D&G TECHNOLOGY HOLDING COMPANY LIMITED
德 基 科 技 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1301)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the "Board"or the "Directors") of D&G Technology Holding Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2016 together with the comparative figures for the same period of last year, as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*6*	**162,767**	197,188
Cost of sales		**(95,791)**	(117,223)
Gross profit		**66,976**	79,965
Other income and other gains, net	*7*	**3,469**	809
Distribution costs		**(20,611)**	(21,289)
Administrative expenses		**(28,608)**	(34,935)
Operating profit	*8*	**21,226**	24,550
Finance costs		**(4,901)**	(818)

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
PROFIT BEFORE INCOME TAX		**16,325**	23,732
Income tax expense	*9*	**(6,155)**	(5,143)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**10,170**	18,589
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted *(RMB)*	*10*	**1.6 cents**	4.4 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**10,170**	18,589
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to profit or loss		
Currency translation differences	**6,550**	(341)
Other comprehensive income for the period, net of tax	**6,550**	(341)
Total comprehensive income attributable to owners of the Company for the period	**16,720**	18,248

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Notes	**30 June 2016 *RMB'000* (Unaudited)**	31 December 2015 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**89,494**	85,274
Lease prepayments		**5,291**	5,357
Intangible assets		**3,297**	777
Trade receivables	*11*	**–**	8,128
Prepayments and deposits		**11,336**	1,605
Deferred tax assets		**9,852**	10,860
		119,270	112,001
Current assets			
Inventories		**133,825**	131,757
Trade and bills receivables	*11*	**443,925**	379,969
Prepayments, deposits and other receivables		**32,844**	19,458
Pledged bank deposits		**71,154**	60,370
Bank deposits with initial terms of over three months		**54,936**	102,069
Cash and cash equivalents		**92,403**	168,881
		829,087	862,504
Total assets		**948,357**	974,505
EQUITY			
Share capital	*14*	**4,888**	4,888
Reserves		**758,175**	757,378
Total equity		**763,063**	762,266
LIABILITIES			
Current liabilities			
Borrowings	*12*	**39,363**	103,381
Trade and bills payables	*13*	**99,608**	68,190
Other payables		**41,887**	36,463
Income tax payable		**4,436**	4,205
Total liabilities		**185,294**	212,239
Total equity and liabilities		**948,357**	974,505

Notes

1. CORPORATE INFORMATION

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

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

The condensed consolidated interim financial information is presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting".

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except the accounting policy in connection to share-based payment of the Group as set out below.

Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan under which the Group issues equity instruments (share options) in exchange for services received from grantees of such equity instruments. The fair value of the services received is determined by reference to the fair value at the grant date of the equity instruments granted, and is recognised as an expense on a straight-line basis over the vesting period (the period over which all of the specified vesting conditions are to be satisfied), with a corresponding increase in equity as share option reserve.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the equity instruments are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

3. ACCOUNTING POLICIES (CONTINUED)

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Amendments to HKFRS effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

(a) Impact of standards issued but not yet applied by the entity

The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2016 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 7 (Amendment)	Disclosure Initiative	1 January 2017
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
Clarifications to HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and IAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	effective date to be determined

Management is in the process of making an assessment on the impact of these new standards and amendments to existing standards and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015, with the exception of addition of accounting estimation of fair value of the share options as set out below.

Fair value of share options

The Group granted share options in exchange for services received from grantees during the current period. The Company used the binomial model to determine the fair value of the share options at grant date, which is to be expensed over the vesting period. Significant judgment on parameters, such as risk-free rate, dividend yield, expected volatility and expected life of share options, is required to be made by the Company in applying the binomial model.

4. ESTIMATES (CONTINUED)

The grant of equity instruments is conditional upon satisfying service vesting conditions. Judgment is required to take into account the vesting conditions and adjust the number of equity instruments included in the measurement of fair value of share options.

5. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

There have been no changes in the risk management policies since 31 December 2015.

(b) Fair value estimation

The carrying amounts of the Company's financial assets and liabilities with a maturity of less than one year, including trade and bills receivables, deposits and other receivables, cash and cash equivalents, pledged bank deposits, bank deposits with initial terms of over three months, trade and bills payables, other payables and borrowings approximate their fair values.

6. SEGMENT INFORMATION

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

The Group has determined that it only has one operating segment which is the sales and operating lease of asphalt mixing machinery and other relevant spare parts and provision of equipment modification services.

Revenue consists of the following:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of asphalt mixing machinery	**129,215**	174,460
Sales of spare parts and provision of equipment modification services	**9,701**	12,932
Operating lease income of asphalt mixing machinery	**23,851**	9,796
	162,767	197,188

(a) Revenue by selling location

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**153,283**	183,970
Outside Mainland China	**9,484**	13,218
	162,767	197,188

(b) 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.

7. OTHER INCOME AND OTHER GAINS, NET

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Interest income	**1,109**	434
Government grants *(Note)*	**2,250**	169
	3,359	603
Other gains, net		
Net gain/(loss) on disposal of property, plant and equipment and other non-current assets	**177**	(14)
Others	**(67)**	220
	110	206
	3,469	809

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

8. OPERATING PROFIT

Operating profit is stated at after charging the following:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Share-based payment expenses	**1,394**	–
Depreciation		
Assets held for leasing out under operating lease	**3,949**	2,370
Other assets	**3,929**	2,233
Amortisation		
Lease prepayments	**66**	65
Intangible assets	**131**	102
Provision for impairment of trade receivables	**342**	3,135

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
Mainland China enterprise income tax	**5,160**	7,071
Over-provision in prior year	**(13)**	(580)
Deferred income tax	**1,008**	(1,348)
	6,155	5,143

No provision for Hong Kong profits tax was made for the current period (2015: Nil) as the Group had no assessable profits for the period.

The Group's operations in the People's Republic of China ("PRC", "China" or "Mainland China") are subject to Mainland China enterprise income tax at a statutory rate of 25%.

Pursuant to the Mainland China enterprise income tax law, with respect to entities qualified as high new technology enterprise, the tax levied on its income will be at a preferential rate of 15% after obtaining the High New Technology Enterprise Certificate (the "Certificate") and completing the tax reduction and exemption filing with the tax authorities. Langfang D&G Machinery Technology Company Limited, a subsidiary of the Company, obtained the Certificate on 19 September 2014 and the Certificate is effective for 3 years.

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company	**10,170**	18,589
Weighted average number of ordinary shares in issue *(Note)*	**619,258,000**	421,885,757
Basic earnings per share *(expressed in RMB per share)*	**1.6 cents**	4.4 cents

10. EARNINGS PER SHARE (CONTINUED)

Note:

	Six months ended 30 June	
	2016	2015
	Number of shares	*Number of shares*
Effect of shares issued on at the beginning of the period	**619,258,000**	8,400
Effect of capitalisation issue on the Listing Date	**–**	377,991,600
Effect of capitalisation of shareholder's loans on the Listing Date	**–**	13,922,652
Effect of shares issued by public offering on the Listing Date	**–**	29,005,525
Effect of shares issued by over-allotment on 22 June 2015	**–**	957,580
Weighted average number of shares	**619,258,000**	421,885,757

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

Diluted earnings per share for the period ended 30 June 2016 did not assume the exercise of the share options since the exercise had an anti-dilutive effect on the earnings per share.

11. TRADE AND BILLS RECEIVABLES

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**480,698**	423,471
Less: provision for impairment	**(36,773)**	(36,431)
	443,925	387,040
Less: Non-current portion of trade receivables	**–**	(8,128)
	443,925	378,912
Bills receivables	**–**	1,057
Current portion of trade receivables	**443,925**	379,969

(a) Trade receivables under credit sales arrangement are due for payment in accordance with specific payment terms as agreed with individual customers on a case by case basis, subject to the fulfillment of conditions as stipulated in the respective sales contracts. 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.

11. TRADE AND BILLS RECEIVABLES (CONTINUED)

(b) An ageing analysis of the trade receivables, based on invoice date of trade receivables (net of provision for impairment) as at the end of reporting period is as follows:

	At 30 June 2016 *RMB'000* (Unaudited)	At 31 December 2015 *RMB'000* (Audited)
Less than 3 months	**132,633**	84,205
3 to 6 months	**17,755**	51,247
6 to 12 months	**106,037**	127,702
1 to 2 years	**181,361**	112,671
Over 2 years	**6,139**	11,215
	443,925	387,040

(c) 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 for impairment losses made, are as follows:

	At 30 June 2016 *RMB'000* (Unaudited)	At 31 December 2015 *RMB'000* (Audited)
Neither past due nor impaired	**156,130**	165,392
Less than 3 months past due	**83,537**	47,799
3 to 12 months past due	**117,605**	51,372
Over 12 months past due	**25,778**	9,920
Total amount past due but not impaired	**226,920**	109,091
Total amount of trade receivables with provision for impairment losses made	**60,875**	112,557
	443,925	387,040

11. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

(d) The movement in the provision for impairment during the periods is as follows:

	RMB'000
Six months ended 30 June 2016	
Balance at 1 January 2016	**36,431**
Provision for impairment losses *(Note 8)*	**342**
Balance at 30 June 2016	**36,773**
Six months ended 30 June 2015	
Balance at 1 January 2015	19,887
Provision for impairment losses *(Note 8)*	3,135
Balance at 30 June 2015	23,022

12. BORROWINGS

	At 30 June 2016 *RMB'000* **(Unaudited)**	At 31 December 2015 *RMB'000* (Audited)
Unsecured bank loans	**–**	6,366
Secured bank loans	**39,363**	97,015
	39,363	103,381

13. TRADE AND BILLS PAYABLES

	At 30 June 2016 *RMB'000* **(Unaudited)**	At 31 December 2015 *RMB'000* (Audited)
Trade payables	**44,031**	41,010
Bills payables	**55,577**	27,180
	99,608	68,190

13. TRADE AND BILLS PAYABLES (CONTINUED)

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

	At 30 June 2016 *RMB'000* **(Unaudited)**	At 31 December 2015 *RMB'000* (Audited)
Within 3 months	**52,103**	52,197
After 3 months but within 6 months	**19,134**	14,637
After 6 months but within 1 year	**28,371**	1,356
	99,608	68,190

14. SHARE CAPITAL

Authorised

	Number of ordinary shares	**Nominal value of ordinary shares** *HK$*
Ordinary shares of HK$0.01 each		
At 1 January 2015	1,000,000	10,000
Increase in authorised share capital	1,999,000,000	19,990,000
At 30 June 2015, 31 December 2015 and 30 June 2016	2,000,000,000	20,000,000

Issued and fully paid

	Number of shares *('000)*	*HK$'000*	*RMB'000*
At 1 January 2015	8	–	–
Capitalisation issue *(Note (i))*	377,992	3,780	2,984
Capitalisation of shareholder's loans *(Note (i))*	72,000	720	568
Public offering and over-allotment *(Note (ii))*	169,258	1,693	1,336
At 30 June 2015, 31 December 2015 and 30 June 2016	619,258	6,193	4,888

14. SHARE CAPITAL (CONTINUED)

Notes:

(i) 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 approximately HK$3,780,000 (equivalent to approximately RMB2,984,000) standing to the credit of the share premium account as of the Listing Date 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 approximately HK$205,862,000 (equivalent to approximately RMB162,507,000). Consequently, HK$720,000 (equivalent to approximately RMB568,000) and HK$205,142,000 (equivalent to approximately RMB161,939,000) were credited to share capital and share premium, respectively.

(ii) Issue of shares under public offering

On the Listing Date, 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 credited to share capital and share premium, respectively.

15. INTERIM DIVIDEND

No interim dividend was proposed by the Board for the six months ended 30 June 2016 (30 June 2015: Nil).

16 EVENT AFTER THE REPORTING DATE

On 17 June 2016, the Group entered into the sale and purchase agreements with Diamond Strong Limited, Mr. Chan Shing Kwong and Balama Prima Engineering Company Limited, pursuant to which the Group conditionally agreed to purchase certain properties in Hong Kong at an aggregate consideration of HK$52,800,000 (equivalent to approximately RMB45,244,000) primarily for its office use. The transactions were approved by the independent shareholders at an extraordinary general meeting held on 26 July 2016 and completed on 5 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2016, the Group continued to be a leading market player in the road construction and maintenance machinery industry focusing on medium to large-scale asphalt mixing plants. The Group provided one-stop customised solutions to customers in the PRC and overseas markets by specialising in the research and development, design, manufacturing and sale of conventional and recycling asphalt mixing plants.

In 2013, the Chinese government announced the strategic initiative of "One Belt One Road" with an aim to foster trading connections among Asia, Middle East, Russia, 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, and actively pursuing various large-scale "One Belt One Road" overseas projects led by state-owned enterprises. The Group is confident that with its strengths in high quality asphalt mixing plants, on-site operation and value-added services, a number of such overseas projects can be obtained.

In the first half of 2016, the Group has delivered the first asphalt mixing plant to Hong Kong for installation and commissioning. This recycling asphalt mixing plant is custom designed with strong environmental protection measures which will be the most comprehensive environmental asphalt mixing plant in Hong Kong.

The Group participated in a number of domestic and international highway projects, including Henglou Highway, Beijing Hong Kong Macao Expressway, Shanghai-Kunming Expressway Hangzhou Jinhua Quzhan Expressway.

Up to 30 June 2016, the Group has asphalt mixing plants projects in a total of 23 overseas countries, including Australia, Russia, India, Saudi Arabia, Thailand, Hong Kong, Brunei, United Arab Emirates, Kazakhstan, Mongolia and Mozambique.

Business Expansion

The Group is planning to expand its asphalt mixing distribution business in the Southeast Asia. The Group has also signed dealership agreements with its partners in Vietnam and Myanmar to expand operating lease business of asphalt mixing plants in the local markets. On the other hand, negotiation is now underway between the Group and potential partners in Malaysia for distribution arrangements. The Group also plans to establish overseas offices in Russia, India and Pakistan this year.

The operating lease is expanding well with income increased by 143.5% as compared to same period last year. The Group will continue to develop this business domestically and plans to extend this business to overseas. Meanwhile, the Group has been actively seeking expansion opportunity in the hot mix business and expects to start this venture this year.

Research and Development

To maintain its position as a leading market player in the road construction and maintenance machinery industry focusing on medium to large-scale asphalt mixing plants, the Group continued to maintain its strong research and development capabilities. As at 30 June 2016, the Group had 44 registered patents in the PRC (of which 4 were invention patents), 5 patents pending registration, and 22 software copyrights.

In February 2016, the Group established the Institute of Innovative Science and Technology (創新科學技術研究所) to facilitate technological innovation and enhance the competitive edges of the Group. The institute has formulated 19 project teams to research into different components and techniques of asphalt mixing plants with the purposes of improving efficiency, enhancing technology and reducing environmental impact, thus boosting the Group's research and development capability on conventional and recycling asphalt mixing plants. The Group has also cooperated with research institutes and educational institutes in various ways to strengthen its competitiveness and reinforce its leading position in the market.

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 energy saving, emission reduction, environmental protection and resources recycling.

In addition, the Group has started the construction of a three-storey research and development building, which is expected to be completed by the end of 2016.

Marketing

The Group placed a great emphasis on the marketing and promotion of its brands, products and services offered. In the first half of 2016, the Group participated in various promotional events and technical seminars hosted by distributors, such as Jiangxi Liangda Heavy Machinery Fair, Zhejiang Liyang Technology Seminar and Hefei Transport Construction Product Technology Seminar. On 18 May 2016, the Group participated in the "One Belt One Road" Summit held in Hong Kong to seek cooperation and liaise with potential partners. With a solid foundation for international business, the Group has exported its products to various countries, satisfying the needs of the markets and customers in regions along the "One Belt One Road" via its strong international distribution network. The Group will continue to adopt a comprehensive global expansion strategy to explore overseas markets based on its successful experience in the domestic market.

The Group has also leveraged different online platforms, including global trading B2B online platforms, mobile websites and the WeChat platform to offer better service to customers and establish a better brand image. The news of the Group and its products are also released through these online platforms.

Awards

With continuous innovations and the pursuit of excellence, the Group is highly acclaimed among industry peers for its accomplishments. The Group has received various awards in 2016, including the five-star brand certificate from the Chinese General Chamber of Commerce and the China Foundation of Consumer Protection, China's Top 10 Asphalt Mixing Plant Brand Awareness 2015 and the Bronze Prize at the 11th China Design Festival (2016).

In May 2016, the Group was awarded Quam IR Awards 2015 – The Most Remarkable Investor Relations Recognition under the First Year After Listing Category. The Quam IR Awards were set up to bestow recognition and distinction on models of practice and leadership in investor relations among the listed companies in the Asia Pacific region. It was the first time that the Group received an award in investor relations, acknowledging its efforts and achievements in investor relations during the past year.

In June 2016, the Group received the "One Belt One Road" Environmental Leadership Recognition Award and the certificate of EcoChallenger under the BOCHK Corporate Environmental Leadership Awards, acknowledging the Group's participation and contribution in environmental protection, particularly its promotion of environmental protection measures in regions along the "One Belt One Road".

Focus of Sustainable Development

The Group issued its first sustainability report in the first half of 2016 to demonstrate the incorporation of environmental, social and governance factors into the formulation of the Group's business strategy.

In the first half of 2016, the Group actively supported and participated in a series of environmental protection activities. In March, the Group joined the Earth Hour 2016 and donated to the "Trees COOLiving" campaign organised by Friends of the Earth to plant 300 trees in Jiangxi province. The Group also donated to WWF Hong Kong, and arranged a visit to the Island House Conservation Studies Centre and a nature workshop for its staff in May. In addition, the Group was the Green Leader Sponsor of Hong Kong Green Day 2016, and held various internal green activities to enhance the awareness of environmental protection and responsibility.

In addition, the Group joined the COOL Corporate membership scheme of Friends of the Earth (HK) to step up its efforts to reduce carbon emission, and became a member of WWF Hong Kong in August 2016 to carry forward the work in environmental protection.

Outlook

In the context of the "One Belt One Road" initiative which aims to release the huge economic potential of the countries along the economic belt, particularly the potential opportunities in the PRC and the ASEAN countries, the Group has strengthened its cooperation with customers from the countries along the economic belt to establish business networks in the regions by leveraging its advantage of quality asphalt mixing plants, on-site operation and value-added services, aiming to expand its business in the overseas markets.

Amid increasing awareness of environmental protection, the Group will further promote green technology innovation and enhance the environmental friendly features on the conventional and recycling asphalt mixing plants. The Group will continue to improve its competitive advantage so as to reinforce its leading position in the market.

To build a sustainable future for Hong Kong, the Group will actively support and participate in various community and environmental protection activities, fulfilling its social responsibility to contribute to a better community.

Looking ahead, the Group is confident about its future long-term stable, sustainable and diversified business development while maintaining its leading position in the market and bringing better returns to shareholders of the Company.

FINANCIAL REVIEW

During the six months ended 30 June 2016, the Group recorded an aggregate revenue of RMB162,767,000 (six months ended 30 June 2015: RMB197,188,000), representing a decrease of 17.5% as compared to the same period of last year. Gross profit decreased from RMB79,965,000 for the six months ended 30 June 2015 to RMB66,976,000 for the six months ended 30 June 2016, representing a decrease of 16.2%. Notwithstanding the decrease in revenue and gross profit, gross profit margin improved and increased by 0.5 percentage point from 40.6% to 41.1%. Profit attributable to owners of the Company was RMB10,170,000 (six months ended 30 June 2015: RMB18,589,000), representing a decrease of 45.3% as compared to the same period of last year.

	Six months ended 30 June		
	2016	2015	Change
	RMB'000	*RMB'000*	
Sales of asphalt mixing plants	**129,215**	174,460	-25.9%
Sales of spare parts and provision of equipment modification services	**9,701**	12,932	-25.0%
Operating lease income of asphalt mixing plants	**23,851**	9,796	+143.5%
	162,767	197,188	-17.5%

Sales of Asphalt Mixing Plants

	Six months ended 30 June		
	2016	2015	Change
	RMB'000	*RMB'000*	
Revenue	**129,215**	174,460	-25.9%
Gross profit	**49,949**	68,365	-26.9%
Gross profit margin	**38.7%**	39.2%	-0.5pp
Number of contracts	**18**	25	-7
Average contract value	**7,179**	6,978	+2.9%

Revenue from the sales of asphalt mixing plants decreased as a result of the decrease in the number of contracts recognised as revenue offset by the increase in average contract value completed during the period. The decrease in revenue was mainly due to the fact that although China has continued to implement its plan to increase investment in infrastructure projects, the funds for such infrastructure projects have not yet been made available as planned, resulting in the decrease in demand for asphalt mixing plants and delay on the implementation of road construction projects.

By Types of Plants

	Six months ended 30 June		
	2016	2015	Change
	RMB'000	*RMB'000*	
Recycling Plant			
Revenue	**52,951**	112,062	-52.7%
Gross profit	**22,296**	44,026	-49.4%
Gross profit margin	**42.1%**	39.3%	+2.8pp
Number of contracts	**7**	16	-9
Average contract value	**7,564**	7,004	+8.0%
Conventional Plant			
Revenue	**76,264**	62,398	+22.2%
Gross profit	**27,653**	24,339	+13.6%
Gross profit margin	**36.3%**	39.0%	-2.7pp
Number of contracts	**11**	9	+2
Average contract value	**6,933**	6,933	0.0%

Revenue from the sales of recycling plants decreased by 52.7% which was mainly as a result of a decrease in number of contracts offset by the increase in average contract value during the period. The increase in average contract value was mainly resulted from the high degree of customisation especially environmental protection features of asphalt mixing plants sold to the customers, which also led to the increase in gross profit margin.

Revenue from the sales of conventional plants increased by 22.2% primarily because of the increase in number of contracts during the period.

By Geographical Location

	Six months ended 30 June		
	2016	2015	Change
	RMB'000	*RMB'000*	
PRC			
Revenue	**121,848**	161,566	-24.6%
Gross profit	**48,776**	66,021	-26.1%
Gross profit margin	**40.0%**	40.9%	-0.9pp
Number of contracts	**16**	22	-6
Average contract value	**7,616**	7,344	+3.7%
Overseas			
Revenue	**7,367**	12,894	-42.9%
Gross profit	**1,173**	2,344	-50.0%
Gross profit margin	**15.9%**	18.2%	-2.3pp
Number of contracts	**2**	3	-1
Average contract value	**3,684**	4,298	-14.3%

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 due to the fact that although China has continued to implement its plan to increase investment in infrastructure projects, the funds for such infrastructure projects have not yet been made available as planned, resulting in the decrease in demand for asphalt mixing plants and the delay on the implementation of the road construction projects.

Revenue from the sales in overseas decreased mainly because of the decrease in number of contracts completed and the decrease in average contract value during the period.

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

	Six months ended 30 June		
	2016	2015	Change
	RMB'000	*RMB'000*	
Revenue	**9,701**	12,932	-25.0%
Gross profit	**2,647**	5,340	-50.4%
Gross profit margin	**27.3%**	41.3%	-14pp

The Group sold spare parts and components for the asphalt mixing plants to its 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 customized services.

Revenue from sales of spare parts and components and provision of equipment modification services decreased by approximately 25% during the period. Gross profit margin also decreased by 14 percentage point during the period.

Operating lease of asphalt mixing plants

	Six months ended 30 June		
	2016	2015	Change
	RMB'000	*RMB'000*	
Revenue	**23,851**	9,796	+143.5%
Gross profit	**14,380**	6,260	+129.7%
Gross profit margin	**60.3%**	63.9%	-3.6pp
Number of plants held for operating lease	**9**	7	+2

The Group offered operating lease of asphalt mixing plants directly to its customers. 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 the number of asphalt mixing plants held for operating lease increased from 7 to 9 during the period as a result of the increased demand from the customers. The average rental per tonne of asphalt mixture produced was approximately RMB19.6. Gross profit margin decreased by 3.6 percentage point primarily because of the increased depreciation charge for the new asphalt mixing plants held for operating lease.

Other income and other gains, net

During the period, other income and other gains mainly represented bank interest income, government grants and net gain on disposal of property, plant and equipment.

Distribution Costs

Distribution costs mainly consisted of staff costs of the sales and marketing staff of the Group, distribution fees to the distributors, freight and transportation expenses, and marketing expenses. Distribution costs represented about 12.7% (2015: 10.8%) of revenue for the six months ended 30 June 2016. Increase in distribution costs as percentage of revenue was mainly due to increase in staff costs of the sales and marketing staff.

Administrative Expenses

Administrative expenses mainly included staff costs, research and development expenses, professional fees, provision for impairment of trade receivables and depreciation. During the period, administrative expenses decreased by approximately HK$6.3 million which was mainly due to decrease in listing expenses during the period which was partially offset by the increase in staff costs.

Finance Costs

Finance costs mainly included interest expenses on interest-bearing bank borrowings and exchange losses of approximately RMB3,688,000 (2015: exchange gains of RMB817,000).

Income Tax

The effective tax rate for the six months ended 30 June 2016 amounted to 37.7% (2015: 21.7%), mainly because of the increase in expenses incurred by the subsidiaries in Hong Kong while no deferred tax assets was recognised in respect of its tax losses.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company decreased by about 45.3% from RMB18,589,000 for the six months ended 30 June 2015 to RMB10,170,000 for the six months ended 30 June 2016.

Working Capital Management

Net current assets of the Group amounted to RMB643,793,000 (31 December 2015: RMB650,265,000) with a current ratio of 4.5 (31 December 2015: 4.1) times as at 30 June 2016.

Inventories increased by RMB2,068,000 from RMB131,757,000 as at 31 December 2015 to RMB133,825,000 as at 30 June 2016. Inventory turnover days was 253 for the six months ended 30 June 2016, representing an increase of 54 days as compared to 199 days for the year ended 31 December 2015. The increase in inventory turnover days was mainly because of increase of finished goods pending for delivery and acceptance by customers.

Trade and bills receivables increased by RMB55,828,000 from RMB388,097,000 as at 31 December 2015 to RMB443,925,000 as at 30 June 2016. Trade and bills receivables turnover days was 466 for the six months ended 30 June 2016, representing an increase of 138 days as compared to 328 days for the year ended 31 December 2015. The increase in trade and bills receivables and trade and bills receivables turnover days was mainly because of the delayed settlement from customers.

Trade and bills payables increased by RMB31,418,000 from RMB68,190,000 as at 31 December 2015 to RMB99,608,000 as at 30 June 2016. Trade and bills payables turnover days was 218 for the six months ended 30 June 2016, representing an increase of 96 days as compared to 115 days for the year ended 31 December 2015. The increase in trade and bills payables and trade and bills payables turnover days was mainly because of the extended payment to suppliers and subcontractors.

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 30 June 2016, the Group had cash and cash equivalents and bank deposits of RMB92,403,000 (31 December 2015: RMB168,881,000) and RMB54,936,000 (31 December 2015: RMB102,069,000), respectively. In addition, the Group had interest-bearing bank borrowings of RMB39,363,000 (31 December 2015: RMB103,381,000). The borrowings were mainly arranged on a floating rate basis. The gearing ratio, calculated as total bank borrowings divided by equity attributable to the owners of the Company, amounted to 5.2% (31 December 2015: 13.6%).

During the six months ended 30 June 2016, the Group recorded a cash outflow from operating activities of RMB10,991,000 (six months ended 30 June 2015: RMB9,889,000). Net cash generated from investing activities amounted to RMB16,274,000 (six months ended 30 June 2015: RMB10,381,000) for the six months ended 30 June 2016. Net cash used in financing activities for the six months ended 30 June 2016 amounted to RMB82,799,000 (six months ended 30 June 2015: RMB275,241,000).

Capital Commitments and Contingent Liabilities

The Group's capital commitments for purchase of property, plant and equipment and investment properties at the end of the period are as follows:

	At **30 June** **2016** ***RMB'000***	At 31 December 2015 *RMB'000*
Authorised but not contracted for	**–**	6,032
Contracted but not provided for	**49,030**	3,449

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 third-party leasing companies have the right to demand the Group to repay the outstanding lease payments due from the customer to the third-party leasing companies for the repossession of the leased machinery. As at 30 June 2016, the Group's maximum exposure to such guarantees was approximately RMB4,686,000 (31 December 2015: RMB9,599,000).

Pledge of Assets

As at 30 June 2016, bank deposits and trade receivables of RMB71,154,000 (31 December 2015: RMB60,370,000) and RMB39,363,000 (31 December 2015: RMB73,093,000), respectively, were pledged for loans and borrowings and bills payables of the Group.

Foreign Exchange Risk

The reporting currency of the Group was Renminbi ("RMB"). The Group was exposed to foreign exchange risk through sales and purchases which were denominated in a foreign currency including United States dollars ("USD") and Euros ("EUR"). The appreciation of RMB against these foreign currencies would increase the price of the Group's products which are sold to overseas market and may bring negative impact on the Group's export sales. On the other hand, the appreciation of RMB would also decrease the cost of sales of the Group in respect of the purchases of raw material from overseas. The management has continuously monitored the level of exchange rate exposure and shall adopt financial hedging instruments for hedging purpose when necessary. The Group did not use any financial instruments for hedging purpose as at 30 June 2016.

Significant Investments and Material Acquisitions

During the six months ended 30 June 2016, the Group did not have any significant investments or acquisitions.

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. As at 30 June 2016, the unutilized proceeds were deposited in licensed banks in Hong Kong and China.

As at 30 June 2016, the Group has utilized the net proceeds as set out below:

	Percentage to total amount	**Net proceeds**	**Utilised amount**	**Unutilised amount**
		RMB'million	*RMB'million*	*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	10.6	55.3
Purchase of equipment for the manufacturing facilities	10%	26.4	1.0	25.4
Research and development	20%	52.8	15.9	36.9
Development of new business	10%	26.4	1.3	25.1
Expansion of the sales and distribution networks and promotional activities	10%	26.4	5.0	21.4
Working capital and general corporate purposes	10%	26.4	26.4	–
	100%	263.9	60.2	203.7

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group had approximately 429 (31 December 2015: 444) employees. The total staff costs for the six months ended 30 June 2016 amounted to approximately RMB32,354,000 (six months ended 30 June 2015: RMB25,457,000).

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 Company 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. During the period, the Company has granted 24,700,000 share options to its employees.

INTERIM DIVIDEND

No interim dividend was proposed by the Board for the six months ended 30 June 2016.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2016.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. During the six months ended 30 June 2016, the Company has, in the opinion of the Directors, complied with the code provisions as set out in the Corporate Governance Code as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS

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

REVIEW OF INTERIM RESULTS

The Company has an audit committee (the "Audit Committee") which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting system, risk management and internal control systems. The Audit Committee comprises four members, namely Mr. Law Wang Chak, Waltery (Chairman), Mr. Li Zongjin, Mr. Lee Wai Yat, Paco and Mr. Fok Wai Shun, Wilson. All of them are independent non-executive Directors. The interim results of the Group for the six months ended 30 June 2016 have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.dgtechnology.com.

The 2016 interim report will also be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.dgtechnology.com and will be despatched to the shareholders of the Company in due course.

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

Hong Kong, 30 August 2016

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