德基科技
D&G TECHNOLOGY

D&G TECHNOLOGY HOLDING COMPANY LIMITED

<INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY>

STOCK CODE 1301

INTERIM REPORT 2017

BELT AND ROAD 一帶一路
中銀香港 | BOCHK
企業環保領先大獎 2015
Corporate Environmental Leadership Awards 2015

HKGPC
Fellow Member of HKGPC

ENVIRONMENTAL MONITORING AND REPORTING
Corporate Green Governance Award
Hong Kong Green Awards 2016

商界展關懷
caringcompany 2016/17
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

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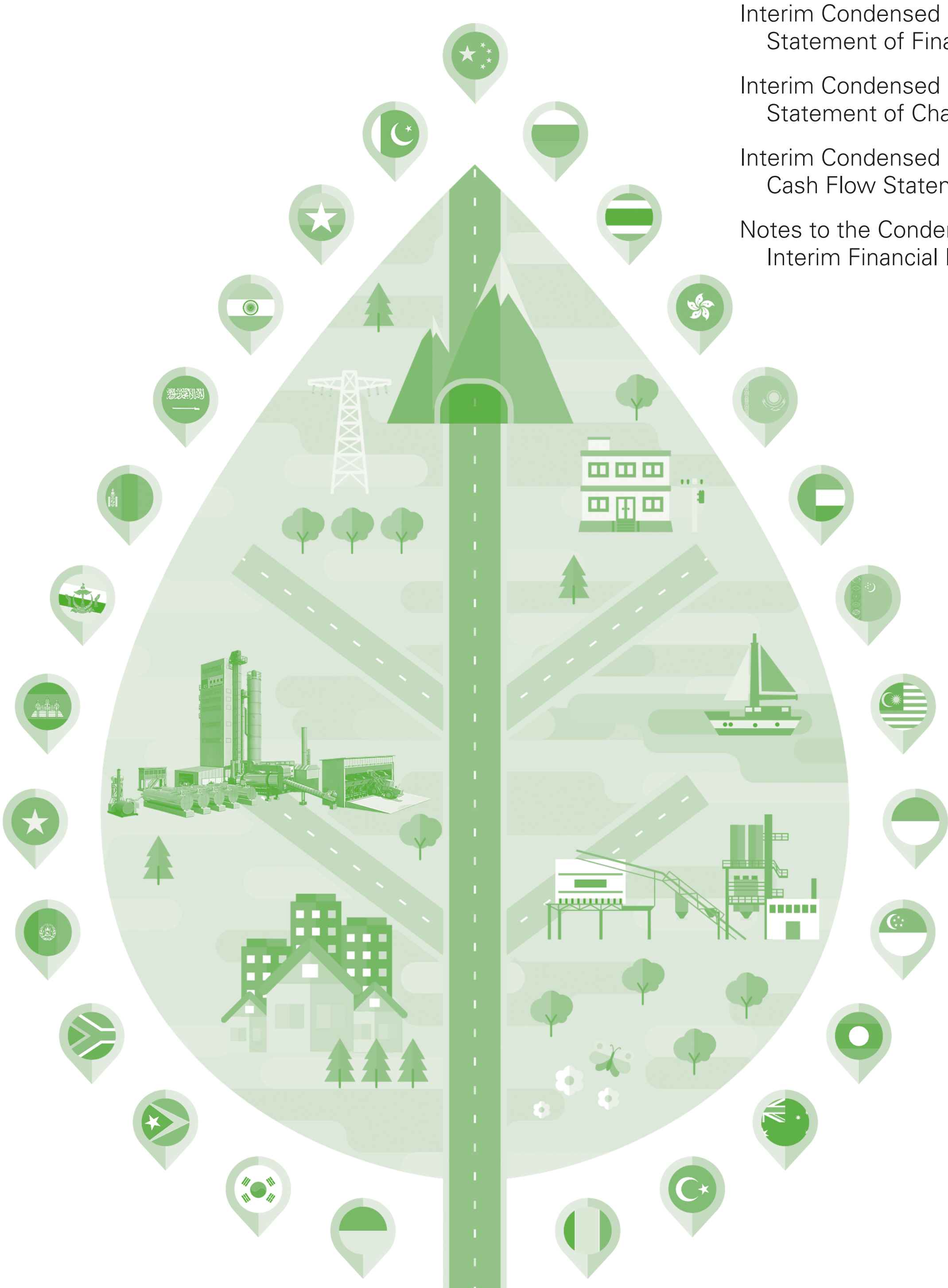
CONTENTS



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

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

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

Company Secretary

Mr. Tsang Chin Pang

Authorised Representatives

Ms. Choi Kwan Li, Glendy
Mr. Tsang Chin Pang

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

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

Auditor

PricewaterhouseCoopers

Legal Advisor

MinterEllison

Principal Bankers

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

Company Website

www.dgtechnology.com

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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%

Management Discussion and Analysis

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.

Management Discussion and Analysis

By Geographical Location

	Six months ended 30 June		
	2017 **RMB'000**	2016 RMB'000	Change
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 **RMB'000**	2016 RMB'000	Change
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%).

Management Discussion and Analysis

Operating lease income of asphalt mixing plants

	Six months ended 30 June		
	2017 **RMB'000**	2016 RMB'000	Change
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.

Management Discussion and Analysis

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 RMB'000	At 31 December 2016 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 RMB' million	**Revised allocation as at 31 March 2017** RMB' million	**Utilised amount as at 30 June 2017** RMB' million	**Unutilised amount as at 30 June 2017** 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 of directors of the Company (the "**Board**" or the "**Directors**") 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.

Other Information

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

As at 30 June 2017, the interests or short positions of 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[1]	345,696,000	55.74%
	Long	Beneficial owner	6,392,000	1.03%
	Long	Beneficial owner[2]	4,000,000	0.64%
Ms. Choi Kwan Li, Glendy	Long	Beneficial owner	150,000	0.02%
	Long	Beneficial owner[2]	4,000,000	0.64%
Mr. Choi Hon Ting, Derek	Long	Beneficial owner	150,000	0.02%
	Long	Beneficial owner[2]	4,000,000	0.64%
Mr. Liu Tom Jing-zhi	Long	Interest in controlled corporation[3]	13,500,000	2.18%
	Long	Interest of spouse[3]	150,000	0.02%
	Long	Beneficial owner[4]	2,000,000	0.32%
Mr. Lao Kam Chi	Long	Interest in controlled corporation[5]	9,000,000	1.45%
	Long	Beneficial owner[4]	2,000,000	0.32%
Mr. Yu Ronghua	Long	Interest in controlled corporation[6]	13,500,000	2.18%
	Long	Beneficial owner[4]	2,000,000	0.32%
Mr. Chan Lewis	Long	Beneficial owner[7]	300,000	0.05%
Mr. Law Wang Chak, Waltery	Long	Beneficial owner	1,850,000	0.30%
	Long	Beneficial owner[8]	270,000	0.04%
Mr. Li Zongjin	Long	Beneficial owner[7]	300,000	0.05%
Mr. Lee Wai Yat, Paco	Long	Beneficial owner[7]	300,000	0.05%
Mr. Fok Wai Shun, Wilson	Long	Beneficial owner[9]	400,000	0.06%

(ii) Interests in shares and underlying shares of associated corporation

Name of Director	Name of associated corporation	Long/Short position	Type of interest	Approximate percentage of shareholding interest
Mr. Choi Hung Nang	Prima DG Investment Holding Company Limited ("**Prima DG**")	Long	Beneficial owner	40%
Ms. Choi Kwan Li, Glendy	Prima DG	Long	Beneficial owner	20%
Mr. Choi Hon Ting, Derek	Prima DG	Long	Beneficial owner	20%

Notes:

1. The 345,696,000 Shares were held by Prima DG, which is directly held as to 40% by Mr. Choi Hung Nang. Accordingly, by virtue of the SFO, Mr. Choi Hung Nang is deemed to be interested in all the Shares in which Prima DG is interested.

2. 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 year ended 31 December 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.

3. 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.

4. Each of Mr. Liu Tom Jing-zhi, Mr. Lao Kam Chi and Mr. Yu Ronghua was granted 2,000,000 share options during the year ended 31 December 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.

5. 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.

6. 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.

7. Each of Mr. Chan Lewis, Mr. Li Zongjin and Mr. Lee Wai Yat, Paco was granted 300,000 share options during the year ended 31 December 2016 under the Share Option Scheme and was deemed to be interested in 300,000 underlying shares in respect of the share options granted.

8. Mr. Law Wang Chak, Waltery was granted 400,000 share options and 130,000 share options were exercised during the year ended 31 December 2016 under the Share Option Scheme. He was deemed to be interested in 270,000 underlying shares in respect of the share options granted.

9. Mr. Fok Wai Shun, Wilson was granted 400,000 share options during the year ended 31 December 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 2017, 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 2017, so far as known to the Directors, the following interests of 5% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Long/Short position	Type of interest	Number of Shares and underlying shares held	Approximate percentage of shareholding in the Company
Prima DG[1]	Long	Beneficial owner	345,696,000	55.74%
Mr. Choi Hung Nang[1]	Long	Interest in controlled corporation	345,696,000	55.74%
	Long	Beneficial owner	6,392,000	1.03%
	Long	Beneficial owner	4,000,000	0.64%
Ms. Tin Suen Chu[1]	Long	Interest of spouse	356,088,000	57.41%
Regal Sky Holdings Limited[2]	Long	Beneficial owner	50,304,000	8.11%
Ocean Equity Partners Fund L.P.[2]	Long	Interest in controlled corporation	50,304,000	8.11%
Ocean Equity Partners Fund GP Limited[2]	Long	Interest in controlled corporation	50,304,000	8.11%

Notes:

1. Prima DG directly held 345,696,000 Shares. Prima DG is directly held as to 40% by Mr. Choi Hung Nang. Accordingly, by virtue of the SFO, Mr. Choi Hung Nang is deemed to be interested in all the Shares in which Prima DG is interested.

   Since Ms. Tin Suen Chu is the spouse of Mr. Choi Hung Nang, Ms. Tin 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.

2. Regal Sky Holdings Limited, a company incorporated under the laws of the British Virgin Islands, is controlled by Ocean Equity Partners Fund L.P., which is an exempted limited partnership registered in the Cayman Islands. The general partner of Ocean Equity Partners Fund L.P. is Ocean Equity Partners Fund GP Limited.

Save as disclosed above, as at 30 June 2017, no other interests or short positions in the Shares or underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Share Option Scheme

The Company's 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 and directors of the members of the Group and other selected participants.

The Board may at its absolute discretion (subject to any conditions as it may think fit) grant options to any employee 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 Participants**") upon the terms set out in the Share Option Scheme.

The subscription price of a Share payable on the exercise of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price shall at least be the highest of: (i) the nominal value of the Shares; (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a day on which the Stock Exchange is open for the business of dealing in securities ("**Business Day**"); and (iii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of offer or (where applicable) such price as from time to time adjusted pursuant to the Share Option Scheme. HK$1.00 is payable by an Eligible Participant on acceptance of an offer of option. The period within which the Shares must be taken up under an option shall be determined by the Board at its absolute discretion and in any event, such period shall not be longer than 10 years from the date upon which any particular option is granted in accordance with the Share Option Scheme. There is no general requirement that an option must be held for any minimum period before it can be exercised.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other schemes of our Group must not in aggregate exceed 10% of the total number of Shares in issue as at the 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 9.67% 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. The adjusted closing price of the Shares immediately before the Date of Grant was HK$0.866 per Share. There was no Eligible Participant with options granted in excess of the individual limit.

During the six months ended 30 June 2017, none of the above share options was exercised, cancelled or had lapsed and no option has been granted under the Share Option Scheme.

Particulars and movements of share options granted under the Share Option Scheme for the period ended 30 June 2017 were as follows:

Name of Grantee	Date of Grant	Exercise Period	Exercise price per Share	Outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30 June 2017
Directors								
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, Waltery	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
				19,570,000	–	–	–	19,570,000
Other employees								
In aggregate	20/4/2016	1/10/2016 - 19/4/2021	HK$0.88	800,000	–	–	–	800,000
	20/4/2016	1/10/2017 - 19/4/2021	HK$0.88	1,000,000	–	–	–	1,000,000
	20/4/2016	1/10/2018 - 19/4/2021	HK$0.88	1,000,000	–	–	–	1,000,000
				2,800,000	–	–	–	2,800,000
				22,370,000	–	–	–	22,370,000

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 2017.

Employees and Remuneration Policy

As at 30 June 2017, the Group had approximately 430 employees (31 December 2016: 438). 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 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. 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 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.

Other Information

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.

Change of Directors' Information

Mr. Choi Hung Nang has ceased to be the guest professor of Central South University since May 2017.

Mr. Choi Hon Ting, Derek resigned from IPE Group Limited 國際精密集團有限公司* (Hong Kong stock code: 929) as independent non-executive director with effect from 2 June 2017.

Mr. Lee Wai Yat, Paco has ceased to be the deputy general manager (investor relations and corporate investment) and commenced to be the general manager (business development, global frozen and related business) of Thai Union Group Public Company Limited (formerly known as Thai Union Frozen Products Public Company Limited) (Stock Exchange of Thailand code: TU) since 6 February 2017.

Mr. Law Wang Chak, Waltery was appointed as a non-executive director of In Technical Productions Holdings Limited listed on 14 June 2017 (Hong Kong stock code: 8446) with effect from 10 November 2016.

* *For identification purpose only*

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 21 to 42, 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 2017 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months 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 Standards 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, 29 August 2017

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

		Unaudited	
		Six months ended 30 June	
		2017	2016
	Note	**RMB'000**	RMB'000
Revenue	*6*	**238,563**	162,767
Cost of sales		**(142,820)**	(95,791)
Gross profit		**95,743**	66,976
Other income and other gains, net	*7*	**1,020**	2,172
Distribution costs		**(34,606)**	(20,611)
Administrative expenses		**(45,837)**	(28,608)
Operating profit	*8*	**16,320**	19,929
Finance income/(costs), net		**2,231**	(3,604)
Profit before income tax		**18,551**	16,325
Income tax expense	*9*	**(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)*	*10(a)*	**2.3**	1.6
– diluted *(RMB cents)*	*10(b)*	**2.3**	1.6

The notes on pages 26 to 42 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	Unaudited Six months ended 30 June	
	2017 **RMB'000**	2016 RMB'000
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

The notes on pages 26 to 42 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	**142,583**	134,047
Land use right	*11*	**5,161**	5,226
Investment property	*11*	**11,901**	12,266
Intangible assets	*11*	**4,293**	3,890
Finance lease receivables	*13*	**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	*12*	**400,281**	384,224
Finance lease receivables	*13*	**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	*16*	**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	*14*	**54,582**	63,271
Trade and other payables	*15*	**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

The notes on pages 26 to 42 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Unaudited							
	Attributable to owners of the Company							
	Share capital RMB'000 *Note 16(a)*	Share premium RMB'000 *Note 16(b)*	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
Balance at 1 January 2016	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
Total comprehensive income	–	–	–	–	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)	–
Dividends	–	(17,317)	–	–	–	–	–	(17,317)
Balance at 30 June 2016	4,888	428,644	65,290	36,537	24,544	1,394	201,766	763,063

	Unaudited							
	Attributable to owners of the Company							
	Share capital RMB'000 *Note 16(a)*	**Share premium RMB'000** *Note 16(b)*	**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**
Balance at 1 January 2017	**4,897**	**429,396**	**65,290**	**37,885**	**32,791**	**3,921**	**161,749**	**735,929**
Comprehensive income:								
– Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**14,125**	**14,125**
Other comprehensive loss								
– Currency translation differences	**–**	**–**	**–**	**–**	**(4,250)**	**–**	**–**	**(4,250)**
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**(4,250)**	**–**	**14,125**	**9,875**
Employee share option scheme								
– grant of share options	**–**	**–**	**–**	**–**	**–**	**1,172**	**–**	**1,172**
Transfer to statutory reserve	**–**	**–**	**–**	**3,217**	**–**	**–**	**(3,217)**	**–**
Dividends	**–**	**(9,779)**	**–**	**–**	**–**	**–**	**–**	**(9,779)**
Balance at 30 June 2017	**4,897**	**419,617**	**65,290**	**41,102**	**28,541**	**5,093**	**172,657**	**737,197**

The notes on pages 26 to 42 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2017

	Unaudited Six months ended 30 June	
	2017 **RMB'000**	2016 RMB'000
Cash flows from operating activities		
Cash used in operations	**(72,279)**	(6,075)
Income tax paid	**(4,733)**	(4,916)
Net cash used in operating activities	**(77,012)**	(10,991)
Cash flows from investing activities		
Payment for acquisition of property, plant and equipment	**(2,878)**	(22,015)
Payment for purchase of intangible assets	**(642)**	(2,651)
Proceeds from disposal of property, plant and equipment	**–**	384
Decrease in bank deposits with initial terms of over three months	**–**	48,912
Interest income	**455**	1,109
Net cash (used in)/generated from investing activities	**(3,065)**	25,739
Cash flows from financing activities		
Repayments of borrowings	**(29,567)**	(64,249)
Proceeds from borrowings	**22,050**	–
Dividend paid	**(9,779)**	(17,317)
Interest expenses	**(1,167)**	(1,233)
Additions of bank deposits pledged for bank borrowings	**(4,189)**	(9,465)
Net cash used in financing activities	**(22,652)**	(92,264)
Net decrease in cash and cash equivalents	**(102,729)**	(77,516)
Cash and cash equivalents at beginning of the period	**169,261**	168,881
Effect of foreign exchange rate changes	**(2,144)**	1,038
Cash and cash equivalents at end of the period	**64,388**	92,403

The notes on pages 26 to 42 form an integral part of this interim 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 are listed on the main board of The Stock Exchange of Hong Kong Limited.

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 (Note (ii))	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 (Note (i))	Revenue from contracts with customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16 (Note (iii))	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration	1 January 2018

(i) HKFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control. HKFRS 15 provides specific guidance on capitalization of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition: HK(IFRIC) 13 Customer Loyalty Programmes, HK(IFRIC) 15 Agreements for the Construction of Real Estate, HK(IFRIC) 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services.

3 Accounting policies (Continued)

(b) Impact of standards issued but not yet applied (Continued)

(i) (Continued)

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- The application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- Certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and

- HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is in progress of estimating the impact of HKFRS 15 on the Group's financial statements.

(ii) HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(iii) HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. The Group is assessing to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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 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 2016.

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 does 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 2016.

There have been no changes in the risk management policies since 31 December 2016.

(b) Fair value estimation

Disclosures of the investment property measured at fair value are set out in Note 11 to the condensed consolidated interim financial information.

The carrying amounts of the Company's financial assets and liabilities with a maturity of less than one year, including trade and bills receivable, deposits and other receivables, finance lease receivables, cash and cash equivalents, pledged bank deposits, trade and bills payable, 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 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.

6 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 were 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.

7 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.

8 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 *(Note 11)*		
– Assets held for use under operating leases	**5,024**	3,949
– Other assets	**2,785**	3,929
Amortisation *(Note 11)*		
– Land use right	**65**	66
– Intangible assets	**234**	131
Provision for impairment of trade receivables *(Note 12)*	**19,482**	9,651
Reversal of provision for impairment of trade receivables *(Note 12)*	**(7,957)**	(9,309)

9 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.

10 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	
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

10 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.

11 Property, plant and equipment, land use right, investment property and intangible assets

	Property, plant and equipment RMB'000	Land use right RMB'000	Investment property RMB'000 *(Note)*	Intangible assets RMB'000
Six months ended 30 June 2017				
Net book value				
At 1 January 2017	134,047	5,226	12,266	3,890
Additions	5,317	–	–	642
Transfer from inventories	12,241	–	–	–
Disposals	(52)	–	–	–
Amortisation *(Note 8)*	–	(65)	–	(234)
Depreciation *(Note 8)*	(7,809)	–	–	–
Exchange difference	(1,161)	–	(365)	(5)
At 30 June 2017	142,583	5,161	11,901	4,293

11 Property, plant and equipment, land use right, investment property and intangible assets (Continued)

	Property, plant and equipment RMB'000	Land use right RMB'000	Investment property RMB'000 *(Note)*	Intangible assets RMB'000
Six months ended 30 June 2016				
Net book value				
At 1 January 2016	85,274	5,357	–	777
Additions	12,284	–	–	2,651
Disposals	(207)	–	–	–
Amortisation *(Note 8)*	–	(66)	–	(131)
Depreciation *(Note 8)*	(7,878)	–	–	–
Exchange difference	21	–	–	–
At 30 June 2016	89,494	5,291	–	3,297

Note:

The fair value measurement information for the investment property in accordance with HKFRS 13 are given below.

	Fair value measurements at 30 June 2017		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	**Significant other observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**
Recurring fair value measurements			
Investment property	**–**	**–**	**11,901**

	Fair value measurements at 31 December 2016		
	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment property	–	–	12,266

There were no transfers among Level 1, Level 2 and 3 during the period.

As at 30 June 2017, the directors of the Company considered that the carrying amount of the investment property represented its fair value.

12 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

12 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 RMB'000	At 31 December 2016 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 RMB'000	At 31 December 2016 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

12 Trade and bills receivable (Continued)

(c) (Continued)

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:

	At 30 June 2017 RMB'000	At 31 December 2016 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 8)*	**19,482**
Reversal of provision for impairment losses *(Note 8)*	**(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 8)*	9,651
Reversal of provision for impairment losses *(Note 8)*	(9,309)
Balance at 30 June 2016	36,773

13 Finance lease receivables

The Group provides finance leasing services in the PRC. These leases are classified as finance leases and have lease terms of two to three years.

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current		
Finance leases – gross receivables	**25,567**	1,701
Unearned finance income	**(1,515)**	(45)
	24,052	1,656
Current		
Finance leases – gross receivables	**22,251**	1,855
Unearned finance income	**(2,817)**	(161)
	19,434	1,694
Total	**43,486**	3,350
Gross receivables from finance leases:		
Not later than 1 year	**22,251**	1,855
Later than 1 year and not later than 5 years	**25,567**	1,701
	47,818	3,556
Unearned future finance income on finance leases	**(4,332)**	(206)
Net investment in finance leases	**43,486**	3,350
The net investment in finance leases is analysed as follows:		
Not later than 1 year	**19,434**	1,694
Later than 1 year and not later than 5 years	**24,052**	1,656
	43,486	3,350

14 Borrowings

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

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**

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

15 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

15 Trade and other payables (Continued)

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

16 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.

17 Interim dividend

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

18 Commitments

Capital commitments

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

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

19 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 customers for the repossession of the leased machinery. As at 30 June 2017 and 31 December 2016, the Group's maximum exposure to such guarantees were RMB3,050,000 and RMB6,634,000, respectively.

20 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) Transactions with related parties

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Finance lease income from a related party:		
Entity jointly controlled by Choi Family and an independent third party	**128**	–
Rental expense to related parties:		
Mr. Choi Hung Nang	**(101)**	(101)
Entities controlled by Choi Family	**(135)**	(396)
	(236)	(497)

(b) Year end balances

	At 30 June 2017	At 31 December 2016
	RMB'000	RMB'000
Included in other receivables:		
Amounts due from related parties		
Ms. Choi Kwan Li, Glendy	**19**	32
Mr. Lao Kam Chi	**380**	78
Mr. Liu Tom Jing-zhi	**600**	–
Entities controlled by Choi Family	**421**	3
	1,460	113
Included in finance lease receivables:		
Amount due from a related party		
Entity jointly controlled by Choi Family and an independent third party	**2,288**	–
Included in other payables:		
Amounts due to related parties		
Mr. Choi Hung Nang	**446**	344
Entities controlled by Choi Family	**308**	240
	754	584

Except for the financial lease receivable of RMB2,288,000 which was interest-bearing and repayable in three years, the amounts due from/to related parties were unsecured, interest free and repayable on demand.