Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2017

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 2017 together with the comparative figures for the same period of last year, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**238,563**	162,767
Cost of sales		**(142,820)**	(95,791)
Gross profit		**95,743**	66,976
Other income and other gains, net	*5*	**1,020**	2,172
Distribution costs		**(34,606)**	(20,611)
Administrative expenses		**(45,837)**	(28,608)
Operating profit	*6*	**16,320**	19,929
Finance income/(costs), net		**2,231**	(3,604)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Profit before income tax		**18,551**	16,325
Income tax expense	*7*	**(4,426)**	(6,155)
Profit for the period attributable to owners of the Company		**14,125**	10,170
Earnings per share attributable to owners of the Company during the period			
– basic *(RMB cents)*	*8(a)*	**2.3**	1.6
– diluted *(RMB cents)*	*8(b)*	**2.3**	1.6

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**14,125**	10,170
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss		
Currency translation differences	**(4,250)**	6,550
Other comprehensive (loss)/income for the period, net of tax	**(4,250)**	6,550
Total comprehensive income attributable to owners of the Company for the period	**9,875**	16,720

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**142,583**	134,047
Land use right		**5,161**	5,226
Investment property		**11,901**	12,266
Intangible assets		**4,293**	3,890
Finance lease receivables		**24,052**	1,656
Prepayments and other receivables		**24**	2,465
Deferred income tax assets		**18,414**	16,324
		206,428	175,874
Current assets			
Inventories		**210,165**	168,763
Trade and bills receivable	*9*	**400,281**	384,224
Finance lease receivables		**19,434**	1,694
Prepayments, deposits and other receivables		**38,690**	28,376
Pledged bank deposits		**91,523**	89,031
Cash and cash equivalents		**64,388**	169,261
		824,481	841,349
Total assets		**1,030,909**	1,017,223
EQUITY			
Share capital	*12*	**4,897**	4,897
Other reserves		**559,643**	569,283
Retained earnings		**172,657**	161,749
Total equity		**737,197**	735,929
LIABILITIES			
Current liabilities			
Borrowings	*10*	**54,582**	63,271
Trade and other payables	*11*	**234,157**	214,831
Income tax payable		**4,973**	3,192
Total liabilities		**293,712**	281,294
Total equity and liabilities		**1,030,909**	1,017,223

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 are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 2017 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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Certain comparative figures have been represented to conform with current period's presentation.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

(a) Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

3. ACCOUNTING POLICIES (CONTINUED)

(b) Impact of standards issued but not yet applied

The following new standards and amendments to standards have been issued but are not effective for the financial period beginning on 1 January 2017 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 40 (Amendment)	Transfer of investment property	1 January 2018
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration	1 January 2018

The directors of the Company are now in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. There are no other HKASs, HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

4. 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 major operating segment which is the sales and operating and finance leases of asphalt mixing machinery and other relevant spare parts and provision of equipment modification services.

4. SEGMENT INFORMATION (CONTINUED)

Revenue consists of the following:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Sales of asphalt mixing machinery	**204,618**	129,215
Sales of spare parts and provision of equipment modification services	**10,298**	9,701
Operating lease income of asphalt mixing machinery	**21,879**	23,851
Finance lease income	**1,768**	–
	238,563	162,767

(a) Revenue by selling location

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
People's Republic of China ("PRC")	**175,801**	153,283
Outside PRC	**62,762**	9,484
	238,563	162,767

(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 2017	At 31 December 2016
	RMB'000	*RMB'000*
PRC	**138,256**	108,041
Outside PRC	**49,758**	51,509
	188,014	159,550

(c) Information about major customers

For the six months ended 30 June 2017, revenue of approximately RMB36,815,000 representing 15.4% of the Group's total revenue was derived from a single customer. No customer with whom transactions have exceeded 10% of the Group's revenue for the six months ended 30 June 2016.

5. OTHER INCOME AND OTHER GAINS, NET

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Other income		
Government grants *(Note)*	**700**	2,250
Rental income	**214**	–
	914	2,250
Other gains/(losses), net		
Net (loss)/gain on disposal of property, plant and equipment	**(52)**	177
Exchange gain/(loss), net	**21**	(23)
Others	**137**	(232)
	106	(78)
	1,020	2,172

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

6. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Share-based payment expenses	**1,172**	1,394
Depreciation		
Assets held for use under operating leases	**5,024**	3,949
Other assets	**2,785**	3,929
Amortisation		
Land use right	**65**	66
Intangible assets	**234**	131
Provision for impairment of trade receivables *(Note 9)*	**19,482**	9,651
Reversal of provision for impairment of trade receivables *(Note 9)*	**(7,957)**	(9,309)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current income tax:		
PRC enterprise income tax	**6,328**	5,160
Under/(over)-provision in prior year	**188**	(13)
Deferred income tax	**(2,090)**	1,008
	4,426	6,155

No provision for Hong Kong profits tax was made for the current period (2016: Nil) as the Group had no assessable profits subject to Hong Kong profits tax for the period.

The Group's operations in the PRC are subject to PRC enterprise income tax at a statutory rate of 25% (2016: 25%).

According to the PRC enterprise income tax law and its relevant regulations, a wholly-owned subsidiary of the Company, Langfang D&G Machinery Technology Company Limited is qualified as a high-technology enterprise under the tax law and entitled to a preferential income tax rate of 15% (2016: 15%).

Under the PRC enterprise income tax law and its relevant regulations, a 50% additional tax deduction is allowed for qualified research and development expenses.

8. EARNINGS PER SHARE

(a) Basic

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

The calculations of the basic earnings per share are based on:

	Six months ended 30 June	
	2017	2016
Profit attributable to owners of the Company *(RMB'000)*	**14,125**	10,170
Weighted average number of ordinary shares in issue	**620,238,000**	619,258,000
Basic earnings per share *(expressed in RMB cents per share)*	**2.3**	1.6

8. EARNINGS PER SHARE (CONTINUED)

(b) Diluted

The calculation of the diluted earnings per share was based on the profit for the period attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during that period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

	Six months ended 30 June	
	2017	2016
Profit attributable to owners of the Company *(RMB'000)*	**14,125**	10,170
Weighted average number of ordinary shares in issue	**620,238,000**	619,258,000
Effect of dilutive potential ordinary shares:		
Share options *(Note)*	**1,277,958**	–
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share	**621,515,958**	619,258,000
Diluted earnings per share *(expressed in RMB cents per share)*	**2.3**	1.6

Note:

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.

9. TRADE AND BILLS RECEIVABLE

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Trade receivables	**476,561**	454,277
Less: provision for impairment	**(82,578)**	(71,053)
	393,983	383,224
Bills receivable	**6,298**	1,000
	400,281	384,224

(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 fulfilment of conditions as stipulated in the respective sales contracts. Credit terms up to 18 months were generally granted to the majority of the customers.

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

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Less than 3 months	**125,204**	64,606
3 to 6 months	**14,352**	59,379
6 to 12 months	**82,480**	80,759
1 to 2 years	**139,134**	177,764
Over 2 years	**115,391**	71,769
	476,561	454,277

9. TRADE AND BILLS RECEIVABLE (CONTINUED)

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

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
Current	**131,866**	118,797
Past due but not impaired	**197,272**	186,599
Past due and impaired	**147,423**	148,881
	476,561	454,277

As of 30 June 2017, trade receivables of RMB197,272,000 (31 December 2016: RMB186,599,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty. Based on past experience and evaluation of their current creditability, the overdue amounts can be recovered. The ageing analysis of these trade receivables based on due date is as follows:

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
Less than 3 months	**69,738**	56,990
3 to 12 months	**76,692**	102,494
1 to 2 years	**48,341**	25,815
Over 2 years	**2,501**	1,300
	197,272	186,599

As of 30 June 2017, trade receivables of RMB147,423,000 (31 December 2016: RMB148,881,000) were impaired. The amount of the provision was RMB82,578,000 as of 30 June 2017 (31 December 2016: RMB71,053,000). The impaired receivables mainly relate to certain customers which are in difficult economic situations and fail to fulfill their agreed repayment schedules. The management considered that only a portion of the receivables is expected to be recovered. The ageing analysis of these receivables based on due date is as follows:

9. TRADE AND BILLS RECEIVABLE (CONTINUED)

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
3 to 12 months	**14,570**	48,457
1 to 2 years	**103,749**	93,135
Over 2 years	**29,104**	7,289
	147,423	148,881

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

	RMB'000
Six months ended 30 June 2017	
Balance at 1 January 2017	**71,053**
Provision for impairment losses *(Note 6)*	**19,482**
Reversal of provision for impairment losses *(Note 6)*	**(7,957)**
Balance at 30 June 2017	**82,578**
Six months ended 30 June 2016	
Balance at 1 January 2016	36,431
Provision for impairment losses *(Note 6)*	9,651
Reversal of provision for impairment losses *(Note 6)*	(9,309)
Balance at 30 June 2016	36,773

10. BORROWINGS

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
Secured bank loans	**54,582**	63,271

10. BORROWINGS (CONTINUED)

Movements in borrowings are analysed as follows:

	RMB'000
Balance at 1 January 2017	**63,271**
Repayments of borrowings	**(29,567)**
Proceeds from borrowings	**22,050**
Exchange difference	**(1,172)**
Balance at 30 June 2017	**54,582**
Balance at 1 January 2016	103,381
Repayments of borrowings	(64,249)
Exchange difference	231
Balance at 30 June 2016	39,363

11. TRADE AND OTHER PAYABLES

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Trade and bills payable	**186,552**	158,247
Amounts due to related parties	**754**	584
Other payables and accruals	**46,851**	56,000
	234,157	214,831

At 30 June 2017, the ageing analysis of trade and bills payable based on invoice date is as follows:

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Within 3 months	**101,382**	58,890
After 3 months but within 6 months	**35,065**	51,518
After 6 months but within 1 year	**48,996**	47,839
Over 1 year	**1,109**	–
	186,552	158,247

12. SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

Authorised:

	Number of ordinary shares of HK$0.01 each	Nominal value of ordinary shares *HK$*
At 1 January 2016, 30 June 2016, 1 January 2017 and 30 June 2017	2,000,000,000	20,000,000

Issued and fully paid:

	No. of shares *('000)*	*HK$'000*	*RMB'000*
At 1 January 2017 and 30 June 2017	620,238	6,203	4,897
At 1 January 2016 and 30 June 2016	619,258	6,193	4,888

(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.

13. INTERIM DIVIDEND

No interim dividend was proposed by the Board for the six months ended 30 June 2017 (30 June 2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2017, 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.

The Group offered a full range of asphalt mixing plants from small to large-scale to cater to the needs of different customers. The asphalt mixing plants can be divided into two main categories: (i) conventional hot-mix asphalt mixing plant ("Conventional Plant") and (ii) recycling hot-mix asphalt mixing plant ("Recycling Plant"). The asphalt mixtures produced by the asphalt mixing plants of the Group can be used in the construction and maintenance of all levels of roads and highways. The Recycling Plants of the Group, in addition to producing regular asphalt mixture, can also produce recycled asphalt mixtures which contain a combination of reclaimed asphalt pavement and new materials such as bitumen, aggregates and fillers. The use of Recycling Plants achieves the objective of resources recycling and cost saving in the production of asphalt mixtures.

During the six months ended 30 June 2017, the Group continued to participate in top-tier highways construction and maintenance projects in the PRC and overseas countries. There were 28 (2016: 18) sales contracts of asphalt mixing plants completed by the Group during the period and the asphalt mixing plants were used in major highway construction and maintenance projects such as Waiwu Expressway (威烏高速), Lungtsing Expressway (龍青高速), Waiyat Expressway (濰日高速) etc. Out of the 28 asphalt mixing plants sold during the period, 1 asphalt mixing plant was sold to Hong Kong and 8 were sold to overseas countries including 5 to Russia, 2 to Angola and 1 to Pakistan. The increase in demand for asphalt mixing plants resulted in an increase of approximately 58.3% of revenue from sales of asphalt mixing plants during the period, whereas, the sales of asphalt mixing plants accounted for approximately 85.8% (2016: 79.4%) of the total revenue of the Group during the period.

The Group continued to expand its business and entered into potential markets in the "One Belt One Road" countries. During the period, the Group has signed a sales contract with a customer in Malaysia and the contract is expected to be completed in the second half of the year. Besides, a wholly-owned subsidiary was set up in Pakistan which is principally engaged in leasing of asphalt mixing plants and provision of customized technology solutions to the local markets in Pakistan. With the established overseas network, the Group is prepared to participate in the upcoming road construction projects along the "One Belt One Road" countries.

In order to provide one-stop total solution to the customers, the Group has set up a wholly owned subsidiary engaged in finance leasing in Shanghai Free-Trade Zone and commenced its finance leasing business in late 2016. The capital contributed to the finance leasing business amounted to RMB50 million as at 30 June 2017 and the finance leasing business generated interest income of approximately RMB1.8 million during the six months ended 30 June 2017.

Development of Upstream and Downstream Asphalt Related Business

Asphalt mixture is the essential asphalt road construction material. The Group is committed to the development of asphalt related business along the supply chain with an aim to broadening income sources and raising profits. The Group has set up a wholly owned subsidiary in the PRC engaged in production of asphalt mixtures which accounted for approximately RMB5.9 million of the Group's revenue in 2016. During the six months ended 30 June 2017, the Group did not engage in any projects for production of asphalt mixtures. However, in order to leverage the synergies of local expertise, the Group has been exploring potential strategic partners in the PRC to develop the production and sale of asphalt mixtures business.

During the six months ended 30 June 2017, the Group continued to conduct research on the combustion technology in order to develop the business of manufacturing and sale of burner combustion equipment and the provision of related technical support services. The burner combustion equipment can be applied in a wide spectrum including asphalt mixing plants, furnace, heating system, etc. As at 30 June 2017, the combustion technology is still in research phase and the Group is preparing to patent the combustion technology once developed.

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 2017, the Group had 51 (31 December 2016: 49) registered patents in the PRC (of which 4 were invention patents) and 24 (31 December 2016: 22) software copyrights. In addition, 5 patents were pending registration as at 30 June 2017.

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 recycling aspects of resources recycling. The current research and development projects include "Asphalt Pavement Recycling Technology Equipment and Demonstration", which is a project subsidised by the PRC government and expected to be completed in late 2017.

Marketing and Awards

The Group placed great emphasis on the marketing and promotion of its brands, products and services offered and 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 in both PRC and overseas markets.

During the six months ended 30 June 2017, the Group participated in various promotional events and technical seminars such as Construction, Equipment & Technology Fair held in Russia and ASEAN INTERMAT, the Southeast Asian trade show for construction and infrastructure held in Bangkok.

In May 2017, the Group was awarded Quam IR Awards 2016 – Main Board Category. The Quam IR Awards aims to recognize models of practice and leadership in investor relations among the listed companies in the Asia Pacific region for their outstanding communications between companies and stakeholders. This is the second consecutive year that the Group was recognized, following the award of "Quam IR Awards 2015 – First Year After Listing Category" in May 2016.

In June 2017, the Group was awarded as an "EcoChallenger" in the BOCHK Corporate Environmental Leadership Awards which was organized by the Federation of Hong Kong Industries and Bank of China (Hong Kong). The award is a recognition of the Group's contribution to the promotion of environmental protection.

Ms. Choi Kwan Li, Glendy, the Group's chief executive officer, was invited to be one of the guest speakers of the "Belt and Road Experience Sharing Forum" held in June 2017 by the Belt and Road Office of the Hong Kong Government together with the Commerce and Economic Development Bureau, Development Bureau, Education Bureau and Home Affairs Bureau. During the forum, Ms. Glendy Choi shared the experience of business development in the "One Belt One Road" countries with over 500 participants including students, professionals and young businessmen.

Outlook

Looking forward, we expect the PRC government to continue adopting policies to stimulate the economy and maintain currency stability. In light of growing awareness on environmental protection issues during the asphalt mixture production among the road construction and maintenance companies and the PRC government's emphasis on reducing pollution from industrial sector, we believe there is a growing demand for our recycling and environmentally-friendly products. We expect the demand for recycling asphalt plants as well as the modification services of adding recycling and environmental protection functions to existing plants to increase. The Group will further promote green technology innovation and continue to improve its competitive advantage so as to reinforce its leading position in the market.

"One Belt One Road" is a core development strategy in the PRC covering a broad spectrum of economic, political and social aspects of Mainland China and abroad. Investment in infrastructure overseas is a way of building up strategic partnerships with countries in the "One Belt One Road" region. Recently, the Group has participated in numerous "One Belt One Road" construction projects led by China state-owned enterprises, including major expressway construction project of the "China-Pakistan Economic Corridor", and the project of "Central Asia Economic Corridor". The Group is honored to participate in the major infrastructure construction projects along the "One Belt One Road" countries, and is prepared for more projects in the future.

We expect the demand for asphalt mixing plants in the second half of 2017 shall remain strong and more projects along the "One Belt One Road" region. The Group shall take the momentum forward and develop its business in the industry.

FINANCIAL REVIEW

During the six months ended 30 June 2017, the Group recorded a total revenue of RMB238,563,000 (2016: RMB162,767,000), representing an increase of approximately 46.6% as compared to the last corresponding period. Gross profit increased from RMB66,976,000 for the six months ended 30 June 2016 to RMB95,743,000 for the six months ended 30 June 2017, representing an increase of approximately 43.0%. Notwithstanding the increase in revenue and gross profit, gross profit margin was decreased by 1.0 percentage point from 41.1% to 40.1%. Profit attributable to owners of the Company was RMB14,125,000 (2016: RMB10,170,000), representing an increase of approximately 38.9% as compared to last corresponding period.

	Six months ended 30 June		
	2017	2016	Change
	RMB'000	*RMB'000*	
Sales of asphalt mixing plants	**204,618**	129,215	+58.3%
Sales of spare parts and provision of equipment modification services	**10,298**	9,701	+6.2%
Operating lease income of asphalt mixing plants	**21,879**	23,851	-8.3%
Finance lease income	**1,768**	–	+100%
	238,563	162,767	+46.6%

Sales of Asphalt Mixing Plants

	Six months ended 30 June		
	2017	2016	Change
	RMB'000	*RMB'000*	
Revenue	**204,618**	129,215	+58.4%
Gross profit	**78,579**	49,949	+57.3%
Gross profit margin	**38.4%**	38.7%	-0.3pp
Number of contracts	**28**	18	+10
Average contract value	**7,308**	7,179	+1.8%

Revenue from the sales of asphalt mixing plants increased as a result of the increase in number of contracts as well as the increase in average contract value. The increase in number of contracts was mainly due to increase in road construction projects in China and overseas during the period. The increase in average contract value was primarily due to the increase in demand of Recycling Plants which usually with a higher average contract value than Conventional Plants. Overall gross profit margin remained stable at approximately 38% during the period.

By Types of Plants

	Six months ended 30 June		
	2017	2016	Change
	RMB'000	*RMB'000*	
Recycling Plant			
Revenue	**125,803**	52,951	+137.6%
Gross profit	**53,114**	22,296	+138.2%
Gross profit margin	**42.2%**	42.1%	+0.1pp
Number of contracts	**17**	7	+10
Average contract value	**7,400**	7,564	-2.2%
Conventional Plant			
Revenue	**78,815**	76,264	+3.3%
Gross profit	**25,465**	27,653	-7.9%
Gross profit margin	**32.3%**	36.3%	-4.0pp
Number of contracts	**11**	11	–
Average contract value	**7,165**	6,933	+3.3%

Revenue from the sales of Recycling Plant increased by 137.6% which was mainly due to an increase in number of contracts offset by the slightly decrease in average contract value during the period. Gross profit margin remained relatively stable during the period.

Revenue from the sales of Conventional Plant increased by 3.3% primarily because of the increase in average contract value during the period. Increase in average contract value was mainly due to higher degree of customization of asphalt mixing plants sold to customers during the period. Gross profit margin decreased by 4.0 percentage point mainly due to an increase in demand of Conventional Plant in overseas markets with a lower gross profit margin.

By Geographical Location

	Six months ended 30 June		
	2017	2016	Change
	RMB'000	*RMB'000*	
PRC			
Revenue	**142,003**	121,848	+16.5%
Gross profit	**59,560**	48,776	+22.1%
Gross profit margin	**41.9%**	40.0%	+1.9pp
Number of contracts	**19**	16	+3
Average contract value	**7,474**	7,616	-1.9%
Overseas			
Revenue	**62,615**	7,367	+750.0%
Gross profit	**19,019**	1,173	+1521.3%
Gross profit margin	**30.4%**	15.9%	+14.5pp
Number of contracts	**9**	2	+7
Average contract value	**6,957**	3,684	+88.8%

Revenue from the sales in the PRC increased primarily because of the increase in number of contracts. The increase in revenue was mainly due to the increase in fixed asset investment in China leading to the increase in the number of road construction project and resulting in the increase in demand of asphalt mixing plants during the period.

Revenue from the overseas sales increased mainly because of the increase in number of contracts completed and increase in average contract value. The increase in average contract value was mainly due to higher capacity of asphalt mixing plants demanded by customers for large-scaled road construction project. Gross profit margin increased by 14.5 percentage point to 30.4%. The exceptional low gross profit margin in last corresponding period was due to 2 Conventional Plants sold to overseas markets (i.e. Thailand and Rwanda) with the gross profit margin of 19.2% and 13.1% respectively.

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

	Six months ended 30 June		
	2017	2016	Change
	RMB'000	*RMB'000*	
Revenue	**10,298**	9,701	+6.2%
Gross profit	**4,681**	2,647	+76.8%
Gross profit margin	**45.5%**	27.3%	+18.2pp

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 increased by approximately 6.2% during the period. Gross profit margin increased by 18.2 percentage points during the period which was mainly due to improvement in gross profit margin of both sales of spare parts and components to 43.9% (2016: 32.8%) and modification services to 57.4% (2016: 32.5%).

Operating lease income of asphalt mixing plants

	Six months ended 30 June		
	2017	2016	Change
	RMB'000	*RMB'000*	
Revenue	**21,879**	23,851	-8.3%
Gross profit	**10,715**	14,380	-25.5%
Gross profit margin	**49.0%**	60.3%	-11.3pp
Number of plants held for operating lease	**10**	9	+1

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

Revenue from operating lease of asphalt mixing plants slightly decreased by 8.3% primarily because the total volume of productions during the period were lower compared with the last period even though the number of operating agreement increased from 9 to 10 during the period. Gross profit margin decreased by 11.3 percentage points primarily because of decrease in production of asphalt mixtures but increase in the fixed overhead, including but not limited to staff costs and depreciation, charged during the period.

Other Income and Other Gains, Net

During the period, other income and other gains, net mainly represented net exchange gains arising from trading transactions, rental income and government grants. The decrease was mainly due to the decrease of government grants in the PRC during the period by approximately RMB1.6 million.

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 14.5% (2016: 12.7%) of revenue for the six months ended 30 June 2017. Increase in distribution costs as a percentage of revenue was mainly due to increase in distribution fees to the distributors as well as staff costs of the sales and marketing staff.

Administrative Expenses

Administrative expenses mainly included staff costs, research and development expenses, legal and professional fees, provision for impairment of trade receivable. During the period, administrative expenses increased by approximately RMB17.2 million was mainly due to increase in research and development expenses to RMB10.1 million (2016: RMB3.4 million) and net provision for impairment of trade receivables to approximately RMB11.5 million (2016: RMB0.3 million).

Finance Income/(Costs), Net

Finance income/(costs), net mainly included bank interest income, exchange gain/loss on translation of bank borrowing/pledged bank deposits, interest income on unwinding discounted trade receivables offset by interest expenses on interest-bearing bank borrowings. Finance income was recorded during the period was mainly due to decrease in interest expenses on interest-bearing bank borrowings, increase in net exchange gain due to appreciation of RMB off-shore pledged bank deposits and increase in interest income on unwinding discounted trade receivables.

Income Tax

The effective tax rate for the six months ended 30 June 2017 amounted to 23.9% (2016: 37.7%). The major subsidiary of the Group in the PRC qualifies as a high-technology enterprise under the PRC Enterprise Income Tax Law and is entitled to a preferential income tax rate of 15%. Improvement in effective tax rate during the period was mainly because of decrease in net losses of subsidiaries in Hong Kong resulting from increase in revenue of subsidiaries in Hong Kong. No deferred tax assets were recognized in respect of the losses incurred by subsidiaries in Hong Kong.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased by about 38.9% from RMB10,170,000 for the six months ended 30 June 2016 to RMB14,125,000 for the six months ended 30 June 2017. The increase in profit was mainly due to increase in revenue and partly offset by the increase in distribution costs, research and development expenses and provision for impairment of trade receivables as discussed above.

Working Capital Management

Net current assets of the Group amounted to RMB530,769,000 (31 December 2016: RMB560,055,000) with a current ratio of 2.8 times (31 December 2016: 3.0 times) as at 30 June 2017.

Inventories increased by RMB41,402,000 from RMB168,763,000 as at 31 December 2016 to RMB210,165,000 as at 30 June 2017. Inventory turnover days was 242 days for the six months ended 30 June 2017, representing a decrease of 40 days as compared to 282 days for the year ended 31 December 2016. The increase in inventories was mainly due to increase in raw materials to meet the increase in sales demand. The decrease in inventory turnover days was mainly because of increase in finished goods delivered and accepted by customers during the period.

Trade and bills receivable increased by RMB16,057,000 from RMB384,224,000 as at 31 December 2016 to RMB400,281,000 as at 30 June 2017. Trade and bills receivable turnover days was 300 days for the six months ended 30 June 2017, representing a decrease of 138 days as compared to 438 days for the year ended 31 December 2016. The Group experienced delay in payments from some of the PRC customers due to the slow settlement of government funding for the PRC road construction and maintenance projects. The Group believes that this was an industry wide phenomenon in the PRC. The Group has credit policy and internal control procedures in place to review and collect the trade and bills receivable in order to improve the collection cycle. The increase in trade and bills receivable was mainly due to increase in revenue during the period especially in the second quarter of 2017. The decrease in trade and bills receivable turnover days during the period was mainly because of the improvement in overall settlement from customers, primarily resulted from (1) increase in oversea sales of asphalt mixing plants of which majority of contract sum are settled prior to shipment; (2) certain PRC customers opt for finance lease service; and (3) more timely settlement from PRC customers for the sales contracts entered into during the period.

Trade and bills payable increased by RMB28,305,000 from RMB158,247,000 as at 31 December 2016 to RMB186,552,000 as at 30 June 2017. Trade and bills payable turnover days was 178 days for the six months ended 30 June 2017, representing a decrease of 30 days as compared to 208 days for the year ended 31 December 2016. The increase in trade and bills payable was mainly due to increase in purchase of raw materials during the period. The decrease in trade and bills payable turnover days was mainly because of faster payment to suppliers to secure the supply of raw materials .

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 2017, the Group had cash and cash equivalents of RMB64,388,000 (31 December 2016: RMB169,261,000) and pledged bank deposits of RMB91,523,000 (31 December 2016: RMB89,031,000). In addition, the Group had interest-bearing bank borrowings of RMB54,582,000 (31 December 2016: RMB63,271,000). The Group's cash and cash equivalents, pledged bank deposits and borrowings were mostly denominated in Renminbi ("RMB"), Hong Kong dollars ("HK$") and US dollars ("US$"). 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 7.4% (31 December 2016: 8.6%).

During the six months ended 30 June 2017, the Group recorded a cash outflow from operating activities of RMB77,012,000 (six months ended 30 June 2016: RMB10,991,000). Net cash used in investing activities amounted to RMB3,065,000 (six months ended 30 June 2016: Net cash generated from investing activities RMB25,739,000) for the six months ended 30 June 2017. Net cash used in financing activities for the six months ended 30 June 2017 amounted to RMB22,652,000 (six months ended 30 June 2016: RMB92,264,000).

Capital Commitments and Contingent Liabilities

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

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
Contracted for	**13,141**	2,250
Authorised but not contracted for	**600**	7,955

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 customers. At the same time, the Group was entitled to repossess and sell the leased machinery, and retain any net proceeds in excess of the guarantee payments made to the leasing companies. As at 30 June 2017, the Group's maximum exposure to such guarantees was approximately RMB3,050,000 (31 December 2016: RMB6,634,000).

Pledge of Assets

As at 30 June 2017, property, plant and equipment of RMB47,285,000 (31 December 2016: RMB48,947,000), land use right of RMB5,161,000 (31 December 2016: RMB5,226,000) and bank deposits of RMB91,523,000 (31 December 2016: RMB89,031,000) were pledged for loans and borrowings and bills payable of the Group.

Foreign Exchange Risk

The reporting currency of the Group was RMB. The Group was exposed to foreign exchange risk through sales and purchases which were denominated in a foreign currency including United States dollars ("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 for the six months ended 30 June 2017.

Significant Investments and Material Acquisitions

During the six months ended 30 June 2017, the Group did not have any significant investments or material 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 2017, the unutilised proceeds were deposited in licensed banks in Hong Kong and China.

Changes in Use of Proceeds

The Company announced on 1 March 2017 for the change in proposed use of the net proceeds. Set out below are details of the original allocation of the net proceeds, the revised allocation of the net proceeds and the utilisation of the net proceeds as at 30 June 2017, respectively:

	Original allocation	**Revised allocation as at 31 March 2017**	**Utilised amount as at 30 June 2017**	**Unutilised amount as at 30 June 2017**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Expansion of the manufacturing facilities				
Acquisition of land	39.6	–	–	–
Development and construction of the manufacturing facilities	65.9	31.5	22.9	8.6
Purchase of equipment for the manufacturing facilities	26.4	7.2	3.6	3.6
Research and development	52.8	52.8	33.4	19.4
Development of new business	26.4	72.0	54.6	17.4
Expansion of the sales and distribution networks and promotional activities	26.4	26.4	15.5	10.9
Working capital and general corporate purposes	26.4	74.0	74.0	–
	263.9	263.9	204.0	59.9

Reasons for the Changes in Use of Proceeds

The Company originally planned to use 50% of the net proceeds for expansion of manufacturing facilities and had utilized approximately RMB21.5 million for the development and construction of the manufacturing facilities and approximately RMB2.2 million for the purchase of equipment for the manufacturing facilities as at 1 March 2017. With the benefit of enhancement in supply chain management and network of capable outsourcing partners, we are of the view that the expansion of manufacturing facilities can be scaled down and expect that only an additional amount of approximately RMB15.0 million would be required to complete the Group's expansion of manufacturing facilities in 2017. We consider that the Group's manufacturing facilities with the scaled-down expansion should be sufficient to cope with the market demand in the near future.

In light of the fact that funding for infrastructure projects in China has been improving in the past few months, we expect market demand for our products to increase. On the other hand, it requires time for the projects' funding to be eventually in place and we expect the collection of outstanding trade receivables from the customers of the Company to remain slow in 2017. Hence, we are of the view that the Group requires additional working capital for its operations in light of the increasing market demand.

In the meantime, the Group strives to explore potential opportunities to diversify its business and broaden its income source. In 2016, the Group established two wholly-owned subsidiaries in China engaging in (i) the manufacturing and sale of asphalt mixtures; and (ii) finance leasing respectively. These two subsidiaries commenced operations in December 2016. In addition, the Group is developing the business of the manufacturing and sale of burner combustion components (which can be used for asphalt mixing plants and other purposes) and the provision of related technical support services. We consider that the increase in allocation of the net proceeds to the development of the above new businesses would enable the Group to better utilise its resources and facilitate the development of the Group in the long run.

Based on the situation as stated above, the Board has resolved on 1 March 2017 and decided to change the original proposed use of the net proceeds and reallocate the unutilised net proceeds as described above.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had approximately 430 (31 December 2016: 438) employees. The total staff costs for the six months ended 30 June 2017 amounted to approximately RMB32,145,000 (six months ended 30 June 2016: RMB32,354,000).

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. No option has been granted during the six months ended 30 June 2017.

INTERIM DIVIDEND

No interim dividend was proposed by the Board for the six months ended 30 June 2017.

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 2017.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. During the six months ended 30 June 2017, 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 2017 have been reviewed by the Audit Committee.

The Company's auditor, PricewaterhouseCoopers, has also reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2017 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.

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 2017 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, 29 August 2017

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.