



德基科技

D&G TECHNOLOGY

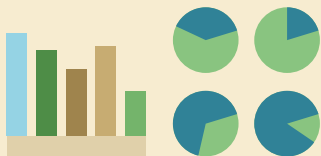
中期業績報告

# 2016 INTERIM REPORT

D&G TECHNOLOGY HOLDING COMPANY LIMITED

<INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY>

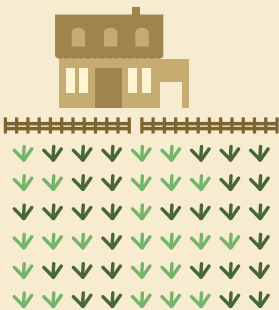
STOCK CODE 1301



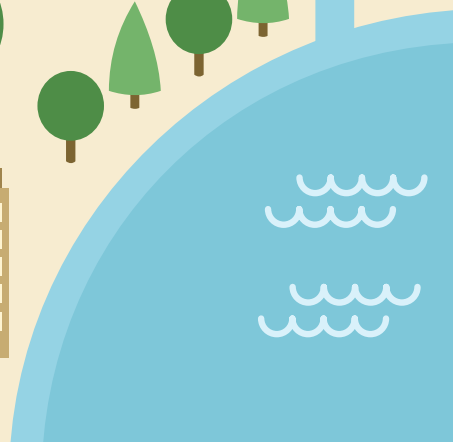
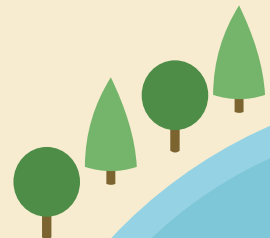
D&G  
eco-technology

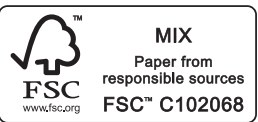


## 技術創新環保先行



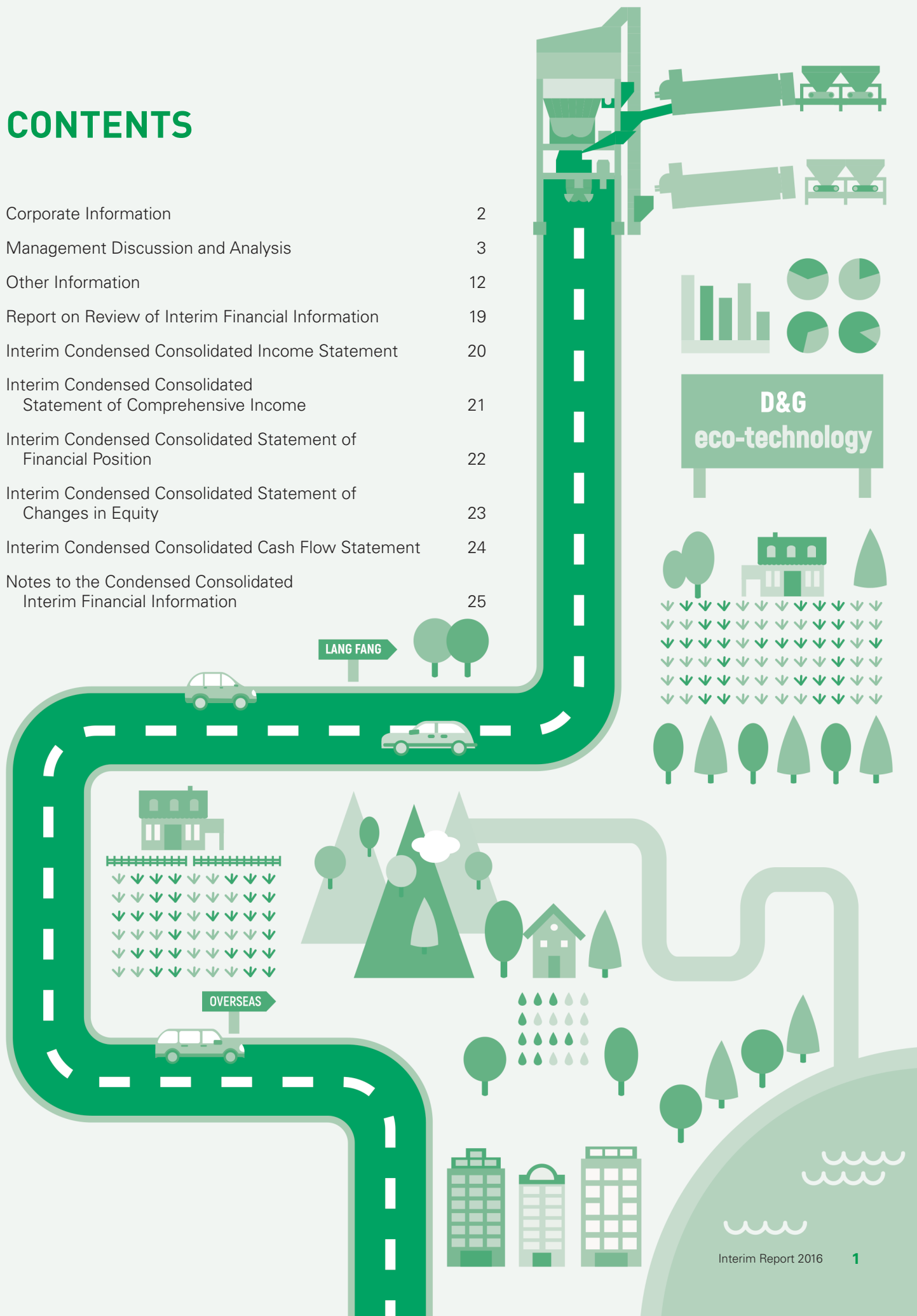
OVERSEAS





# CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Other Information	12
Report on Review of Interim Financial Information	19
Interim Condensed Consolidated Income Statement	20
Interim Condensed Consolidated Statement of Comprehensive Income	21
Interim Condensed Consolidated Statement of Financial Position	22
Interim Condensed Consolidated Statement of Changes in Equity	23
Interim Condensed Consolidated Cash Flow Statement	24
Notes to the Condensed Consolidated Interim Financial Information	25



# 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 Directors

Mr. Chan Lewis  
Mr. Alain Vincent Fontaine (*appointed on 15 August 2016*)

### 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

## Auditors

PricewaterhouseCoopers

## Legal Advisor

MinterEllison

## Principal Bankers

Industrial Bank Co., Ltd.  
Industrial and Commercial Bank of China  
KBC Bank N.V.  
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](http://www.dgtechnology.com)

# Management Discussion and Analysis

## Business Review

In the first half of 2016, D&G Technology Holding Company Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) continued to be a leading market player in the road construction and maintenance machinery industry, focusing on medium to large-scale asphalt mixing plants. The Group provided one-stop customised solutions to customers in the People’s Republic of China (“**PRC**”, “**China**” or “**Mainland China**”) 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 trade connections among Asian, Middle Eastern, European and African 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 delivered its 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 and Hangzhou Jinhua Quzhan Expressway.

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

## Business Expansion

The Group is planning to expand its asphalt mixing distribution business in Southeast Asia. The Group has also signed dealership agreements with its partners in Vietnam and Myanmar to expand its operating lease business of asphalt mixing plants in overseas 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 business is expanding well with income increased by 143.5% during the six months ended 30 June 2016 as compared to the same period of last year. The Group will continue to develop this business domestically and plans to extend this business overseas. Meanwhile, the Group has been actively seeking expansion opportunities 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.

# Management Discussion and Analysis

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 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.

# Management Discussion and Analysis

## 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 points 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 RMB'000	2015 RMB'000	Change
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%
	<b>162,767</b>	197,188	-17.5%



# Management Discussion and Analysis

## Sales of Asphalt Mixing Plants

	Six months ended 30 June		
	2016 RMB'000	2015 RMB'000	Change
Revenue	<b>129,215</b>	174,460	-25.9%
Gross profit	<b>49,949</b>	68,365	-26.9%
Gross profit margin	<b>38.7%</b>	39.2%	-0.5pp
Number of contracts	<b>18</b>	25	-7
Average contract value	<b>7,179</b>	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 in the implementation of road construction projects.

### By Types of Plants

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



# Management Discussion and Analysis

## By Geographical Location

	Six months ended 30 June		
	2016 RMB'000	2015 RMB'000	Change
<b>PRC</b>			
Revenue	<b>121,848</b>	161,566	-24.6%
Gross profit	<b>48,776</b>	66,021	-26.1%
Gross profit margin	<b>40.0%</b>	40.9%	-0.9pp
Number of contracts	<b>16</b>	22	-6
Average contract value	<b>7,616</b>	7,344	+3.7%
<b>Overseas</b>			
Revenue	<b>7,367</b>	12,894	-42.9%
Gross profit	<b>1,173</b>	2,344	-50.0%
Gross profit margin	<b>15.9%</b>	18.2%	-2.3pp
Number of contracts	<b>2</b>	3	-1
Average contract value	<b>3,684</b>	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 a decrease in demand for asphalt mixing plants and delay in the implementation of the road construction projects.

Revenue from the overseas sales 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 RMB'000	2015 RMB'000	Change
Revenue	<b>9,701</b>	12,932	-25.0%
Gross profit	<b>2,647</b>	5,340	-50.4%
Gross profit margin	<b>27.3%</b>	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 points during the period.

# Management Discussion and Analysis

## Operating lease income of asphalt mixing plants

	Six months ended 30 June		Change
	2016 RMB'000	2015 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 leases 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 points primarily because of the increased depreciation charge for the new asphalt mixing plants held for operating leases.

## 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 a 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 their 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.

# Management Discussion and Analysis

## 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 times (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 days 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 days 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 days 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 period of payment allowed by 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 enhancing 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 Group's cash and cash equivalents, bank deposits and borrowings were mostly denominated in Renminbi ("RMB") and Hong Kong dollars ("HK\$"). 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).

# Management Discussion and Analysis

## 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 guarantees 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

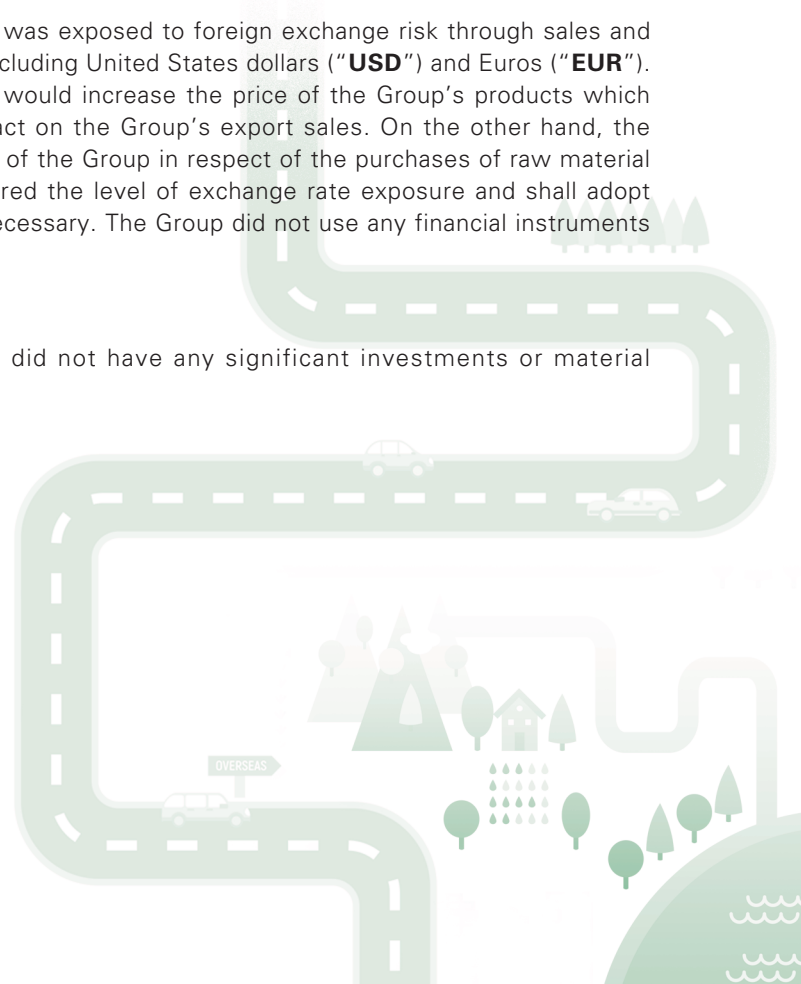
As at 30 June 2016, bank deposits and trade receivables of RMB71,154,000 (31 December 2015: RMB60,370,000) and RMB39,363,000 (31 December 2015: RMB73,093,000), respectively, were pledged for loans and borrowings and bills payables of the Group.

## Foreign Exchange Risk

The reporting currency of the Group was 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 material acquisitions.



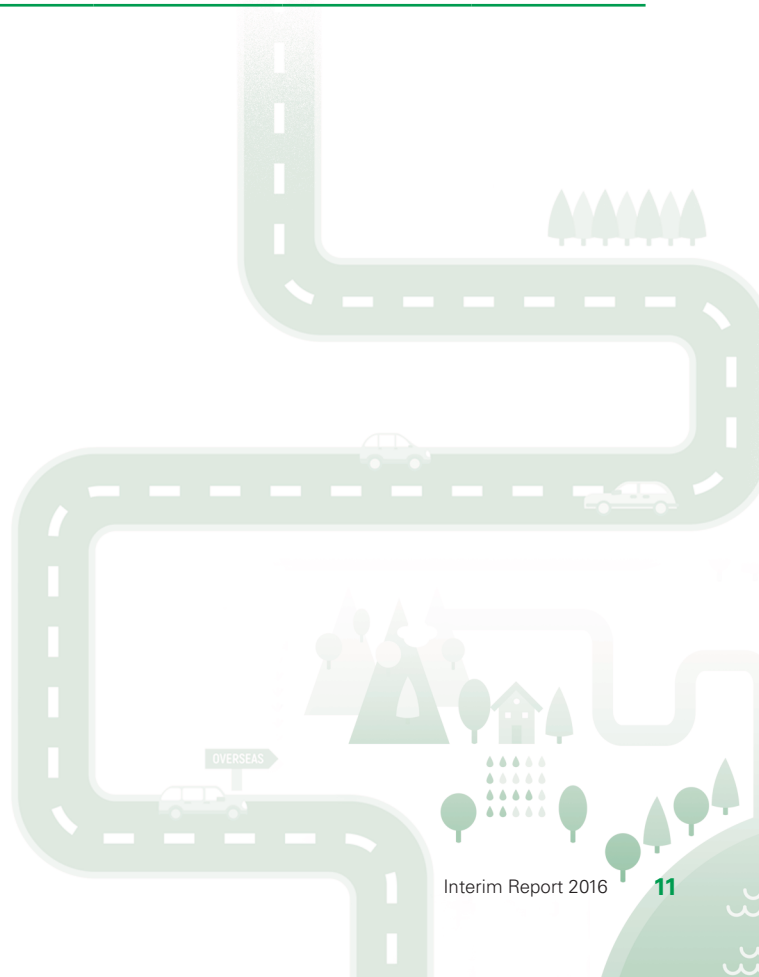
# Management Discussion and Analysis

## 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 unutilised proceeds were deposited in licensed banks in Hong Kong and China.

As at 30 June 2016, 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
<b>Expansion of the manufacturing facilities</b>				
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
<b>Research and development</b>	20%	52.8	15.9	36.9
<b>Development of new business</b>	10%	26.4	1.3	25.1
<b>Expansion of the sales and distribution networks and promotional activities</b>	10%	26.4	5.0	21.4
<b>Working capital and general corporate purposes</b>	10%	26.4	26.4	–
	100%	263.9	60.2	203.7



# Other Information

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

As at 30 June 2016, the interests or short positions of the directors of the Company (the "Directors"), the chief executives of the Company (the "Chief Executives") and their associates in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### (i) Interests in Shares and underlying Shares

Name of Director	Long/Short position	Type of interest	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Company
Mr. Choi Hung Nang	Long	Interest in controlled corporation <sup>(1)</sup>	345,696,000	55.82%
	Long	Beneficial owner	5,192,000	0.84%
	Long	Beneficial owner <sup>(2)</sup>	4,000,000	0.65%
Ms. Choi Kwan Li, Glendy	Long	Beneficial owner	150,000	0.02%
	Long	Beneficial owner <sup>(2)</sup>	4,000,000	0.65%
Mr. Choi Hon Ting, Derek	Long	Beneficial owner	150,000	0.02%
	Long	Beneficial owner <sup>(2)</sup>	4,000,000	0.65%
Mr. Liu Tom Jing-zhi	Long	Interest in controlled corporation <sup>(3)</sup>	13,500,000	2.18%
	Long	Interest of spouse <sup>(3)</sup>	150,000	0.02%
	Long	Beneficial owner <sup>(4)</sup>	2,000,000	0.32%
Mr. Lao Kam Chi	Long	Interest in controlled corporation <sup>(5)</sup>	9,000,000	1.45%
	Long	Beneficial owner <sup>(4)</sup>	2,000,000	0.32%
Mr. Yu Ronghua	Long	Interest in controlled corporation <sup>(6)</sup>	13,500,000	2.18%
	Long	Beneficial owner <sup>(4)</sup>	2,000,000	0.32%
Mr. Chan Lewis	Long	Beneficial owner <sup>(7)</sup>	300,000	0.05%
Mr. Law Wang Chak, Watery	Long	Beneficial owner	1,720,000	0.28%
	Long	Beneficial owner <sup>(8)</sup>	400,000	0.06%
Mr. Li Zongjin	Long	Beneficial owner <sup>(7)</sup>	300,000	0.05%
Mr. Lee Wai Yat, Paco	Long	Beneficial owner <sup>(7)</sup>	300,000	0.05%
Mr. Fok Wai Shun, Wilson	Long	Beneficial owner <sup>(8)</sup>	400,000	0.06%

## Other Information

### (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 (" <b>Prima DG</b> ")	Long	Beneficial owner	40%
Ms. Choi Kwan Li, Glendy	Prima DG	Long	Beneficial owner	20%
Mr. Choi Hon Ting, Derek	Prima DG	Long	Beneficial owner	20%

*Notes:*

- The 345,696,000 Shares were held by Prima DG, which is directly held as to 40% by Mr. Choi Hung Nang. Accordingly, by virtue of the SFO, Mr. Choi Hung Nang is deemed to be interested in all the Shares in which Prima DG is interested.
- Each of Mr. Choi Hung Nang, Ms. Choi Kwan Li, Glendy and Mr. Choi Hon Ting, Derek was granted 4,000,000 share options during the six months ended 30 June 2016 under the share option scheme of the Company adopted on 6 May 2015 (the "**Share Option Scheme**") and was deemed to be interested in 4,000,000 underlying Shares in respect of the share options granted.
- 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.
- Each of Mr. Liu Tom Jing-zhi, Mr. Lao Kam Chi and Mr. Yu Ronghua was granted 2,000,000 share options during the six months ended 30 June 2016 under the Share Option Scheme and was deemed to be interested in 2,000,000 underlying Shares in respect of the share options granted.
- 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.
- 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.
- Each of Mr. Chan Lewis, Mr. Li Zongjin and Mr. Lee Wai Yat, Paco was granted 300,000 share options during the six months ended 30 June 2016 under the Share Option Scheme and was deemed to be interested in 300,000 underlying Shares in respect of the share options granted.
- Each of Mr. Law Wang Chak, Waltery and Mr. Fok Wai Shun, Wilson was granted 400,000 share options during the six months ended 30 June 2016 under the Share Option Scheme and was deemed to be interested in 400,000 underlying Shares in respect of the share options granted.

Save as disclosed above, as at 30 June 2016, 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.



# Other Information

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

As at 30 June 2016, 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 <sup>1</sup>	Long	Beneficial owner	345,696,000	55.82%
Mr. Choi Hung Nang <sup>1</sup>	Long	Interest in controlled corporation	345,696,000	55.82%
	Long	Beneficial owner	5,192,000	0.84%
	Long	Beneficial owner	4,000,000	0.65%
Ms. Tin Suen Chu <sup>1</sup>	Long	Interest of spouse	354,888,000	57.31%
Regal Sky Holdings Limited <sup>2</sup>	Long	Beneficial owner	50,304,000	8.12%
Ocean Equity Partners Fund L.P. <sup>2</sup>	Long	Interest in controlled corporation	50,304,000	8.12%
Ocean Equity Partners Fund GP Limited <sup>2</sup>	Long	Interest in controlled corporation	50,304,000	8.12%

### Notes:

- Prima DG directly held 345,696,000 Shares. Prima DG is directly held as to 40% by Mr. Choi Hung Nang. Accordingly, by virtue of the SFO, Mr. Choi Hung Nang is deemed to be interested in all the Shares in which Prima DG is interested.  
  
Since Ms. Tin Suen Chu is the spouse of Mr. Choi Hung Nang, Ms. Tin Suen Chu is deemed to be interested in the same number of Shares in which Mr. Choi Hung Nang is interested by virtue of the SFO.
- 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 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 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 of Directors (the "**Board**") may at its absolute discretion (subject to any conditions as it may think fit) grant options to any employee and director (including executive director, non-executive director and independent non-executive director) of any member of the Group and any other eligible participants (the "**Eligible Participant**") upon the terms set out in the Share Option Scheme.

## Other Information

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 the 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 the Group must not in aggregate exceed 10% of the total number of Shares in issue as at the date on which the Shares were listed on the main board of the Stock Exchange on 27 May 2015 (the "**Listing Date**") (the "**Limit**"), i.e. 60,000,000 Shares, representing approximately 9.69% of the issued Shares as at the date of this interim report. Options which have lapsed in accordance with the terms of the Share Option Scheme (or any other schemes of the Group) will not be counted for the purpose of calculating the Limit. Subject to the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Company may refresh the Limit at any time provided that: (i) the Limit as refreshed does not exceed 10% of the Shares in issue as at the date of the approval by the refreshed Limit; (ii) the options previously granted (including those outstanding, cancelled, lapsed in accordance with the provisions of the Share Option Scheme or exercised options) will not be counted for the purpose of calculating the Limit as refreshed; and (iii) a circular containing the information and the disclaimer, respectively required under Rule 17.02(2)(d) and Rule 17.02(4) of the Listing Rules shall be despatched to the shareholders together with the notice of the relevant general meeting. Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme at any time shall not exceed 30% of the Shares in issue from time to time.

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

On 20 April 2016 ("**Date of Grant**"), options to subscribe for an aggregate of 24,700,000 Shares were granted to certain Eligible Participants under the Share Option Scheme. The exercise price in respect of each option granted under the Share Option Scheme on the Date of Grant is HK\$0.88 per share. During the period from the Date of Grant to 30 June 2016, none of the above share options was exercised, cancelled or had lapsed. The adjusted closing price of the Shares immediately before the Date of Grant was HK\$0.866 per Share.

## Other Information

Particulars and movements of share options granted under the Share Option Scheme during the six months ended 30 June 2016 were as follows:

Name of Grantee	Date of Grant	Exercise Period	Exercise price per Share	Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30 June 2016
<b>Directors</b>								
Mr. Choi Hung Nang	20/4/2016	1/10/2016 - 19/4/2021	HK\$0.88	-	1,300,000	-	-	1,300,000
	20/4/2016	1/10/2017 - 19/4/2021	HK\$0.88	-	1,300,000	-	-	1,300,000
	20/4/2016	1/10/2018 - 19/4/2021	HK\$0.88	-	1,400,000	-	-	1,400,000
Ms. Choi Kwan Li, Glendy	20/4/2016	1/10/2016 - 19/4/2021	HK\$0.88	-	1,300,000	-	-	1,300,000
	20/4/2016	1/10/2017 - 19/4/2021	HK\$0.88	-	1,300,000	-	-	1,300,000
	20/4/2016	1/10/2018 - 19/4/2021	HK\$0.88	-	1,400,000	-	-	1,400,000
Mr. Choi Hon Ting, Derek	20/4/2016	1/10/2016 - 19/4/2021	HK\$0.88	-	1,300,000	-	-	1,300,000
	20/4/2016	1/10/2017 - 19/4/2021	HK\$0.88	-	1,300,000	-	-	1,300,000
	20/4/2016	1/10/2018 - 19/4/2021	HK\$0.88	-	1,400,000	-	-	1,400,000
Mr. Liu Tom Jing-zhi	20/4/2016	1/10/2016 - 19/4/2021	HK\$0.88	-	650,000	-	-	650,000
	20/4/2016	1/10/2017 - 19/4/2021	HK\$0.88	-	650,000	-	-	650,000
	20/4/2016	1/10/2018 - 19/4/2021	HK\$0.88	-	700,000	-	-	700,000
Mr. Lao Kam Chi	20/4/2016	1/10/2016 - 19/4/2021	HK\$0.88	-	650,000	-	-	650,000
	20/4/2016	1/10/2017 - 19/4/2021	HK\$0.88	-	650,000	-	-	650,000
	20/4/2016	1/10/2018 - 19/4/2021	HK\$0.88	-	700,000	-	-	700,000
Mr. Yu Ronghua	20/4/2016	1/10/2016 - 19/4/2021	HK\$0.88	-	650,000	-	-	650,000
	20/4/2016	1/10/2017 - 19/4/2021	HK\$0.88	-	650,000	-	-	650,000
	20/4/2016	1/10/2018 - 19/4/2021	HK\$0.88	-	700,000	-	-	700,000
Mr. Chan Lewis	20/4/2016	1/10/2016 - 19/4/2021	HK\$0.88	-	100,000	-	-	100,000
	20/4/2016	1/10/2017 - 19/4/2021	HK\$0.88	-	100,000	-	-	100,000
	20/4/2016	1/10/2018 - 19/4/2021	HK\$0.88	-	100,000	-	-	100,000
Mr. Law Wang Chak, Walter	20/4/2016	1/10/2016 - 19/4/2021	HK\$0.88	-	130,000	-	-	130,000
	20/4/2016	1/10/2017 - 19/4/2021	HK\$0.88	-	130,000	-	-	130,000
	20/4/2016	1/10/2018 - 19/4/2021	HK\$0.88	-	140,000	-	-	140,000
Mr. Li Zongjin	20/4/2016	1/10/2016 - 19/4/2021	HK\$0.88	-	100,000	-	-	100,000
	20/4/2016	1/10/2017 - 19/4/2021	HK\$0.88	-	100,000	-	-	100,000
	20/4/2016	1/10/2018 - 19/4/2021	HK\$0.88	-	100,000	-	-	100,000
Mr. Lee Wai Yat, Paco	20/4/2016	1/10/2016 - 19/4/2021	HK\$0.88	-	100,000	-	-	100,000
	20/4/2016	1/10/2017 - 19/4/2021	HK\$0.88	-	100,000	-	-	100,000
	20/4/2016	1/10/2018 - 19/4/2021	HK\$0.88	-	100,000	-	-	100,000
Mr. Fok Wai Shun, Wilson	20/4/2016	1/10/2016 - 19/4/2021	HK\$0.88	-	130,000	-	-	130,000
	20/4/2016	1/10/2017 - 19/4/2021	HK\$0.88	-	130,000	-	-	130,000
	20/4/2016	1/10/2018 - 19/4/2021	HK\$0.88	-	140,000	-	-	140,000
				-	19,700,000	-	-	19,700,000
<b>Other employees</b>								
In aggregate	20/4/2016	1/10/2016 - 19/4/2021	HK\$0.88	-	1,650,000	-	-	1,650,000
	20/4/2016	1/10/2017 - 19/4/2021	HK\$0.88	-	1,650,000	-	-	1,650,000
	20/4/2016	1/10/2018 - 19/4/2021	HK\$0.88	-	1,700,000	-	-	1,700,000
				-	5,000,000	-	-	5,000,000
					24,700,000	-	-	24,700,000

# Other Information

## Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this interim report, the Company has maintained a sufficient public float of not less than 25% of the Company's issued Shares as required under the Listing Rules for the six months ended 30 June 2016.

## Employees and Remuneration Policy

As at 30 June 2016, the Group had approximately 429 employees (31 December 2015: 444). 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 the Share Option Scheme pursuant to which employees may be granted options to subscribe for Shares as incentives or rewards for their service rendered to the Group. During the period, the Company has granted 5,000,000 share options to its employees and 19,700,000 share options to the Directors.

## 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 Listing Rules.

## Model Code for Securities Transactions

The Company has adopted the Model Code 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.

# Other Information

## Change of Directors' Information

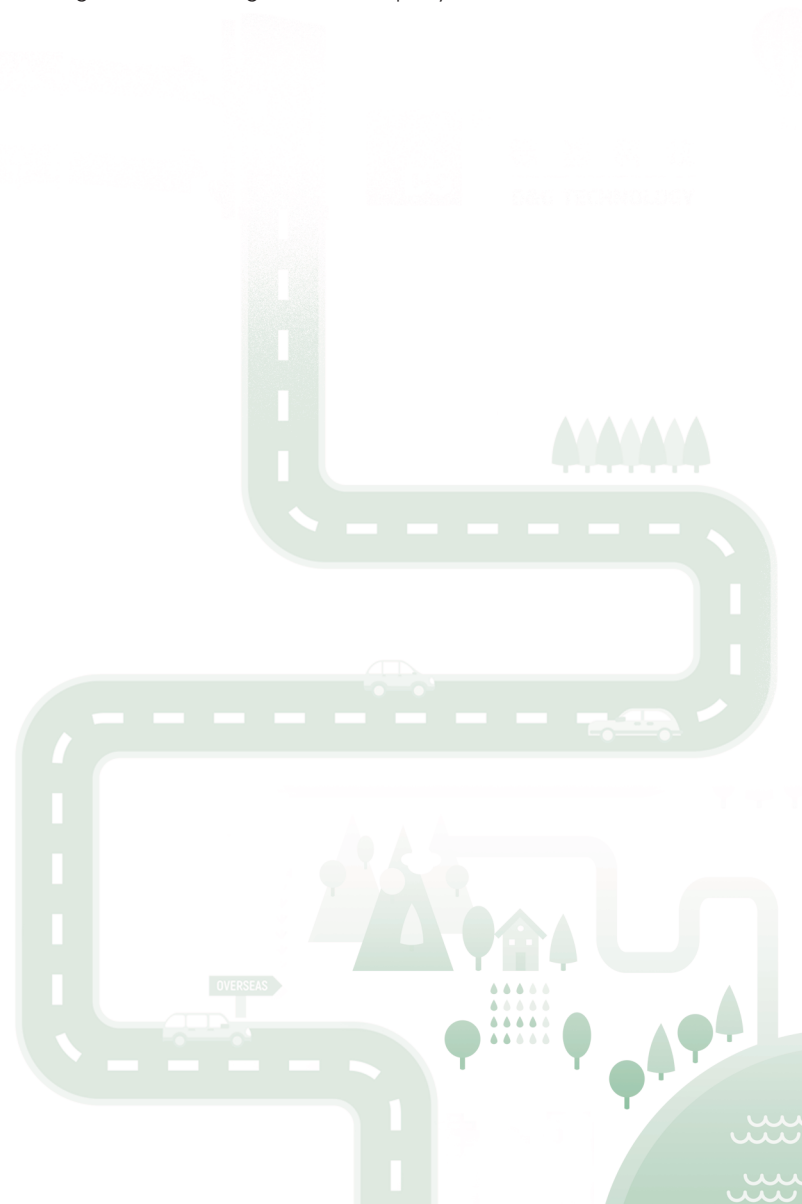
Mr. Choi Hung Nang has ceased to be the honorary director of the board of directors of Central South University in April 2016.

Ms. Choi Kwan Li, Glendy has been admitted as an ordinary member of the Hong Kong Professionals and Senior Executives Association since 12 April 2016 and has been appointed as the Sea Dragon Chapter Membership Vice Officer of the Young Presidents' Organization – World Presidents' Organization since 1 July 2016.

Mr. Choi Hon Ting, Derek has been admitted as a fellow member of the Hong Kong Institute of Directors since February 2005. The emolument of Mr. Derek Choi, which was determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group, has been increased from HK\$15,000 per month to HK\$70,000 per month as remuneration for handling the Company's operations matters with effect from 1 April 2016.

## Appointment of Non-Executive Director

Mr. Alain Vincent Fontaine was appointed as a non-executive Director with effect from 15 August 2016. Mr. Fontaine has entered into a service contract with the Company for a term of three years commencing from 15 August 2016. Pursuant to the Company's articles of association, Mr. Fontaine is subject to retirement by rotation and re-election at annual general meeting. He shall hold office until the next annual general meeting of the Company and shall then be eligible for re-election.



# Report on Review of Interim Financial Information



**To the board of directors of D&G Technology Holding Company Limited**

*(Incorporated in the Cayman Islands with limited liability)*

## Introduction

We have reviewed the interim financial information set out on pages 20 to 38, which comprises the interim condensed consolidated statement of financial position of D&G Technology Holding Company Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as at 30 June 2016 and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

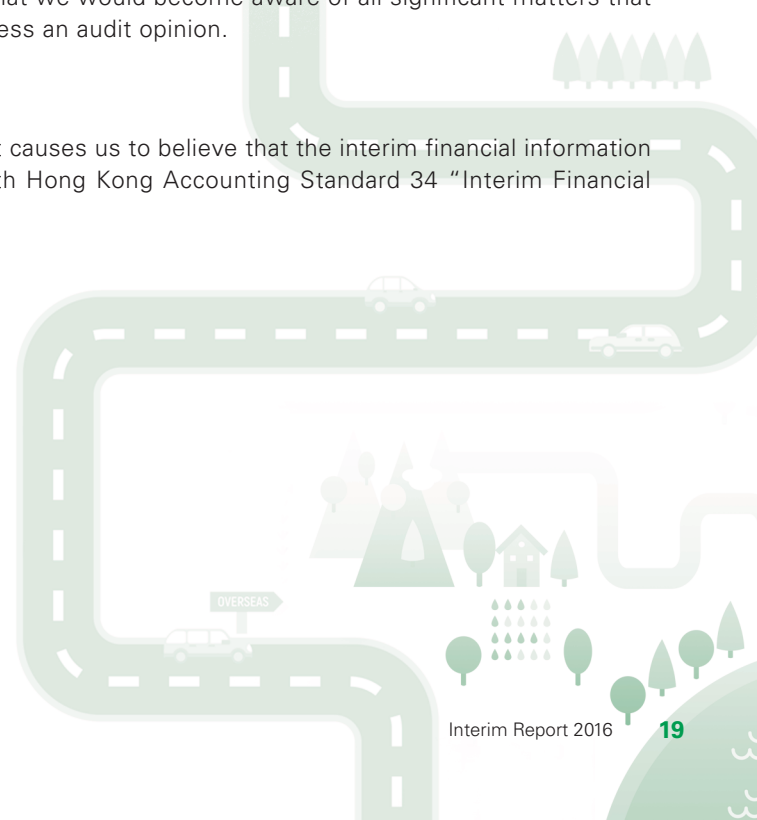
## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 30 August 2016



# Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2016

	Note	Unaudited Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
<b>Revenue</b>	6	<b>162,767</b>	197,188
Cost of sales		<b>(95,791)</b>	(117,223)
<b>Gross profit</b>		<b>66,976</b>	79,965
Other income and other gains, net	7	<b>3,469</b>	809
Distribution costs		<b>(20,611)</b>	(21,289)
Administrative expenses		<b>(28,608)</b>	(34,935)
<b>Operating profit</b>	8	<b>21,226</b>	24,550
Finance costs		<b>(4,901)</b>	(818)
<b>Profit before income tax</b>		<b>16,325</b>	23,732
Income tax expense	9	<b>(6,155)</b>	(5,143)
<b>Profit for the period attributable to owners of the Company</b>		<b>10,170</b>	18,589
		<b>RMB</b>	RMB
<b>Earnings per share attributable to owners of the Company during the period</b>			
– basic and diluted (RMB)	10	<b>1.6 cents</b>	4.4 cents

The notes on pages 25 to 38 form an integral part of this interim condensed consolidated financial information.



# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Unaudited Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
<b>Profit for the period</b>	<b>10,170</b>	18,589
<b>Other comprehensive income</b> <i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<b>6,550</b>	(341)
<b>Other comprehensive income for the period, net of tax</b>	<b>6,550</b>	(341)
<b>Total comprehensive income attributable to owners of the Company for the period</b>	<b>16,720</b>	18,248

The notes on pages 25 to 38 form an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	89,494	85,274
Lease prepayments	11	5,291	5,357
Intangible assets	11	3,297	777
Trade receivables	12	–	8,128
Prepayments and deposits		11,336	1,605
Deferred tax assets		9,852	10,860
		<b>119,270</b>	112,001
<b>Current assets</b>			
Inventories		133,825	131,757
Trade and bills receivables	12	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
		<b>829,087</b>	862,504
<b>Total assets</b>		<b>948,357</b>	974,505
<b>EQUITY</b>			
Share capital	15	4,888	4,888
Reserves		758,175	757,378
<b>Total equity</b>		<b>763,063</b>	762,266
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	13	39,363	103,381
Trade and bills payables	14	99,608	68,190
Other payables		41,887	36,463
Income tax payable		4,436	4,205
<b>Total liabilities</b>		<b>185,294</b>	212,239
<b>Total equity and liabilities</b>		<b>948,357</b>	974,505

The notes on pages 25 to 38 form an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Unaudited						Total equity RMB'000
	Attributable to owners of the Company						
	Share capital RMB'000 <i>Note 15(a)</i>	Share premium RMB'000 <i>Note 15(b)</i>	Capital reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	
<b>Balance at 1 January 2015</b>	–	–	65,290	27,584	4,445	169,761	267,080
Comprehensive income:							
– Profit for the period	–	–	–	–	–	18,589	18,589
Other comprehensive income:							
– Currency translation differences	–	–	–	–	(341)	–	(341)
<b>Total comprehensive income</b>	–	–	–	–	(341)	18,589	18,248
Capitalisation issue ( <i>Note 15(a)(i)</i> )	2,984	(2,984)	–	–	–	–	–
Capitalisation of shareholder's loans ( <i>Note 15(a)(i)</i> )	568	161,939	–	–	–	–	162,507
Issue of ordinary shares by initial public offering, net of issuance costs ( <i>Note 15(a)(iii)</i> )	1,336	287,006	–	–	–	–	288,342
<b>Balance at 30 June 2015</b>	4,888	445,961	65,290	27,584	4,104	188,350	736,177

	Unaudited							
	Attributable to owners of the Company							
	Share capital RMB'000 <i>Note 15(a)</i>	Share premium RMB'000 <i>Note 15(b)</i>	Capital reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Share options reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
<b>Balance at 1 January 2016</b>	4,888	445,961	65,290	34,422	17,994	–	193,711	762,266
Comprehensive income:								
– Profit for the period	–	–	–	–	–	–	10,170	10,170
Other comprehensive income:								
– Currency translation differences	–	–	–	–	6,550	–	–	6,550
<b>Total comprehensive income</b>	–	–	–	–	6,550	–	10,170	16,720
Employee share option scheme								
– grant of share options	–	–	–	–	–	1,394	–	1,394
Transfer to statutory reserve	–	–	–	2,115	–	–	(2,115)	–
Final dividend and special final dividend paid in 2015	–	(17,317)	–	–	–	–	–	(17,317)
<b>Balance at 30 June 2016</b>	4,888	428,644	65,290	36,537	24,544	1,394	201,766	763,063

The notes on pages 25 to 38 form an integral part of this interim condensed consolidated financial information.

# Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2016

	Unaudited Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
<b>Cash flows from operating activities</b>		
Cash used in operations	(6,075)	(596)
Income tax paid	(4,916)	(9,293)
<b>Net cash used in operating activities</b>	<b>(10,991)</b>	(9,889)
<b>Cash flows from investing activities</b>		
Payment for acquisition of property, plant and equipment	(22,015)	(9,423)
Payment for purchase of intangible assets	(2,651)	–
Proceeds from disposal of property, plant and equipment and non-current assets	384	15,734
Increase in pledged bank deposits	(9,465)	–
Decrease in bank deposits with initial terms of over three months	48,912	–
Repayment of loans from related parties	–	3,636
Interest income	1,109	434
<b>Net cash generated from investing activities</b>	<b>16,274</b>	10,381
<b>Cash flows from financing activities</b>		
Proceeds from shareholder's loans	–	45,833
Proceeds from issue of ordinary shares by initial public offering, net of issuance costs	–	289,571
Payments of consideration payable for acquisition of equity interests in a subsidiary	–	(52,917)
Repayments of borrowings	(64,249)	(1,626)
Dividend paid	(17,317)	–
Interest expenses	(1,233)	(1,635)
Advance from a related party	–	158
Repayments of advances from related parties	–	(4,143)
<b>Net cash (used in)/generated from financing activities</b>	<b>(82,799)</b>	275,241
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(77,516)</b>	275,733
<b>Cash and cash equivalents at beginning of the period</b>	<b>168,881</b>	28,607
<b>Effect of foreign exchange rate changes</b>	<b>1,038</b>	(3)
<b>Cash and cash equivalents at end of the period</b>	<b>92,403</b>	304,337

The notes on pages 25 to 38 form an integral part of this interim condensed consolidated financial information.

# Notes to the Condensed Consolidated Interim Financial Information

## 1 General Information

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

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 options 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.

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.

# Notes to the Condensed Consolidated Interim Financial Information

## 3 Accounting Policies (Continued)

### (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:

		<b>Effective for annual periods beginning on or after</b>
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	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.

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.

# Notes to the Condensed Consolidated Interim Financial Information

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

Revenue consists of the following:

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

### (a) Revenue by selling location

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Mainland China	153,283	183,970
Outside Mainland China	9,484	13,218
	<b>162,767</b>	197,188



# Notes to the Condensed Consolidated Interim Financial Information

## 6 Segment Information (Continued)

### (b) Non-current assets

The geographical location of the non-current assets, excluding deferred tax assets is based on the physical location of the assets.

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Mainland China	100,318	100,326
Outside Mainland China	9,100	815
	<b>109,418</b>	101,141

### (c) Information about major customers

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

## 7 Other Income and Other Gains, Net

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

*Note:*

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

# Notes to the Condensed Consolidated Interim Financial Information

## 8 Operating Profit

Operating profit is stated at after charging the following:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Share-based payment expenses	1,394	–
Depreciation ( <i>Note 11</i> )		
– Assets held for leasing out under operating leases	3,949	2,370
– Other assets	3,929	2,233
Amortisation ( <i>Note 11</i> )		
– Lease prepayments	66	66
– Intangible assets	131	102
Provision for impairment of trade receivables ( <i>Note 12</i> )	342	3,135

## 9 Income Tax Expense

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
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)
	<b>6,155</b>	<b>5,143</b>

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 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.

# Notes to the Condensed Consolidated Interim Financial Information

## 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.

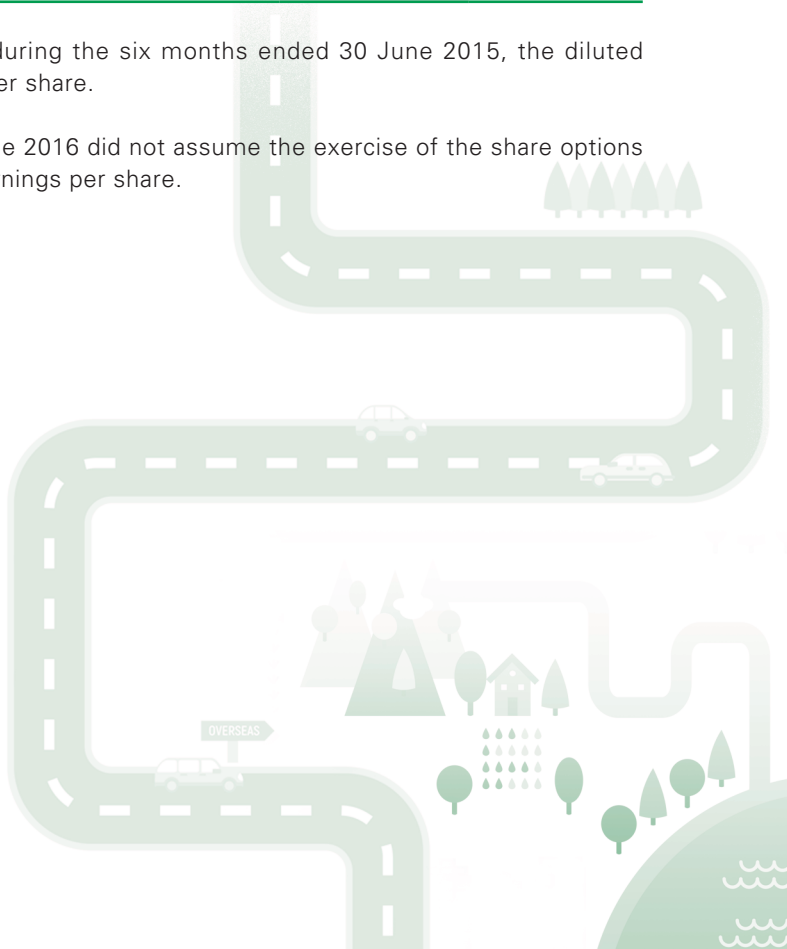
	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Profit attributable to owners of the Company	10,170	18,589
Weighted average number of ordinary shares in issue (Note)	619,258,000	421,885,757
Basic earnings per share (expressed in RMB per share)	1.6 cents	4.4 cents

Note:

	Six months ended 30 June	
	2016 No of shares	2015 No 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.



# Notes to the Condensed Consolidated Interim Financial Information

## 11 Property, Plant and Equipment, Lease Prepayments and Intangible Assets

	Property, plant and equipment RMB'000	Lease prepayments RMB'000	Intangible assets RMB'000
<b>Six months ended 30 June 2016</b>			
<b>Net book value</b>			
<b>At 1 January 2016</b>	<b>85,274</b>	<b>5,357</b>	<b>777</b>
Additions	12,284	–	2,651
Disposals	(207)	–	–
Amortisation (Note 8)	–	(66)	(131)
Depreciation (Note 8)	(7,878)	–	–
Exchange difference	21	–	–
<b>At 30 June 2016</b>	<b>89,494</b>	<b>5,291</b>	<b>3,297</b>
<b>Six months ended 30 June 2015</b>			
<b>Net book value</b>			
<b>At 1 January 2015</b>	64,555	5,488	556
Additions	14,912	–	–
Disposals	(31)	–	–
Amortisation (Note 8)	–	(66)	(102)
Depreciation (Note 8)	(4,603)	–	–
<b>At 30 June 2015</b>	<b>74,833</b>	<b>5,422</b>	<b>454</b>

## 12 Trade and Bills Receivables

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

# Notes to the Condensed Consolidated Interim Financial Information

## 12 Trade and Bills Receivables (Continued)

- (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.
- (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	At 31 December 2015 RMB'000
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
	<b>443,925</b>	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	At 31 December 2015 RMB'000
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	<b>226,920</b>	109,091
Total amount of trade receivables with provision for impairment losses made	<b>60,875</b>	112,557
	<b>443,925</b>	387,040

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.

# Notes to the Condensed Consolidated Interim Financial Information

## 12 Trade and Bills Receivables (Continued)

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

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

## 13 Borrowings

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Unsecured bank loans	–	97,015
Secured bank loans	39,363	6,366
	<b>39,363</b>	<b>103,381</b>

Movements in borrowings are analysed as follows:

	RMB'000
Balance at 1 January 2016	103,381
Repayments of borrowings	(64,249)
Exchange difference	231
<b>Balance at 30 June 2016</b>	<b>39,363</b>

# Notes to the Condensed Consolidated Interim Financial Information

## 13 Borrowings (Continued)

Note:

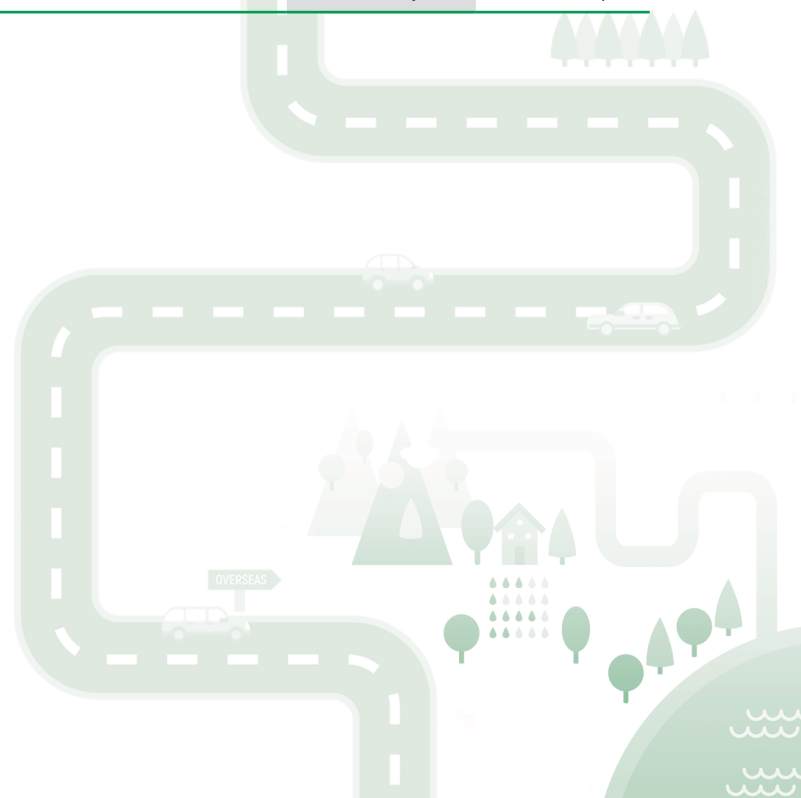
Certain banking facilities of a subsidiary of the Group are subject to the fulfilment of financial covenants relating to certain of the balance sheet ratios of that subsidiary, as are commonly found in lending arrangements with financial institutions. If the subsidiary were to breach the covenants the drawn down facilities would become repayable on demand. As at 30 June 2016, none of the covenants relating to drawn down facilities had been breached. (31 December 2015: Same)

## 14 Trade and Bills Payables

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade payables	44,031	41,010
Bills payables	55,577	27,180
	<b>99,608</b>	68,190

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
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
	<b>99,608</b>	68,190





# Notes to the Condensed Consolidated Interim Financial Information

## 15 Share Capital and Share Premium

### (a) Share capital

Authorised:

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

Issued and fully paid:

	No. of shares (‘000)	HK\$‘000	RMB‘000
<b>At 1 January 2015</b>	8	–	–
Capitalisation issue ( <i>Note (i)</i> )	377,992	3,780	2,984
Capitalisation of shareholder’s loans ( <i>Note (ii)</i> )	72,000	720	568
Public offering and over-allotment ( <i>Note (iii)</i> )	169,258	1,693	1,336
<b>At 30 June 2015, 31 December 2015 and 30 June 2016</b>	619,258	6,193	4,888

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 the 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 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 approximately HK\$205,862,000 (equivalent to approximately RMB162,508,000) (*Note 15*). Consequently, HK\$720,000 (equivalent to approximately RMB568,000) and HK\$205,142,101 (equivalent to approximately RMB161,939,000) were credited to share capital and share premium, respectively.

(ii) 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 credited to share capital and share premium, respectively.

# Notes to the Condensed Consolidated Interim Financial Information

## 15 Share Capital and Share Premium (Continued)

### (b) Share premium

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.

## 16 Interim Dividend

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

## 17 Commitments

### Capital commitments

The Group's capital commitments for purchase of property, plant and equipment and investment properties at the end of 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

## 18 Contingent Liabilities

### 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 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).

# Notes to the Condensed Consolidated Interim Financial Information

## 19 Related Party Transactions and Balances

The Group is controlled by Prima DG Investment Holding Company Limited (incorporated in the British Virgin Islands), which owns approximately 56% of the Company's shares. The remaining approximately 44% of the shares are widely held. The ultimate controlling party of the Group is Choi Family (Mr. Choi Hung Nang, Ms. Tin Suen Chu, Mr. Choi Hon Ting, Derek and Ms. Choi Kwan Li, Glendy).

### (a) Related parties transactions

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
<b>Recurring transactions:</b>		
Rental expense to related parties:		
Choi Hung Nang	<b>101</b>	92
Diamond Strong Limited	<b>320</b>	87
Balama Prima Engineering Company Limited	<b>76</b>	–
Beijing Weilifei Technical Service Company Limited	–	23
<b>Non-recurring transactions:</b>		
Repayment of advances to related parties:		
Beijing D&G Machinery Company Limited	–	846
Diamond Strong Limited	–	2,790
Advance from related parties:		
Balama Prima Holdings Limited	–	158
Repayment of advances from related parties:		
Balama Prima Holdings Limited	–	4,030
Lao Kam Chi	–	60
Tom Liu Jing-zhi	–	53
Repayment of amount due from related party for disposal of property, plant and equipment and non-current assets:		
Beijing Weilifei Technical Service Company Limited	–	15,717
Payments of consideration for the acquisition of equity interests in a subsidiary:		
Diamond Strong Limited	–	45,149
Shanghai Wendefeng Investment Management Partnership Enterprise (Limited Partnership)	–	4,661
Loan borrowed from shareholder:		
Prima DG	–	45,334
Capitalisation of shareholder's loans:		
Prima DG	–	162,507

# Notes to the Condensed Consolidated Interim Financial Information

## 19 Related Party Transactions and Balances (Continued)

### (b) Balances with related parties

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

Amounts due from:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Balama Prima Engineering Company Limited	2,503	–
Diamond Strong Limited	1,577	–
Choi Kwan Li, Glendy	14	–
Beijing D&G Machinery Company Limited	250	–
	<b>4,344</b>	–

Amounts due to:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Choi Hung Nang	243	142
Diamond Strong Limited	195	–
	<b>438</b>	142

The amounts due from/to related parties were unsecured, interest free and had no fixed terms of repayment.

## 20 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.