr. Chan Lewis (formerly known as Chan Yeung), aged 45, 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) (HK stock code: 356). He has over 16 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 and is also a research fellow at The China Centre for Financial Research at Tsinghua University. Mr. Chan currently serves as a member of the Admissions, Budgets and Allocations Committee of the Community Chest of Hong Kong.

* *For identification purpose only*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Law Wang Chak, Waltery, aged 52, was appointed as our independent non-executive Director on 24 April 2015. He is the director of Profundas Capital Limited. Mr. Law graduated from the University of London with a bachelor's degree in economics in August 1991 and a master's in financial economics in December 1995. Mr. Law is a fellow of both The Chartered Association of Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants.

Mr. Law is also an associate of The Institute of Chartered Accountants in England and Wales. Mr. Law has over 28 years of experience in the accounting, financial auditing, corporate financing and corporate restructuring profession. Mr. Law served in various positions such as vice president in finance and chief financial officer in four Hong Kong Main Board listed companies from 1992 to 2004. Prior to that, Mr. Law had worked in the audit division of Coopers & Lybrand, now PricewaterhouseCoopers, from 1987 to 1992.

Mr. Law was the chief financial officer and non-executive director of Nine Dragons Papers (Holdings) Limited (HK stock code: 2689) for the periods from June 2004 to July 2008 and August 2008 to October 2008, respectively. Currently, Mr. Law is an independent non-executive director of Orient Victory China Holdings Limited (HK stock code: 0265).

Mr. Li Zongjin, aged 63, was appointed as our independent non-executive Director on 24 April 2015. He is the Professor of the Department of Civil and Environmental Engineering of Hong Kong University of Science and Technology. 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, U.S. 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 26 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.

Currently, Mr. Li is a director of Brilliant Concept International Group Limited.

Mr. Lee Wai Yat, Paco, aged 50, was appointed as our independent non-executive Director on 24 April 2015. He is the deputy general manager (investor relations and corporate investment) of Thai Union Group Public Company Limited (formerly known as Thai Union Frozen Products Public Company Limited) (Stock Exchange of Thailand code: TU). He is also the non-executive director of Avanti Feeds Limited (listed on the Bombay Stock Exchange and National Stock Exchange of India Limited, ticker: AVANTI) and Pakfood Public Company Limited (Stock Exchange of Thailand code: PPC and delisted in November 2013).

Mr. Lee has over 13 years of experience in 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 University of Pennsylvania, and Chulalongkorn University) in Bangkok in March 1993.

Mr. Lee completed the Director Certification Program held by the Thai Institute of Directors in June 2012. In 2014, Mr. Lee was awarded as the 3rd Best Chief Financial Officer in Thailand by FinanceAsia's annual Best Managed Companies Poll.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Fok Wai Shun, Wilson, aged 41, was appointed as our independent non-executive Director on 24 April 2015. He is the managing director of Challenge Capital Management Limited. Mr. Fok has over 16 years of experience in the fields of corporate finance, accounting and investment banking. Mr. Fok graduated in March 1998 from the University of Melbourne with a double bachelor degrees in commerce and in laws. Mr. Fok was admitted as a solicitor and barrister of the Supreme Court of Victoria, Australia in November 1998 and is a fellow of the Hong Kong Institute of Certified Public Accountants and a member of Certified Public Accountants, Australia.

From January 2000 to April 2004, Mr. Fok worked in the Assurance and Corporate Finance and Recovery departments of PricewaterhouseCoopers. From April 2004 to April 2010, Mr. Fok served in various positions, including vice-president, at the investment banking division of Piper Jaffray Asia Limited. He was the executive director (corporate finance) of CCB International Capital Limited from April 2010 to August 2014 responsible for overseeing and supervising the origination and execution of corporate finance transactions.

Senior Management

Mr. To Kwong Yeung, aged 37, was appointed as the chief financial officer and company secretary of the Group on 2 January 2015. He is responsible for the financial planning and management, internal control, investor relations and company secretarial matters of the Group.

Mr. To graduated from the University of Hong Kong with a bachelor of business administration in accounting and finance. Mr. To is a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. To has over 15 years of experience in the field of finance and accounting. Prior to joining the Group, Mr. To worked in various positions, including senior manager, in the assurance and advisory business services department at Ernst & Young from 2000 to 2009. Mr. To was the chief financial officer of Boer Power Holdings Limited (HK stock code: 1685) and Evergreen International Holdings Limited (HK stock code: 238) for the periods from November 2009 to November 2011 and December 2011 to December 2014, respectively.

Mr. Zhao Xiong Zhi, aged 54, is our chief technology officer. Mr. Zhao graduated from the Shaanxi Radio and TV University (陝西省廣播電視大學) in August 1983. Mr. Zhao completed his training in mechanical coating techniques conducted by the Ministry of Machinery Industry (機械工業部) in December 1984. In 1994, Mr. Zhao completed the Parker Plant Technical Training Programme and in 2003, Mr. Zhao was approved by the Appraising and Approving Committee for Professional & Technical Competence as a senior engineer. Mr. Zhao joined our Group in February 2012 as the chief engineer and deputy director of the Technology R&D Centre. Prior to joining the Group, Mr. Zhao was the deputy director of the research and development centre of Ministry of Transport Xian Road Construction Machinery Co., Ltd. (交通部西安築路機械有限公司) and the assistant to the chief executive officer and director of the asphalt mixing institute of Shandong Hongda Construction Machinery Group Co., Ltd. (山東鴻達建工集團) during the periods from April 1986 to April 2004 and April 2004 to February 2012, respectively.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

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, to enhance corporate value and accountability, to formulate its business strategies and policies, and to enhance its transparency and accountability.

The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

In the opinion of the Directors, throughout the period from the Listing Date to 31 December 2015, the Company has complied with all the code provisions as set out in 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 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date to 31 December 2015.

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 of the Employees Written Guidelines by the relevant employees was noted by the Company.

Board of Directors

The Board currently comprises eleven members, consisting of six executive Directors, one non-executive Director and four independent non-executive Directors. The executive Directors, non-executive Director and independent non-executive Directors during the period from the Listing Date to 31 December 2015 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
Mr. Yu Ronghua

Non-executive Director:

Mr. Chan Lewis

Independent Non-executive Directors:

Mr. Law Wang Chak, Waltery *(Chairman of the Audit Committee and member of the Remuneration Committee and the 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 the 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 21 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 period from the Listing Date to 31 December 2015, 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 more than 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 A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 of the CG Code states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 27 May 2015. Each of their 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.

In accordance with the Articles of Association, every Director shall be subject to retirement at an annual general meeting of the Company at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. 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 at that meeting.

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 take decisions objectively in the interests of the Company.

All Directors, including the non-executive Director 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 expenses 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.

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 conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

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 appropriate understanding of the business and operations of the Company and full awareness of 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 material 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 period from the Listing Date to 31 December 2015, the Company organized two training sessions conducted by the professionals and lawyer for all Directors on directors' duties and responsibilities, corporate governance, risk management and Listing Rules. Directors also attended seminars and training sessions arranged by professional institutions or professional firms. In addition, relevant reading materials including directors' manual, legal and regulatory update and seminar handouts have been provided to the Directors for their reference and studying.

A summary of continuous professional development participated by the Directors is as follows:

Directors	Topic (Notes)
Executive Directors	
Mr. Choi Hung Nang	1,2,3,4
Ms. Choi Kwan Li, Glendy	1,2,3,4,5
Mr. Choi Hon Ting, Derek	1,2,3,4
Mr. Liu Tom Jing-zhi	1,2,3,4
Mr. Lao Kam Chi	1,2,3,4
Mr. Yu Ronghua	1,2,3,4
Non-Executive Director	
Mr. Chan Lewis	1,2,3,4
Independent Non-Executive Directors	
Mr. Law Wang Chak, Waltery	1,2,3,4
Mr. Li Zongjin	1,2,3,4
Mr. Lee Wai Yat, Paco	1,2,3,4
Mr. Fok Wai Shun, Wilson	1,2,3,4

Notes:

1. Corporate governance
2. Director's duties and responsibilities
3. Regulatory update
4. Risk management and internal control
5. Others

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.

Audit Committee

The Audit Committee currently comprises four members, namely, Mr. Law Wang Chak, Waltery (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 auditors.

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 external auditors, 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 2015, the Audit Committee held three meetings to review interim financial results and report in respect of the period ended 30 June 2015, significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, arrangements for employees to raise concerns about possible improprieties and to discuss the audit plan for the year ending 31 December 2016 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.

The Audit Committee also met the external auditors three times without the presence of the executive Directors.

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. Law Wang Chak, Waltery (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; 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 own remuneration.

During the year ended 31 December 2015, the Remuneration Committee held one meeting to make recommendations to the Board on the remuneration policy and structure of the Company, and 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.

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, 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 set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. 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.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character and integrity, qualifications, experience, time commitments, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 December 2015, the Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors. The Nomination Committee considered an appropriate balance of diversity 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, which was established on 30 March 2016, comprises five members, namely, Ms. Choi Kwan Li, Glendy (Chairman) (executive Director), Mr. Liu Tom Jing-zhi (executive Director), Mr. Law Wang Chak, Waltery, Mr. Fok Wai Shun, Wilson (independent non-executive Directors) and Mr. To Kwong Yeung (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 effective risk management system.

The Risk Management Committee should meet at least once a year to consider major investigation findings on risk management matters and the scope and quality of management's ongoing monitoring of risks.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

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 of the Model Code and Written Employee 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 of the Company held during the period from the Listing Date to 31 December 2015 is set out in the table below:

	Attendance/Number of Meetings			
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Choi Hung Nang	4/5	–	–	1/1
Ms. Choi Kwan Li, Glendy	4/5	–	1/1	–
Mr. Choi Hon Ting, Derek	5/5	–	–	–
Mr. Liu Tom Jing-zhi	3/5	–	–	–
Mr. Lao Kam Chi	3/5	–	–	–
Mr. Yu Ronghua	3/5	–	–	–
Mr. Chan Lewis	3/5	–	–	–
Mr. Law Wang Chak, Waltery	3/5	3/3	1/1	–
Mr. Li Zongjin	3/5	3/3	–	1/1
Mr. Lee Wai Yat, Paco	3/5	3/3	–	1/1
Mr. Fok Wai Shun, Wilson	3/5	3/3	1/1	–

Note:

The Company did not hold annual general meeting or other general meetings during the year ended 31 December 2015 since it was listed on 27 May 2015.

Apart from regular Board meetings, the Chairman also held one meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the period from the Listing Date to 31 December 2015.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2015.

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 41 to 42 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, KPMG, in respect of audit services and non-audit services for the year ended 31 December 2015 is set out below:

Service Category	Fees RMB'000
Audit Services	2,200
Non-audit Services	
– Tax related services	180
– Others	2,545
	4,925

Internal Controls

During the period from the Listing Date to 31 December 2015, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

Company Secretary

Mr. To Kwong Yeung, 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 2 January 2015. In accordance with Rule 3.29 of the Listing Rules, the Company has received training information from Mr. To, pursuant to the content of which, the Company confirmed that Mr. To had taken not less than 15 hours of relevant professional trainings to update his skills and knowledge during the year ended 31 December 2015.

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 the Stock Exchange 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.

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 Level 22, Hopewell Centre, 183 Queen's Road East, 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 email to is-enquiries@hk.tricorglobal.com or call its hotline at (852) 2980 1333, or go in person to its public counter at Level 22, Hopewell Centre, 183 Queen's Road East, 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.

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.

The Company has adopted an amended and restated Articles of Association with effect from the Listing Date pursuant to written resolutions of all the shareholders passed on 6 May 2015. Save as disclosed above, there was no change in the Articles of Association during the period from the Listing Date to 31 December 2015. An up to date version of the Company's Memorandum and Articles of Association is also available on the Company's website and the Stock Exchange's website.

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 period from the Listing Date to 31 December 2015.

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 period from the Listing Date to 31 December 2015.

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 2015, the internal control committee of the Company, which members are Mr. To Kwong Yeung (chief financial officer) and Ms. Ng Po Fung (assistant to the chief executive officer), held a meeting to evaluate the Group's potential local partnership in Myanmar 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.

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 2015.

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 of asphalt mixing plants. The principal activities and other particulars of the subsidiaries are set out in note 12 to the 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 and the Management Discussion and Analysis on pages 6 to 17. These discussions form part of this Report of the Directors.

Results and Dividends

The profit of the Group for the year ended 31 December 2015 and the state of affairs of the Company and the Group as at 31 December 2015 are set out in the audited consolidated financial statements on pages 43 to 96 of this Annual Report.

The Directors recommend the payment of a final dividend of HK1.8 cents (equivalent to approximately RMB1.51 cents) (2014: Nil) per ordinary share and a special final dividend of HK1.5 cents (equivalent to approximately RMB1.26 cents) (2014: Nil) per ordinary share in respect of the year ended 31 December 2015.

Financial Summary

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

Reserves

Details of movements in reserves of the Company and the Group during the year are set out in note 22 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

The distributable reserves of the Company as at 31 December 2015 are set out in the consolidated statement of changes in equity and notes 22(a) and 22(d) to the financial statements, respectively.

Charitable Donations

Charitable donations made by the Group during the year amounted to RMB837,800.

Non-current Assets

Details of acquisitions and other movements in non-current assets (including property, plant and equipment and lease prepayments) during the year are set out in notes 10 to 11 to the financial statements.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 22(c) to the financial statements.

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 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 has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2015.

Major Customers and Suppliers

During the year ended 31 December 2015, aggregate sales to the Group's largest and five largest customers accounted for 5.4% (2014: 6.3%) and 20.8% (2014: 18.6%), respectively, of the Group's total revenue for the year.

Aggregate purchases from the Group's largest and five largest suppliers accounted for 4.8% (2014: 4.0%) and 19.7% (2014: 17.2%), respectively, of the Group's total purchases for the year ended 31 December 2015. Aggregate purchases from the Group's largest and five largest subcontractors accounted for 4.7% (2014: 6.2%) and 17.8% (2014: 20.7%), respectively, of the Group's total purchases for the year ended 31 December 2015.

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.

Directors

The Directors during the period from the Listing Date 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
Mr. Yu Ronghua

Non-Executive Director
Mr. Chan Lewis

Independent Non-Executive Directors
Mr. Law Wang Chak, Waltery
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 83(3) of the Articles of Association, Mr. Choi Hung Nang, Ms. Choi Kwan Li, Glendy, Mr. Choi Hon Ting, Derek, Mr. Liu Tom Jing-zhi, Mr. Lao Kam Chi, Mr. Yu Ronghua, Mr. Chan Lewis, Mr. Law Wang Chak, Waltery, Mr. Li Zongjin, Mr. Lee Wai Yat, Paco and Mr. Fok Wai Shun, Wilson shall retire from the office by rotation at the forthcoming annual general meeting ("AGM"). 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 21 of this Annual Report.

Directors' Service Contracts

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from 27 May 2015. Each of their 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.

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 7 to the 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.

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

As at 31 December 2015, the interests or short positions of the Directors, the chief executives of the Company (the "Chief Executives") and their associates in 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 of the Company

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	345,696,000[1]	55.82%
	Long	Beneficial owner	3,052,000	0.49%
Ms. Choi Kwan Li, Glendy	Long	Beneficial owner	150,000	0.02%
Mr. Choi Hon Ting, Derek	Long	Beneficial owner	150,000	0.02%
Mr. Liu Tom Jing-zhi	Long	Interest in controlled corporation	13,500,000[2]	2.18%
	Long	Interest of spouse	150,000[2]	0.02%
Mr. Lao Kam Chi	Long	Interest in controlled corporation	9,000,000[3]	1.45%
Mr. Yu Ronghua	Long	Interest in controlled corporation	13,500,000[4]	2.18%
Mr. Law Wang Chak, Waltery	Long	Beneficial owner	1,720,000	0.28%

(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 interest
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:

1. 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.

2. 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.

3. 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.

4. The 13,500,000 Shares were held by Wonderful Investment Holding Company Limited, a company wholly-owned by Mr. Yu Ronghua. Accordingly, by virtue of the SFO, Mr. Yu is deemed to be interested in all the Shares in which Wonderful Investment Holding Company Limited is interested.

Save as disclosed above, as at 31 December 2015, 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 2015, 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	55.82%
Mr. Choi Hung Nang[1]	Long	Interest in controlled corporation	345,696,000	55.82%
	Long	Beneficial owner	3,052,000	0.49%
Ms. Tin Suen Chu[1]	Long	Interest of spouse	348,748,000	56.31%
Regal Sky Holdings Limited[2]	Long	Beneficial owner	50,304,000	8.12%
Ocean Equity Partners Fund L.P.[2]	Long	Interest in controlled corporation	50,304,000	8.12%
Ocean Equity Partners Fund GP Limited[2]	Long	Interest in controlled corporation	50,304,000	8.12%

Notes:

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

2. 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.

Save as disclosed above, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

Share Option Scheme

The Company's share option scheme (the "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, directors 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, 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 Listing Date (the "Limit"), i.e. 60,000,000 Shares representing approximately 9.69% of the issued shares of the Company 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 our 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 our 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.

Since the adoption of the Share Option Scheme, no options have been granted pursuant to the Share Option Scheme.

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 2015.

Directors' Interests in Competing Business

During the year ended 31 December 2015 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 2015.

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 2015.

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.

Directors' Rights to Acquire Shares or Debentures

Apart from the Share Option Scheme as mentioned above, at no time during the year ended 31 December 2015 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 2015, 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 2015 are set out in note 26 to the 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 the 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.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Choi Hung Nang
Chairman

Hong Kong
30 March 2016

SUSTAINABILITY HIGHLIGHTS

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

The Group's first sustainability report is a demonstration of the integration of environmental, social and governance considerations in our business approach. Please refer to our website for detailed report. In the report, the Group provides the sustainability performance for the year ended 31 December 2015, and set the sights and plan for the future. The report follows the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules.

Our innovative technology and sustainable products carry a strong message: **With every segment of road paved with asphalt from our mixing plant, we leave an imprint of sustainability.**

KEY STATISTICS

- 4,837KWh ('000) of total energy usage
- TWO New electric buses
- 4.45 Total tonnes of CO_2e-/equipment

- 91% Customer Satisfaction Rate
- ZERO Customer Complaints
- 42 registered patents,
  22 software copyrights and
  16 registered trademarks

- 22 Summer interns at our 2-week internship program
- ZERO Fatal Incidents
- 1.3 Lost Time Injury Rate

KPMG

Independent auditor's report to the shareholders of D&G Technology Holding Company Limited

(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of D&G Technology Holding Company Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 43 to 96, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015
(Expressed in Renminbi Yuan)

	Note	**2015 RMB'000**	2014 RMB'000
Revenue	3	**390,027**	444,313
Cost of sales		**(224,619)**	(260,130)
Gross profit		**165,408**	184,183
Other income	4	**4,241**	4,686
Distribution costs		**(38,695)**	(39,084)
Administrative expenses		**(84,137)**	(46,637)
Profit from operations		**46,817**	103,148
Finance costs	5(a)	**(4,454)**	(1,808)
Profit before taxation	5	**42,363**	101,340
Income tax	6(a)	**(11,575)**	(18,182)
Profit for the year		**30,788**	83,158
Attributable to:			
Equity shareholders of the Company		**30,788**	74,326
Non-controlling interests		**–**	8,832
Profit for the year		**30,788**	83,158
Earnings per share	9		
Basic and diluted (RMB cents)		**5.91**	19.66

The notes on pages 49 to 96 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015
(Expressed in Renminbi Yuan)

	Note	2015 RMB'000	2014 RMB'000
Profit for the year		**30,788**	83,158
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of:			
– financial statements of overseas entities		**13,549**	660
Other comprehensive income for the year		**13,549**	660
Total comprehensive income for the year		**44,337**	83,818
Attributable to:			
Equity shareholders of the Company		**44,337**	74,986
Non-controlling interests		**–**	8,832
Total comprehensive income for the year		**44,337**	83,818

The notes on pages 49 to 96 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015
(Expressed in Renminbi Yuan)

	Note	**2015 RMB'000**	2014 RMB'000
Non-current assets			
Property, plant and equipment	10	**85,274**	64,555
Lease prepayments	11	**5,357**	5,488
Trade and bills receivables	14	**8,128**	23,796
Other non-current assets		**2,382**	1,727
Deferred tax assets	21(b)	**10,860**	7,960
		112,001	103,526
Current assets			
Inventories	13	**131,757**	113,776
Trade and bills receivables	14	**379,969**	289,224
Other receivables	15	**19,458**	48,892
Bank deposits	16	**162,439**	6,575
Cash and cash equivalents	17	**168,881**	28,607
		862,504	487,074
Current liabilities			
Loans and borrowings	18	**103,381**	162,546
Trade and bills payables	19	**68,190**	72,985
Other payables	20	**36,463**	81,220
Income tax payable	21(a)	**4,205**	6,769
		212,239	323,520
Net current assets		**650,265**	163,554
Total assets less current liabilities		**762,266**	267,080
NET ASSETS		**762,266**	267,080

The notes on pages 49 to 96 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015
(Expressed in Renminbi Yuan)

	Note	**2015** **RMB'000**	2014 RMB'000
CAPITAL AND RESERVES			
Share capital	22(c)	**4,888**	–
Reserves	22(d)	**757,378**	267,080
Total equity attributable to equity shareholders of the Company		**762,266**	267,080
Non-controlling interests		**–**	–
TOTAL EQUITY		**762,266**	267,080

Approved and authorised for issue by the board of directors on 30 March 2016.

Choi Hung Nang
Director

Choi Kwan Li, Glendy
Director

The notes on pages 49 to 96 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015
(Expressed in Renminbi Yuan)

	Attributable to equity holders of the Company								
	Share capital RMB'000 Note 22(c)	Share premium RMB'000 Note 22(d)(i)	Capital reserve RMB'000 Note 22(d)(ii)	PRC statutory reserve RMB'000 Note 22(d)(iv)	Exchange reserve RMB'000 Note 22(d)(iii)	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014	93,500	–	31,436	20,918	1,534	102,101	249,489	95,976	345,465
Profit for the year	–	–	–	–	–	74,326	74,326	8,832	83,158
Other comprehensive income	–	–	–	–	660	–	660	–	660
Total comprehensive income	–	–	–	–	660	74,326	74,986	8,832	83,818
Deregistration of a subsidiary	–	–	–	(502)	–	502	–	(1,065)	(1,065)
Acquisition of non-controlling interests	–	–	(12,149)	–	–	–	(12,149)	(103,743)	(115,892)
Deemed distributions arising from the Reorganisation	–	–	(53,134)	–	–	–	(53,134)	–	(53,134)
Shares issued in connection with the Reorganisation	–	–	7,888	–	–	–	7,888	–	7,888
Arising from the Reorganisation	(93,500)	–	91,249	–	2,251	–	–	–	–
Disposal of equity interests in a subsidiary	–	–	–	(2,762)	–	2,762	–	–	–
Appropriation to general reserve	–	–	–	8,229	–	(8,229)	–	–	–
Appropriation to maintenance and production funds	–	–	–	1,701	–	(1,701)	–	–	–
Balance at 31 December 2014	–	–	65,290	27,584	4,445	169,761	267,080	–	267,080
Balance at 1 January 2015	**–**	**–**	**65,290**	**27,584**	**4,445**	**169,761**	**267,080**	**–**	**267,080**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**30,788**	**30,788**	**–**	**30,788**
Other comprehensive income	**–**	**–**	**–**	**–**	**13,549**	**–**	**13,549**	**–**	**13,549**
Total comprehensive income	**–**	**–**	**–**	**–**	**13,549**	**30,788**	**44,337**	**–**	**44,337**
Capitalisation issue (Note 22(c)(iii))	**2,984**	**(2,984)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Capitalisation of shareholder's loans (Note 22(c)(iii))	**568**	**161,939**	**–**	**–**	**–**	**–**	**162,507**	**–**	**162,507**
Issue of ordinary shares by initial public offering, net of issuance costs (Note 22(c)(iv))	**1,336**	**287,006**	**–**	**–**	**–**	**–**	**288,342**	**–**	**288,342**
Appropriation to general reserve	**–**	**–**	**–**	**5,079**	**–**	**(5,079)**	**–**	**–**	**–**
Appropriation to maintenance and production funds	**–**	**–**	**–**	**1,759**	**–**	**(1,759)**	**–**	**–**	**–**
Balance at 31 December 2015	**4,888**	**445,961**	**65,290**	**34,422**	**17,994**	**193,711**	**762,266**	**–**	**762,266**

The notes on pages 49 to 96 form part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015
(Expressed in Renminbi Yuan)

	Note	**2015 RMB'000**	2014 RMB'000
Operating activities:			
Cash used in operations	17(b)	**(38,683)**	(39,860)
Income tax paid	21(a)	**(17,039)**	(21,032)
Net cash used in operating activities		**(55,722)**	(60,892)
Investing activities:			
Payment for purchase of property, plant and equipment		**(9,674)**	(4,111)
Proceeds from disposal of property, plant and equipment and non-current assets		**15,747**	60
Advances to related parties		**–**	(2,790)
Repayments of advances to related parties		**3,636**	6,124
Interest received		**1,690**	824
Increase in bank deposits		**(102,069)**	–
Net cash (used in)/generated from investing activities		**(90,670)**	107
Financing activities:			
Proceeds from bank loans and borrowings		**115,365**	81,632
Repayments of bank loans and borrowings		**(57,976)**	(67,476)
Proceeds from shareholder's loans		**45,833**	116,554
Payment related to acquisition of non-controlling interests		**–**	(115,441)
Advances from related parties		**158**	7,948
Repayments of advances from related parties		**(4,171)**	(7,305)
Proceeds from shares issued in connection with the Reorganisation		**–**	7,888
Interest paid		**(2,624)**	(1,728)
Repayment to hire purchase creditor		**(88)**	(89)
Proceeds from issue of ordinary shares by initial public offering, net of issuance costs		**289,571**	–
Payments of consideration payable due to related parties		**(52,917)**	–
Increase in restricted bank deposits pledged for loans and borrowings		**(58,500)**	–
Net cash generated from financing activities		**274,651**	21,983
Net increase/(decrease) in cash and cash equivalents		**128,259**	(38,802)
Cash and cash equivalents at 1 January	17(a)	**28,607**	67,407
Effect of foreign exchange rate changes		**12,015**	2
Cash and cash equivalents at 31 December	17(a)	**168,881**	28,607

The notes on pages 49 to 96 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) 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 contributions*
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 (see note 30).

1 Significant accounting policies (Continued)

(d) Basis of measurement

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand. It is prepared on the historical cost basis.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(i)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

1 Significant accounting policies (Continued)

(f) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated statements of financial position at cost less accumulated depreciation and impairment losses (see note 1(i)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Plant and buildings	10 – 20 years
Leasehold improvements	over the shorter of the unexpired term of lease and 5 years
Machinery	3 – 10 years
Motors vehicles	5 years
Office equipment and furniture	4 – 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see note 1(i)(ii)). Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(g) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete the development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(i)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(i)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

1 Significant accounting policies (Continued)

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Lease prepayments

Lease prepayments represent cost of land use rights paid to the PRC governmental authorities or third parties.

Lease prepayments are stated at cost less accumulated amortisation and impairment losses (see note 1(i)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights, which are 50 years.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(i) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables that are stated at amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

For trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

1 Significant accounting policies (Continued)

(i) Impairment of assets (Continued)

(i) Impairment of trade and other receivables (Continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– lease prepayments;

– intangible assets; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

1 Significant accounting policies (Continued)

(i) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(i)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(q)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 Significant accounting policies (Continued)

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(o) Employee benefits

(i) Short-term employee benefits

Salaries and annual bonuses are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined contribution retirement plan

Contributions to local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1 Significant accounting policies (Continued)

(p) Income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Financial guarantee issued, provisions and contingent liabilities

(i) Financial guarantee issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset.

1 Significant accounting policies (Continued)

(q) Financial guarantee issued, provisions and contingent liabilities (Continued)

(i) Financial guarantee issued (Continued)

Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(q)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provision and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(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 machinery which is recognised based on agreed unit rental per tonne of the machinery 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) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

1 Significant accounting policies (Continued)

(s) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss and are reported in finance costs on a net basis.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The Group's presentation currency is Renminbi ("RMB"). The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

1 Significant accounting policies (Continued)

(t) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies: (Continued)

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Accounting judgement and estimates

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

2 Accounting judgement and estimates (Continued)

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Impairment of trade receivables

Management estimates impairment losses of trade receivables (which are recorded in an allowance account for doubtful debts) resulting from the inability of the customers to make the required payments. Management bases its estimates on the ageing of the accounts receivable balance, payment terms, customer credit-worthiness including fulfilment of original and amended repayment plan, the status of customer's road construction and maintenance project and financial condition, historical and subsequent payment records and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs may be higher than expected and could significantly affect the results of future periods.

(ii) Warranty provisions

As explained in note 20(i), the Group makes product warranty provision based on its best estimate of the expected settlement under the sales agreements in respect of products sold which are still within the warranty period. The amount of provision takes into account the Group's recent claim experience and historical warranty data. As the Group is continually upgrading its product designs and launching new models, it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

(iii) Net realisable value of inventories

As described in note 1(j), net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

Management reassesses these estimations at the end of reporting period to ensure inventory is shown at the lower of cost and net realisable value.

3 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are the manufacturing and sale of asphalt mixing plants, spare parts and provision of equipment modification services and operating lease of asphalt mixing plants.

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

	2015 **RMB'000**	2014 RMB'000
Sales of asphalt mixing plants	**321,436**	385,568
Sales of spare parts and provision of equipment modification services	**26,286**	34,012
Operating lease income of asphalt mixing plants	**42,305**	24,733
	390,027	444,313

3 Revenue and segment reporting (Continued)

(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 plants and other relevant spare parts and provision of equipment modification services.

(i) Geographic information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment. The geographical location of revenue is based on the selling location. 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.

	Revenue from external customers		Specified non-current assets	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
– Mainland China	**352,524**	405,326	**84,757**	64,555
– Outside Mainland China	**37,503**	38,987	**517**	–
	390,027	444,313	**85,274**	64,555

(ii) Information about major customers

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenues for each of the periods presented.

4 Other income

	2015	2014
	RMB'000	$'000
Interest income	**1,693**	824
Government grants (Note (a))	**2,295**	453
Rental income from investment properties, net of direct operating expenses	**–**	1,372
Net (loss)/gain on sale of property, plant and equipment	**(54)**	2,133
Others	**307**	(96)
	4,241	4,686

(a) Government grants

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

5 Profit before taxation

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

(a) Finance costs

	2015 RMB'000	2014 RMB'000
Interest on loans and borrowings	**2,397**	1,716
Discounted bills interest	**176**	12
Net foreign exchange loss	**1,830**	80
Others	**51**	–
	4,454	1,808

(b) Staff costs

	2015 RMB'000	2014 RMB'000
Salaries, wages and other benefits	**41,861**	33,579
Contributions to defined contribution plans (i)	**9,654**	8,876
	51,515	42,455

(i) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC 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 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

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

5 Profit before taxation (continued)

(c) Other items

	2015 RMB'000	2014 RMB'000
Depreciation		
– assets held for use under operating leases	**5,984**	3,632
– other assets	**4,620**	5,702
	10,604	9,334
Amortisation		
– lease prepayments	**131**	200
– intangible assets	**218**	217
	349	417
Operating lease charges	**2,079**	1,358
Product warranty costs	**1,554**	1,487
Research and development costs	**8,678**	8,794
Impairment losses of trade receivables	**16,544**	4,765
Auditors' remuneration		
– audit services	**2,200**	448
– tax services	**180**	–
– other services	**2,041**	1,204
	4,421	1,652
Cost of inventories#	**212,798**	254,271

Cost of inventories includes RMB17,827,000 and RMB15,280,000 for the years ended 31 December 2015 and 2014 respectively, relating to staff costs and depreciation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 Income tax

(a) Taxation in the consolidated statement of profit or loss represents:

	2015 RMB'000	2014 RMB'000
Current tax:		
Provision for PRC income tax for the year	**15,055**	20,078
(Over)/under-provision in prior year	**(580)**	103
	14,475	20,181
Deferred tax:		
Origination and reversal of temporary differences	**(2,900)**	(1,999)
	11,575	18,182

6 Income tax (Continued)

(b) Reconciliation between actual income tax expense and accounting profit at applicable tax rates:

	2015 RMB'000	2014 RMB'000
Profit before taxation	**42,363**	101,340
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned (i)	**16,600**	27,175
Tax effect of preferential tax rate (ii)	**(6,148)**	(9,552)
Tax effect of non-deductible expenses	**2,354**	1,116
Additional deduction for qualified research and development expenses (iii)	**(651)**	(660)
(Over)/Under-provision in prior year	**(580)**	103
Actual income tax expense	**11,575**	18,182

(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 was made for the subsidiaries incorporated in Hong Kong as the subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during the above periods. The payments of dividends by Hong Kong companies are not subject to any withholding tax.

No provision for Singapore income tax was made for the subsidiary incorporated in Singapore as the subsidiary did not have sufficient profits subject to Singapore income tax during the above periods.

The Group's PRC subsidiaries are subject to the PRC Corporate Income Tax rate of 25%.

(ii) 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 PRC subsidiary, Langfang D&G Machinery Technology Company Limited ("LFDG") obtained the approvals of high-technology enterprises in the year 2011. Accordingly, LFDG was entitled to preferential income tax rate of 15% for the years from 2011 to 2013. LFDG has further 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, and is entitled to the preferential EIT rate of 15% for the years from 2014 to 2016.

(iii) Under the PRC Enterprise Income Tax Law and its relevant regulations, a 50% additional tax deduction is allowed for qualified research and development expenses.

7 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	Year ended 31 December 2015				
	Director's fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Choi Hung Nang	**97**	**708**	**–**	**–**	**805**
Mr. Choi Hon Ting, Derek	**97**	**–**	**–**	**5**	**102**
Ms. Choi Kwan Li, Glendy	**97**	**819**	**–**	**25**	**941**
Mr. Liu Tom Jing-zhi	**97**	**533**	**–**	**25**	**655**
Mr. Yu Ronghua	**97**	**954**	**–**	**37**	**1,088**
Mr. Lao Kam Chi	**97**	**557**	**–**	**14**	**668**
Non-executive director					
Mr. Chan Lewis	**145**	**–**	**–**	**–**	**145**
Independent non-executive directors					
Mr. Law Wang Chak, Waltery	**97**	**–**	**–**	**–**	**97**
Mr. Li Zongjin	**97**	**–**	**–**	**–**	**97**
Mr. Lee Wai Yat, Paco	**97**	**–**	**–**	**–**	**97**
Mr. Fok Wai Shun, Wilson	**97**	**–**	**–**	**–**	**97**
	1,115	**3,571**	**–**	**106**	**4,792**

	Year ended 31 December 2014				
	Director's fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Choi Hung Nang	–	–	–	–	–
Mr. Choi Hon Ting, Derek	–	–	–	–	–
Ms. Choi Kwan Li, Glendy	–	297	–	–	297
Mr. Liu Tom Jing-zhi	–	344	–	–	344
Mr. Yu Ronghua	–	204	–	75	279
Mr. Lao Kam Chi	–	330	–	–	330
Non-executive director					
Mr. Chan Lewis	6	–	–	–	6
	6	1,175	–	75	1,256

There were no amounts paid during the above periods to the directors in connection with their retirement from employment or compensation for loss of office with the Company, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the above periods.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, four (2014: two) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other one (2014: three) individuals are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other emoluments	**1,207**	930
Discretionary bonuses	**16**	48
Retirement scheme contributions	**15**	39
	1,238	1,017

The emoluments of the one (2014: three) individuals with the highest emoluments are within the following bands:

	2015 Number of individuals	2014 Number of individuals
HK$Nil – HK$1,000,000	**–**	3
HK$1,000,001 – HK$1,500,000	**1**	–

9 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB30,788,000 (2014: RMB74,326,000) and the weighted average of 521,382,997 ordinary shares (2014: 378,000,000 shares) in issue during the year, calculated as follows:

The weighted average number of shares in issue during the year ended 31 December 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 72,000,000 shares issued pursuant to the capitalisation of shareholder's loans, 150,000,000 shares issued under initial public offering and 19,258,000 shares issued under over-allotment. The weighted average number of shares in issue during the year ended 31 December 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.

(i) Weighted average number of ordinary shares

	2015	2014
Issued ordinary shares at 1 January	**8,400**	8,400
Effect of capitalisation issue on 27 May 2015	**377,991,600**	377,991,600
Effect of capitalisation of shareholder's loans on 27 May 2015	**43,200,000**	–
Effect of shares issued by public offering on 27 May 2015	**90,000,000**	–
Effect of shares issued by over-allotment on 22 Jun 2015	**10,182,997**	–
Weighted average number of ordinary shares at 31 December	**521,382,997**	378,000,000

9 Earnings per share (Continued)

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the years ended 31 December 2015 and 2014, therefore, diluted earnings per share is the same as the basic earnings per share.

10 Property, plant and equipment

	Plant and buildings RMB'000	Leasehold Improvement RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2014	42,050	–	45,944	4,294	5,965	3,806	102,059
Additions	713	–	7,826	–	274	1,869	10,682
Transferred to fixed assets	4,867	–	808	–	–	(5,675)	–
Disposals	(7,446)	–	(4,033)	(2,989)	(1,831)	–	(16,299)
At 31 December 2014	40,184	–	50,545	1,305	4,408	–	96,442
At 1 January 2015	40,184	–	50,545	1,305	4,408	–	96,442
Additions	334	601	26,971	22	830	2,649	31,407
Disposals	–	–	(118)	–	(161)	–	(279)
At 31 December 2015	40,518	601	77,398	1,327	5,077	2,649	127,570
Accumulated depreciation:							
At 1 January 2014	(12,837)	–	(15,122)	(2,208)	(3,665)	–	(33,832)
Charge for the year	(2,102)	–	(5,361)	(627)	(599)	–	(8,689)
Written back on disposals	4,100	–	3,087	1,989	1,458	–	10,634
At 31 December 2014	(10,839)	–	(17,396)	(846)	(2,806)	–	(31,887)
At 1 January 2015	**(10,839)**	**–**	**(17,396)**	**(846)**	**(2,806)**	**–**	**(31,887)**
Charge for the year	**(2,099)**	**(84)**	**(7,748)**	**(148)**	**(525)**	**–**	**(10,604)**
Written back on disposals	**–**	**–**	**80**	**–**	**115**	**–**	**195**
At 31 December 2015	**(12,938)**	**(84)**	**(25,064)**	**(994)**	**(3,216)**	**–**	**(42,296)**
Net book value:							
At 31 December 2015	**27,580**	**517**	**52,334**	**333**	**1,861**	**2,649**	**85,274**
At 31 December 2014	**29,345**	**–**	**33,149**	**459**	**1,602**	**–**	**64,555**

10 Property, plant and equipment (Continued)

(a) Property, plant and equipment with net book value of RMB nil has been pledged as security for bank loans (see note 18(i)) as at 31 December 2015 (2014: RMB12,663,000).

(b) The Group leases out certain sets of asphalt mixing machineries under operating leases. The leases typically run for an initial period of 4 to 16 months, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**7,895**	5,125

11 Lease prepayments

	2015 RMB'000	2014 RMB'000
Cost:		
At 1 January	**6,533**	8,596
Disposals	**–**	(2,063)
	6,533	6,533
Less: Accumulated amortisation		
At 1 January	**(1,045)**	(1,859)
Charge for the year	**(131)**	(200)
Written back on disposals	**–**	1,014
At 31 December	**(1,176)**	(1,045)
Net book value:		
At 31 December	**5,357**	5,488

Lease prepayments represent cost of land use rights in respect of pieces of land located in the PRC with lease periods of 50 years when granted.

Lease prepayments with net book value of RMB nil have been pledged as security for bank loans (see note 18(i)) as at 31 December 2015 (2014: RMB5,488,000).

12 Investments in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Rich Benefit International Limited ("Rich Benefit") (萬利國際有限公司)	British Virgin Islands	100 shares of US$1 each	100%	100%	–	Investment holding
Hong Kong D&G Machinery Company Limited ("DGHK")# (香港德基機械有限公司)	Hong Kong	1,000 shares	100%	–	100%	Investment holding
BW Enterprise Company Limited ("BW Enterprise") (百威企業有限公司)	Hong Kong	1 share	100%	–	100%	Investment holding
Zacks Vroom Investment Company Limited ("Zacks Vroom") (鴻豐隆投資有限公司)	Hong Kong	1 share	100%	–	100%	Investment holding
Well Silver Corporation Limited ("Well Silver") (銀佳興業有限公司)	Hong Kong	1 share	100%	–	100%	Investment holding
Denmike Investment Company Limited ("Denmike") (丹麥投資有限公司)	Hong Kong	1 share	100%	–	100%	Investment holding
Langfang D&G Machinery Technology Company Limited ("LFDG")* (廊坊德基機械科技有限公司)	The PRC	RMB200,000,000	100%	–	100%	Manufacture of asphalt mixing plants
Tianjin D&G Machinery Equipment Leasing Company Limited ("TJDG")* (天津德基機械設備租賃有限公司)	The PRC	RMB2,563,680	100%	–	100%	Leasing of asphalt mixing plants
Eco System Enterprises Ltd. ("ECO")	British Virgin Islands	1 share of US$1 each	100%	–	100%	Investment holding
Primach Technology Pte Ltd ("Primach")	Singapore	10,000 shares of S$1 each	100%	–	100%	Sales of asphalt mixing plants

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

\# Hong Kong D&G Machinery Co., Ltd changed its name to Topp Financial Services Holding Company Limited on 11 January 2016.

13 Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	2015 RMB'000	2014 RMB'000
Raw materials	**61,734**	42,624
Work in progress	**60,603**	55,770
Finished goods	**9,420**	15,382
	131,757	113,776

The inventory as at 31 December 2015 and 2014 were stated at cost.

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

14 Trade and bills receivables

	2015 RMB'000	2014 RMB'000
Trade receivables (Note (a) and (b))	**424,294**	329,248
Less: unrecognised interest income	**(823)**	(1,144)
	423,471	328,104
Less: provision for impairment (Note (c))	**(36,431)**	(19,887)
	387,040	308,217
Less: trade receivable due after one year (Note (a))	**(8,128)**	(23,796)
	378,912	284,421
Bills receivables	**1,057**	4,803
Total trade receivables	**379,969**	289,224

All of the trade and other receivables, except those described below, are expected to be recovered or recognised as expense within one year.

14 Trade and bills receivables (continued)

(a) Payment terms of trade receivables

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. Customers are 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 years ended 31 December 2015, the weighted average discount rate was approximately 4.75% (2014: 6.15%) per annum. As at 31 December 2015, trade receivables due after one year of RMB8,128,000 (2014: RMB23,796,000) were presented net of unrecognised interest income of RMB95,000 (2014: RMB322,000).

(b) Ageing analysis

Ageing analysis based on billing date of trade receivables (net of provision for impairment) as at the balance sheet date is as follows:

	2015 RMB'000	2014 RMB'000
Less than 3 months	**84,205**	109,260
3 to 6 months	**51,247**	78,019
6 to 12 months	**127,702**	43,485
Over 12 months	**123,886**	77,453
	387,040	308,217

(c) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (note 1(i)(i)). The movement in the provision for impairment during the periods is as follows:

	2015 RMB'000	2014 RMB'000
Balance at 1 January	**19,887**	15,122
Impairment losses recognised	**16,544**	4,765
Balance at 31 December	**36,431**	19,887

14 Trade and bills receivables (continued)

(d) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired, together with the amount of trade receivables with provision of impairment losses made, are as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**165,392**	175,906
Less than 3 months past due	**47,799**	47,138
3 to 12 months past due	**51,372**	33,185
Over 12 months past due	**9,920**	5,051
Total amount past due but not impaired	**109,091**	85,374
Total amount of trade receivables with provision for impairment losses made	**112,557**	46,937
	387,040	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 original or amended 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.

(e) Bills receivables

Bills receivable represent short-term bank acceptance notes receivable that entitle the Group to receive the full face amount from banks at maturity, which generally ranges from 3 to 6 months from the date of issuance. Historically, the Group had experienced no credit losses on bills receivable. The Group from time to time discounts bills receivables to banks in order to enhance treasury management.

During the year ended 31 December 2015, no bills receivable (2014: RMB817,000) was discounted to banks, where substantially all the risks and rewards of ownership had been transferred. Since the Group did not have continuing involvement in the transferred assets, these discounted bills receivable were therefore derecognised.

15 Other receivables

	2015 RMB'000	2014 RMB'000
Prepayments to suppliers	**13,426**	22,849
Other receivables and deposits	**6,032**	6,690
Amounts due from third parties	**19,458**	29,539
Amounts due from related parties	**–**	19,353
	19,458	48,892

16 Bank deposits

	2015 RMB'000	2014 RMB'000
Restricted bank deposits pledged in respect of loans and borrowings	**58,500**	–
Restricted bank deposits pledged in respect of bills payable	**1,870**	6,575
Unrestricted bank deposits with an initial term of over three months but within one year	**102,069**	–
	162,439	6,575

As of the end of the reporting period, the restricted bank deposits are pledged in respect of:

	2015 RMB'000	2014 RMB'000
Loans and borrowings (note 18 (i))	**58,500**	–
Bills payable	**1,870**	6,575
	60,370	6,575

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

17 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	2015 RMB'000	2014 RMB'000
Cash at bank and on hand	**168,881**	28,607

(b) Reconciliation of profit before taxation to cash used in operations:

	Note	2015 RMB'000	2014 RMB'000
Profit before taxation		**42,363**	101,340
Adjustments for:			
Depreciation	5(c)	**10,604**	9,334
Amortisation	5(c)	**349**	417
Finance costs		**2,624**	1,728
Interest income	4	**(1,693)**	(824)
Loss/(gain) on disposal of property, plant and equipment and other assets	4	**54**	(2,133)
Changes in working capital:			
Increase in inventories		**(41,714)**	(15,586)
Increase in trade and other receivables		**(64,681)**	(123,895)
(Increase)/decrease in pledged bank deposits		**4,705**	1,941
Increase/(decrease) in trade and other payables		**8,706**	(12,182)
Cash used in operations		**(38,683)**	(39,860)

18 Loans and borrowings

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

	2015 RMB'000	2014 RMB'000
Secured bank loans (i)	**97,015**	32,000
Bank loan guaranteed by related parties (ii)	**–**	9,459
Bank loan guaranteed by the Company (ii)	**6,366**	–
Unsecured bank loans	**–**	4,533
Shareholder's loans (iii)	**–**	116,554
	103,381	162,546

(i) Loans and borrowings were secured by the following assets of the Group:

	2015 RMB'000	2014 RMB'000
Property, plant and equipment	**–**	12,663
Lease prepayments	**–**	5,488
Pledged bank deposits	**58,500**	–
Trade receivables	**73,093**	–
	131,593	18,151

(ii) None of bank loan was guaranteed by related parties as at 31 December 2015 (2014: RMB9,459,000) (see note 26(d)). The loan previously guaranteed by related parties as at 31 December 2014 was released and guaranteed by the Company in 2015. Such loan was arising from the factoring service provided by HSBC Bank (China) Company Limited to the Group's suppliers which was interest-free to the Group and repayable within one year.

(iii) During the year ended 31 December 2015, Prima DG Investment Holding Company Limited ("BVI-Prima DG"), a limited liability company incorporated in the BVI beneficially owned by the Choi Family (Mr. Choi Hung Nang, Ms. Tin Suen Chu, Mr. Choi Hon Ting, Derek and Ms. Choi Kwan Li, Glendy), advanced an interest-free on-demand shareholder's loan to the Company between 7 January 2015 and 21 January 2015 in the aggregate amount of HK$51,820,000 (equivalent to approximately RMB45,333,600) which was in turn injected by the Company to Rich Benefit International Limited ("Rich Benefit"), and further by Rich Benefit to BW Enterprise Company Limited ("BW Enterprise"). BW Enterprise applied the full amount of such shareholder's loan from Rich Benefit to settle the payable for acquisition of the equity interests in LFDG held by Diamond Strong Limited ("Diamond Strong") in tranches, as part of the Group reorganisation.

On 27 May 2015, the Company allotted and issued 72,000,000 new shares as full settlement of the shareholder's loans in the amount of HK$205,862,101 (equivalent to approximately RMB162,507,542) (see note 22(c)(iii)).

(iv) Certain banking facilities of a subsidiary of the Group are subject to the fulfilment of financial covenants relating to certain of the balance sheet ratios of that subsidiary, as are commonly found in lending arrangements with financial institutions. If the subsidiary were to breach the covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 23(b). As at 31 December 2015 and 2014, none of the covenants relating to drawn down facilities had been breached.

19 Trade and bills payables

	2015 RMB'000	2014 RMB'000
Trade payables	**41,010**	35,158
Bills payable	**27,180**	37,827
Trade and bills payables (i)	**68,190**	72,985

(i) As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), is as follows:

	2015 RMB'000	2014 RMB'000
Within 3 months	**52,197**	40,636
After 3 months but within 6 months	**14,637**	32,014
After 6 months but within 1 year	**1,356**	335
	68,190	72,985

20 Other payables

	2015 RMB'000	2014 RMB'000
Receipts in advance	**12,358**	3,551
Accrued expenses and other payables	**12,816**	14,103
Accrued staff costs	**6,994**	7,072
Product warranty provision (i)	**1,436**	1,540
Sundry taxes payables	**2,717**	413
Amounts due to third parties	**36,321**	26,679
Amounts due to related parties (Note 26(b))	**142**	54,541
	36,463	81,220

20 Other payables (continued)

(i) Product warranty provision

	2015 RMB'000	2014 RMB'000
Balance at 1 January	**1,540**	1,421
Provision for the year	**1,554**	1,487
Utilisation during the year	**(1,658)**	(1,368)
Balance at 31 December	**1,436**	1,540

A provision for warranties is recognised when the underlying products are sold. Under the terms of the Group's sales agreements, the Group will rectify any product defects arising within the warranty period, which is usually a period of 15 months from the date of product delivery or 12 months from the date of customer acceptance whichever is earlier. For overseas customers or customers with overseas projects, the Group offers a longer warranty period of 18 or 24 months. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of products sold which are still within warranty period. The amount of provision takes into account the Group's recent claim experience and historical warranty data.

21 Income tax in the consolidated statements of financial position

(a) Current taxation in the consolidated statements of financial position represents:

	2015 RMB'000	2014 RMB'000
Balance at beginning of the year	**6,769**	7,620
Provision for the year	**14,475**	20,181
Payment during the year	**(17,039)**	(21,032)
Income tax payable	**4,205**	6,769

21 Income tax in the consolidated statements of financial position (continued)

(b) Deferred tax assets and liabilities recognised:

(i) The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the following periods are as follows:

Deferred tax assets arising from:	Impairment losses on receivables RMB'000	Unrealised profit due to intra-group transaction RMB'000	Accrued expenses and other payables RMB'000	Product warranty provision RMB'000	Others RMB'000	Total RMB'000
Balance at 1 January 2014	2,467	1,582	1,555	213	144	5,961
Credited to profit or loss	933	189	831	18	28	1,999
Balance at 31 December 2014	3,400	1,771	2,386	231	172	7,960
Balance at 1 January 2015	**3,400**	**1,771**	**2,386**	**231**	**172**	**7,960**
Credit/(charged) to profit or loss	**2,092**	**546**	**327**	**(16)**	**(49)**	**2,900**
Balance at 31 December 2015	**5,492**	**2,317**	**2,713**	**215**	**123**	**10,860**

(ii) Reconciliation to the consolidated statements of financial position:

	2015 RMB'000	2014 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**10,860**	7,960

(c) Deferred tax liabilities not recognised:

The PRC Enterprise Income Tax Law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings of PRC enterprises accumulated beginning on 1 January 2008. 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 PRC subsidiaries of RMB273,903,000 at 31 December 2015 (2014: RMB216,475,000) as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

22 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange Reserve RMB'000	Accumulated losses/ retained earnings RMB'000	Total RMB'000
Balance at 1 January 2014	–	–	–	–	–	–
Changes in equity for 2014:						
Total comprehensive income for the year	–	–	–	–	(2,199)	(2,199)
Shares issued in connection with the Reorganisation	–	–	7,888	–	–	7,888
Balance at 31 December 2014 and 1 January 2015	–	–	7,888	–	(2,199)	5,689
Changes in equity for 2015:						
Total comprehensive income for the year	**–**	**–**	**–**	**28,133**	**(19,619)**	**8,514**
Capitalisation issue	**2,984**	**(2,984)**	**–**	**–**	**–**	**–**
Capitalisation of shareholder's loans	**568**	**161,939**	**–**	**–**	**–**	**162,507**
Issue of ordinary shares by initial public offering, net of issuance costs	**1,336**	**287,006**	**–**	**–**	**–**	**288,342**
Balance at 31 December 2015	**4,888**	**445,961**	**7,888**	**28,133**	**(21,818)**	**465,052**

22 Capital, reserves and dividends (continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2015 RMB'000	2014 RMB'000
Final dividend proposed after the end of reporting period of HK 1.8 cents (RMB equivalent 1.51 cents) per ordinary share (2014: nil)	**9,356**	–
Special final dividend proposed after the end of reporting period of HK 1.5 cents (RMB equivalent 1.26 cents) per ordinary share (2014: nil)	**7,797**	–
	17,153	–

The final dividend and special final dividend proposed after the end of reporting period has not been recognised as a liability at the end of reporting period.

(c) Share capital

(i) Ordinary shares

	Par Value HK$	2015 No. of shares'000	2015 HK$'000	2014 No. of shares'000	2014 HK$'000
Ordinary shares, issued and fully paid					
At 1 January	0.01	**8**	**–**	–	–
Shares issued	0.01	**–**	**–**	8	–
Capitalisation issue (Note(iii))	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 31 December	0.01	**619,258**	**6,193**	8	–
RMB equivalent ('000)			**4,888**		–

22 Capital, reserves and dividends (continued)

(c) Share capital (continued)

(ii) Issue of shares upon reorgnisation

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 ("BVI-Wonderful"), DY Investment Holding Company Limited ("BVI-DY") and Decai Investment Holding Company Limited ("BVI-Decai") 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.

22 Capital, reserves and dividends (continued)

(d) Nature and purpose of reserves

(i) Share premium

Share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received from the public offering in May 2015 and over-allotment in June 2015. 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.

(ii) Capital reserve

Capital reserve comprises contributions by the Controlling Shareholder at the respective dates and balances arising from transactions with owners in their capacity as the equity owners.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group's subsidiaries outside the mainland China which are dealt with in accordance with the accounting policies set out in note 1(t).

(iv) PRC statutory reserves

Statutory general reserve

Statutory general reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective companies' boards of directors.

For the entities concerned, statutory general reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

Specific reserve for maintenance and production funds

Pursuant to the relevant PRC regulations, the PRC companies comprising the Group are required to transfer maintenance and production funds at fixed rates based on production volume to a specific reserve accounts. The production and maintenance funds could be utilised when expenses or capital expenditures on maintenance, production and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve account to retained earnings.

(v) Distributability of reserve

As at 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company, including share premium, capital reserve and accumulated losses, was RMB432,031,000 (2014: RMB5,689,000). After the end of the reporting period, the directors proposed a final dividend of HK 1.8 cents per ordinary share (2014: nil), amounting to approximately RMB 9,356,000 (2014: RMB nil) and a special final dividend of HK 1.5 cents per ordinary share (2014: nil), amounting to approximately RMB 7,797,000 (2014: RMB nil) (note 22(b)). This dividend has not been recognised as a liability at the statement of financial position date.

22 Capital, reserves and dividends (continued)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-capital ratio. This ratio is calculated as net debt divided by shareholders' equity. The Group defines net debt as loans and borrowings and bills payable, less pledged bank deposits and cash and cash equivalents.

The Group's adjusted net debt-to-capital ratio at 31 December 2015 and 2014 was as follows:

	Note	**2015** **RMB'000**	2014 RMB'000
Current liabilities:			
Loans and borrowings	18	**103,381**	162,546
Bills payable	19	**27,180**	37,827
Total debt		**130,561**	200,373
Add: Proposed dividends	22(b)	**17,153**	–
Less: Bank deposits	16	**(162,439)**	(6,575)
Cash and cash equivalents	17	**(168,881)**	(28,607)
Adjusted net (cash)/debt		**(183,606)**	165,191
Total equity		**762,500**	267,080
Less: Proposed dividends	22(b)	**(17,153)**	–
Adjusted capital		**745,347**	267,080
Adjusted net debt-to-capital ratio		**(25%)**	62%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

23 Financial risk management and fair value

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Bank deposits are placed with financial institutions that have high credit ratings. Given their credit ratings, management does not expect any counterparty to fail to meet its obligations.

In respect of trade and other receivables, as part of the Group's ongoing credit control procedures, management monitors the creditworthiness of customers to whom it grants credit in the normal course of business. Credit exposure limits are established to avoid concentration risk with respect to any single customer.

Before the Group's acceptance of orders from customers, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's background and financial strengths, historical repayment records and current repayment ability, and take into account information specific to the economic environment in which the customer operates. Trade receivables under credit sales arrangement are due in accordance with specific payment terms agreed with individual customer on a case by case basis subject to the fulfilment of conditions as stipulated in the respective sales contracts. If the customers request for more favourable credit terms than what the Group would offer under its established policies, depending on the terms that the customers request for, the sales personnel must seek approvals from the Group's regional manager, sales director and/or executive director. Normally, the Group does not obtain collateral from customers.

With respect to the collection of trade receivables, the Group sends payment reminder to its customers one month before the due date for payment. The Group's sales personnel are responsible for follow-up of overdue balances on a regular basis. They may liaise with the customers enquiring about the status of their road construction or maintenance projects, or visit the customers in person if necessary. The Group's finance department sends payment reminder letters to customers for any overdue balance. The collection status and overdue analysis is reported to sales department on a bi-weekly basis. The Group management reviews overdue balances to make appropriate assessment and determine whether or not provision for impairment of trade receivables should be made on a case-by-case basis. The management team works closely with sales personnel to conduct regular reviews of repayment status of customers with overdue trade receivable balances. Management will from time to time review, and if appropriate, revise and update the Group's credit policy and internal control procedures for trade receivables collection.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. As at 31 December 2015 and 2014, 7% and 7% of the total trade and bills receivables was due from the Group's largest customer and 20% and 10% of the total trade and bills receivables was due from the Group's five largest customers respectively.

23 Financial risk management and fair value (continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	At 31 December 2015 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	Balance sheet carrying amount RMB'000
Loans and borrowings	**105,147**	**–**	**105,147**	**103,381**
Trade and other payables	**104,653**	**–**	**104,653**	**104,653**
	209,800	**–**	**209,800**	**208,034**

	At 31 December 2014 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	Balance sheet carrying amount RMB'000
Loans and borrowings	164,559	–	164,559	162,546
Trade and other payables	154,205	–	154,205	154,205
	318,764	–	318,764	316,751

23 Financial risk management and fair value (continued)

(c) Interest rate risk

(i) Interest rate profile

The Group's interest rate risk arises primarily from cash at bank, pledged bank deposits and interest-bearing borrowings. Cash at bank and pledged bank deposits are with fixed interest rates ranging from 0.35% to 0.50% per annum as at 31 December 2015 and 2014, respectively.

The Group's interest-bearing borrowings and interest rates as at 31 December 2015 and 2014 are set out as follows:

	2015		2014	
	Interest rate %	**RMB'000**	Interest rate %	RMB'000
Fixed rate borrowings				
– Bank loans	**3.92-5.87**	**103,381**	6.60-7.20	45,992
– Shareholder's loans	**–**	**–**	–	116,554

(ii) Sensitivity analysis

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not affect profit or loss.

The following table indicates the instantaneous change in the Group's profit after tax (and retained earnings) and other components of equity that would arise assuming that the change in interest rates had occurred at the end of the following periods and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the following periods.

	Increase/ (decrease) in basis points RMB'000	**Increase/ (decrease) in profit after tax and retained earnings for the year RMB'000**
At 31 December 2015		
Basis points	**100**	**1,152**
Basis points	**(100)**	**(1,152)**
At 31 December 2014		
Basis points	100	(161)
Basis points	(100)	161

23 Financial risk management and fair value (continued)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, that is, a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars ("USD"), Euros ("EUR"), Singapore Dollars ("SGD") and Australian Dollars ("AUD").

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	2015			
	United States Dollars RMB'000	**Euros RMB'000**	**Singapore Dollars RMB'000**	**Hong Kong Dollars RMB'000**
Trade and other receivables	**625**	**1,508**	**–**	**–**
Cash and cash equivalents	**4,501**	**1**	**698**	**1,778**
Trade and other payables	**(3,693)**	**–**	**–**	**–**
Gross exposure arising from recognised assets and liabilities	**1,433**	**1,509**	**698**	**1,778**

	2014		
	United States Dollars RMB'000	Euros RMB'000	Australian Dollars RMB'000
Trade and other receivables	597	2,071	6
Cash and cash equivalents	1,513	–	24
Trade and other payables	(86)	–	–
Gross exposure arising from recognised assets and liabilities	2,024	2,071	30

23 Financial risk management and fair value (continued)

(d) Currency risk (continued)

The following table indicates the change in the Group's profit after taxation (and retained earnings) and other components of equity that would arise if foreign exchange rates to which the Group's financial assets and liabilities have significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant:

	2015		2014	
	Increase/ decrease in foreign exchange rates	**Effect on profit after taxation and retained earnings RMB'000**	Increase/ decrease in foreign exchange rates	Effect on profit after taxation and retained earnings RMB'000
USD	**5%**	**67**	5%	86
	–5%	**(67)**	–5%	(86)
EUR	**5%**	**64**	5%	88
	–5%	**(64)**	–5%	(88)
SGD	**5%**	**35**	–	–
	–5%	**(35)**	–	–
AUD	**5%**	**–**	5%	1
	–5%	**–**	–5%	(1)
HKD	**5%**	**76**	–	–
	–5%	**(76)**	–	–

Other than the amounts as disclosed above, the amounts of other financial assets and liabilities of the Group are substantially denominated in the functional currency of the respective entity within the Group.

(e) Fair values

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2015 and 2014 given the nature and short-term maturity of these financial instruments.

24 Commitments

(a) Capital commitments outstanding at 31 December 2015 not provided for in the financial statements were as follows:

	2015 RMB'000	2014 RMB'000
Contracted for	**3,449**	8,723
Authorised but not contracted for	**6,032**	71
	9,481	8,794

(b) At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	**1,948**	1,235
After 1 year but within 5 years	**2,597**	2,075
After 5 years	**1,127**	15
	5,672	3,325

25 Contingent liabilities

(a) Financial guarantee issued

Certain customers of the Group finance 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 provides 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 31 December 2015, the Group's maximum exposure to such guarantees was RMB9,599,000 (2014: RMB32,684,000). The terms of these guarantees coincide with the tenure of the lease contracts which generally range from 1 to 2 years. For the year ended 31 December 2015, there was no payment made for repossession of machinery incurred under the guarantee arrangement as a result of customer default.

26 Material related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

During the year ended 31 December 2015, the directors are of the view that the following companies and persons are related parties of the Group:

Name of party	Relationship
Choi Hung Nang 蔡鴻能	Controlling Shareholder
Choi Kwan Li, Glendy 蔡群力	Controlling Shareholder
Choi Hon Ting, Derek 蔡翰霆	Controlling Shareholder
Tin Suen Chu 田碹珠	Spouse of Controlling Shareholder (Choi Hung Nang)
Tom Liu Jing-zhi 劉敬之	Member of senior management
Lao Kam Chi 劉金枝	Member of senior management
Prima DG Investment Holding Company Limited 翰名投資控股有限公司	Entity controlled by the Controlling Shareholder
Balama Prima Holdings Limited 百萊瑪控股有限公司	Entity controlled by the Controlling Shareholder
Diamond Strong Limited 常剛有限公司	Entity controlled by the Controlling Shareholder
Treasure Merger Holdings Limited 溢豐集團有限公司	Entity controlled by the Controlling Shareholder
Beijing Weilifei Technical Service Company Limited* 北京威力菲技術服務有限公司	Entity controlled by the Controlling Shareholder
Vermeer Beijing Manufacturing Company Limited* 北京威猛機械製造有限公司	Entity which the Controlling Shareholder has significant influence
Vermeer (Beijing) Trading & Service Company Limited* 威猛(北京)商貿有限公司	Entity which the Controlling Shareholder has significant influence
Balama Prima Shanghai Equipment Limited* 百瑪威(上海)機械設備商貿有限公司	Entity controlled by the Controlling Shareholder
Balama Prima Engineering Company Limited* 百萊瑪工程有限公司	Entity controlled by the Controlling Shareholder
Shanghai Wendefeng Investment Management Partnership Enterprise (Limited Partnership) 上海穩德豐投資管理合夥企業(有限合夥)	Entity controlled by the key management personnel
Beijing D&G Machinery Company Limited* 北京德基機械有限公司	Entity controlled by the Controlling Shareholder since 4 December 2014

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

26 Material related party transactions (continued)

(a) Transactions with related parties

	2015 RMB'000	2014 RMB'000
Recurring transactions:		
Rental income from related parties:		
Vermeer Beijing Manufacturing Company Limited	**–**	1,983
Vermeer (Beijing) Trading & Service Company Limited	**–**	33
Rental expense to related parties:		
Choi Hung Nang	**203**	184
Diamond Strong Limited	**174**	418
Beijing Weilifei Technical Service Company Limited	**–**	124
Non-recurring transactions:		
Advance to related parties:		
Diamond Strong	**–**	2,790
Repayment of advances to related parties:		
Diamond Strong	**2,790**	–
Beijing D&G Machinery Company Limited	**846**	–
Choi Hung Nang	**–**	3,381
Choi Kwan Li, Glendy	**–**	2,743
Advance from related parties:		
Balama Prima Holdings Limited	**158**	7,002
Treasure Merger Holdings Limited	**–**	804
Lao Kam Chi	**–**	63
Tom Liu Jing-zhi	**–**	79
Repayment of advances from related parties:		
Balama Prima Holdings Limited	**4,030**	6,395
Treasure Merger Holdings Limited	**–**	804
Lao Kam Chi	**60**	53
Tom Liu Jing-zhi	**53**	53
Payments of consideration for the acquisition of equity interests in a subsidiary		
Diamond Strong	**45,149**	–
Shanghai Wendefeng Investment Management Partnership Enterprise (Limited Partnership)	**4,661**	–

26 Material related party transactions (continued)

(a) Transactions with related parties (continued)

	2015 RMB'000	2014 RMB'000
Loans borrowed from shareholder		
Prima DG Investment Holding Company Limited	**45,334**	116,554
Captialisation of shareholder's loans		
Prima DG Investment Holding Company Limited	**162,507**	–
Disposal of property, plant and equipment and other non-current assets		
Beijing Weilifei Technical Service Company Limited	**–**	15,374
Repayment of disposal of property, plant and equipment and other non-current assets		
Beijing Weilifei Technical Service Company Limited	**15,717**	–

Advances from/to related parties of the Group are unsecured, interest-free and have no fixed term of repayment during the above periods.

(b) Balances with related parties

As at the respective balance sheet dates, the Group had the following balances with related parties:

Amounts due from:

	2015 RMB'000	2014 RMB'000
– Beijing D&G Machinery Company Limited	**–**	846
– Beijing Weilifei Technical Service Company Limited	**–**	15,717
– Diamond Strong	**–**	2,790
	–	19,353

26 Material related party transactions (continued)

(b) Balances with related parties (continued)

Amounts due to:

	2015 RMB'000	2014 RMB'000
– Balama Prima Holdings Limited	–	3,873
– Diamond Strong	–	45,166
– Choi Hung Nang	142	698
– Lao Kam Chi	–	60
– Beijing Weilifei Technical Service Company Limited	–	28
– Tom Liu Jing-zhi	–	53
– Wendefeng LP	–	4,663
	142	54,541

Shareholder's loans:

	2015 RMB'000	2014 RMB'000
– Prima DG Investment Holding Company Limited	–	116,554

The outstanding balance of amount due from Beijing Weilifei Technical Service Company Limited as of 31 December 2014 represented the consideration receivable for the disposal of Beijing D&G Machinery Company Limited's investment properties and certain assets. The balance had been settled in May 2015.

The outstanding balances of amounts due to Diamond Strong and Shanghai Wendefeng Investment Management Partnership Enterprise (Limited Partnership) ("Wendefeng") as of 31 December 2014 represents the consideration payable for the acquisition of the equity interests in LFDG held by Diamond Strong and Wendefeng LP, respectively to the Group, in connection with the Group reorganisation. The balance due to Diamond Strong had been fully settled on 21 January 2015. The outstanding balance of amount due to Wendefeng LP had been fully settled by the Group on 27 April 2015.

26 Material related party transactions (continued)

(c) Guarantees issued by the Group

	2015 RMB'000	2014 RMB'000
Guarantees issued by the Group in respect of banking facilities granted to a related party:		
– Balama Prima Engineering Company Limited	–	48,912
	–	48,912

Among the above guarantees, the guarantee issued by the Group in respect of the banking facility had all been released as of 31 December 2015.

(d) Guarantees issued by related parties

	2015 RMB'000	2014 RMB'000
Guarantees issued by related parties in respect of a bank loan borrowed by the Group:		
– Tin Suen Chu/Choi Hon Ting, Derek	–	9,459
	–	9,459

The above guarantees issued by the related parties in respect of a bank loan borrowed by the Group had all been released as of 31 December 2015.

(e) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors is disclosed in note 7 and certain of the highest paid employees is disclosed in note 8.

(f) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of rental expenses as disclosed above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

27 Company-level statement of financial position

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Investment in a subsidiary		**–**	–
Amounts due from subsidiaries	(i)	**445,302**	–
		445,302	–
Current assets			
Other receivables		**398**	116,327
Pledged bank deposits		**29,992**	–
Cash and cash equivalents		**10,912**	7,913
		41,302	124,240
Current liabilities			
Loans and borrowings		**20,107**	116,554
Other payables		**1,445**	1,997
		21,552	118,551
Net current assets		**19,750**	5,689
Total assets less current liabilities		**465,052**	5,689
NET ASSETS		**465,052**	5,689
CAPITAL AND RESERVES	22		
Share capital		**4,888**	–
Reserves		**460,164**	5,689
TOTAL EQUITY		**465,052**	5,689

(i) This balance of amounts due from subsidiaries represents interest-free advances to the Company's subsidiaries which has no fixed term of repayment.

28 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Final dividend

On 30 March 2016, the directors proposed a final dividend and a special final dividend in respect of the year ended 31 December 2015. Further details are set out in note 22(b).

NOTES TO THE FINANCIAL STATEMENTS

29 Immediate and ultimate controlling party

At 31 December 2015, the directors consider the immediate parent and ultimate controlling party of the Group to be Choi Family. This entity does not produce financial statements available for public use.

30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2015

Up to the date of issue of the financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in the financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016
Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
Amendments to HKAS 27, *Equity method in separate financial statements*	1 January 2016
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendments to HKAS 1, *Disclosure initiative*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 9, *Financial instruments*	1 January 2018

The directors have confirmed that the Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application, and is not yet in a position to determine whether or not the adoption of these amendments, new standards and interpretations will have a significant impact on the Group's results of operations and financial position.

In addition, the International Accounting Standards Board issued a new standard, IFRS 16, Leases, effective for annual periods beginning on or after 1 January 2019. We expect that the HKICPA will issue the equivalent standard soon to maintain convergence with Internal Financial Reporting Standards. IFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, IFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces IAS 17, Leases and the related interpretations including IFRIC 4, Determining whether an arrangement contains a lease. The new lease accounting standard is not expected to have significant impact on the Group's results of operations and financial position as the Group does not have the use of significant assets under lease.