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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board of directors (the "Board" or the "Directors") of D&G Technology Holding Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Revenue	4	**447,927**	321,449
Cost of sales		**(277,302)**	(194,515)
Gross profit		**170,625**	126,934
Other income and other gains/(losses), net	5	**5,532**	(4,023)
Distribution costs		**(66,737)**	(43,905)
Administrative expenses		**(84,677)**	(105,335)
Operating profit/(loss)		**24,743**	(26,329)
Finance income, net	6(a)	**3,614**	378
Profit/(loss) before income tax	6	**28,357**	(25,951)
Income tax expense	7	**(7,200)**	(2,548)
Profit/(loss) attributable to owners of the Company for the year		**21,157**	(28,499)
Earnings/(loss) per share attributable to owners of the Company during the year	9		
– basic (RMB cents)		**3.41**	(4.60)
– diluted (RMB cents)		**3.40**	(4.60)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
Profit/(loss) for the year	**21,157**	(28,499)
Other comprehensive (loss)/income:		
Item that may be reclassified to profit or loss:		
Currency translation differences	**(8,443)**	14,797
Other comprehensive (loss)/income for the year, net of tax	**(8,443)**	14,797
Total comprehensive income/(loss) attributable to owners of the Company for the year	**12,714**	(13,702)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		As at 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**161,827**	134,047
Land use right		**5,095**	5,226
Investment property		**12,077**	12,266
Intangible assets		**3,788**	3,890
Finance lease receivables		**22,612**	1,656
Prepayments		**24**	2,465
Deferred income tax assets		**20,350**	16,324
Total non-current assets		**225,773**	175,874
Current assets			
Inventories	*10*	**218,450**	168,763
Trade and bills receivable	*11*	**393,646**	384,224
Finance lease receivables		**25,754**	1,694
Prepayments, deposits and other receivables		**31,205**	28,376
Pledged bank deposits		**90,411**	89,031
Cash and cash equivalents		**42,708**	169,261
Total current assets		**802,174**	841,349
Total assets		**1,027,947**	1,017,223

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		As at 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**4,897**	4,897
Other reserves		**559,091**	569,283
Retained earnings		**176,828**	161,749
Total equity		**740,816**	735,929
LIABILITIES			
Non-current liabilities			
Deposits received from customers	*13*	**5,294**	–
Current liabilities			
Borrowings	*12*	**60,150**	63,271
Trade and other payables	*13*	**216,387**	214,831
Deposits received from customers	*13*	**562**	–
Income tax payable		**4,738**	3,192
Total current liabilities		**281,837**	281,294
Total liabilities		**287,131**	281,294
Total equity and liabilities		**1,027,947**	1,017,223

NOTES:

1. GENERAL INFORMATION

D&G Technology Holding Company Limited (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 and its subsidiaries (together, the "Group") are principally engaged in manufacturing, distribution, research and development and operating lease of asphalt mixing machinery and provision of machinery finance services.

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

These consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of the Hong Kong Company Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, which is carried at fair value.

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

Certain comparative figures have been reclassified to conform to the current year's presentation.

3. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

(a) New and amended standards adopted by the Group

The following amendments to standards are mandatory for the Group's financial year beginning on 1 January 2017. The adoption of these amendments has not had any significant impact to the results and financial position of the Group.

HKAS 7 Amendment	Statement of Cash Flows
HKAS 12 Amendment	Income Taxes
HKFRS 12 Amendment	Disclosure of Interest in Other Entities

(b) New standards and interpretation not yet adopted

The following standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning on 1 January 2017 and have not been early adopted by the Group:

		Effective for the accounting period beginning on or after
HKAS 28 Amendment	Investments in Associates and Joint Ventures	1 January 2018
HKAS 40 Amendment	Transfers of Investment Property	1 January 2018
HKFRS 1 Amendment	First Time Adoption of HKFRS	1 January 2018
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 Amendment	Insurance Contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	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 16	Leases	1 January 2019
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019

4. REVENUE AND 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 executive directors of the Company have determined that the Group only has one operating segment which is the sales of and operating lease of asphalt mixing machinery, asphalt mixture and other relevant spare parts, provision of machinery finance services and provision of equipment modification services.

Revenue consists of the following:

	2017	2016
	RMB'000	*RMB'000*
Sales of asphalt mixing plants	**367,655**	246,193
Sales of spare parts and provision of equipment modification services	**38,001**	23,625
Operating lease income of asphalt mixing plants	**38,123**	45,766
Finance lease income	**4,148**	–
Sales of asphalt mixture	**–**	5,865
	447,927	321,449

(a) Revenue from external customers by country

	2017	2016
	RMB'000	*RMB'000*
People's Republic of China (the "PRC")	**333,713**	296,755
Outside PRC	**114,214**	24,694
	447,927	321,449

(b) Non-current assets

The geographical location of the non-current assets, excluding finance lease receivables and deferred income tax assets, based on the physical location of the assets is analysed as follows:

	2017	2016
	RMB'000	*RMB'000*
The PRC	**133,843**	106,385
Outside PRC	**48,968**	51,509
	182,811	157,894

(c) Information about major customers

The Group's customer base is diversified and none of the customers individually accounted for more than 10% of the Group's revenues for each of the years presented.

5. OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	2017	2016
	RMB'000	*RMB'000*
Other income		
Rental income from investment property	**431**	160
Government grants	**2,393**	3,019
	2,824	3,179
Other gains/(losses)		
Net loss on disposal of property, plant and equipment	**(82)**	(606)
Fair value gain/(loss) on revaluation of investment property	**691**	(704)
Net foreign exchange gain/(loss)	**1,918**	(6,206)
Others	**181**	314
	2,708	(7,202)
	5,532	(4,023)

6. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived after (crediting)/charging:

(a). Finance income, net

	2017	2016
	RMB'000	*RMB'000*
Interest on bank borrowings	**1,792**	2,661
Interest income on bank deposits	**(580)**	(2,180)
Interest income on trade receivables not expected to be settled within one year	**(4,818)**	(824)
Others	**(8)**	(35)
	(3,614)	(378)

(b). Employee benefit expenses

	2017 *RMB'000*	2016 *RMB'000*
Wages, salaries and allowances	**49,450**	49,609
Pension costs – defined contribution plans	**11,450**	10,272
Share-based payment expenses	**1,952**	3,921
	62,852	63,802

(c). Other items

	2017 *RMB'000*	2016 *RMB'000*
Depreciation		
– Assets held for leasing out under operating leases	**7,534**	8,943
– Other assets	**8,529**	4,878
Amortisation		
– Land use right	**131**	131
– Intangible assets	**733**	238
Provision for impairment of trade receivables, net	**19,153**	34,622
Provision for impairment of other receivables	**–**	3,693
Operating lease charges	**3,156**	3,787
Research and development costs	**16,133**	14,382
Auditor's remuneration		
– Audit services	**1,734**	1,491
– Non-audit services	**74**	69
Cost of inventories	**251,129**	162,448
Freight and transportation expense	**13,317**	10,658
Other expenses	**44,241**	34,613

7. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current income tax:		
– PRC corporate income tax	**11,032**	8,026
– Hong Kong profits tax	**6**	–
– Under/(over) provision in prior years	**188**	(14)
	11,226	8,012
Deferred income tax	**(4,026)**	(5,464)
	7,200	2,548

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The provision for the Hong Kong profits tax for the subsidiaries incorporated in Hong Kong is calculated at 16.5% of the estimated taxable profit (2016: Nil).

No provision for Singapore, India and Pakistan income tax was made for the subsidiaries incorporated in Singapore, India and Pakistan respectively as the subsidiaries did not have assessable profits subject to Singapore, India and Pakistan income tax during the year (2016: Nil).

The Group's PRC subsidiaries are subject to the PRC corporate income tax rate of 25% (2016: 25%).

(ii) According to the PRC corporate income tax law and its relevant regulations, a wholly-owned subsidiary of the Group, 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%).

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

8. DIVIDENDS

The Directors do not recommend the payment of final dividend for the year ended 31 December 2017 (2016: HK1.8 cents (equivalent to RMB1.6 cents)).

9. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	2017	2016
Profit/(loss) attributable to owners of the Company *(RMB'000)*	**21,157**	(28,499)
Weighted average number of ordinary shares in issue *(Note)*	**620,238,000**	619,381,863
Basic earnings/(loss) per share *(expressed in RMB cents per share)*	**3.41**	(4.60)

Note:

	2017	2016
	No. of shares	*No. of shares*
Shares issued at the beginning of the year	**620,238,000**	619,258,000
Effect of shares issued in respect of share options exercised during the year	**–**	123,863
Weighted average number of ordinary shares for basic earnings/(loss) per share	**620,238,000**	619,381,863

(b) Diluted

The calculation of the diluted earnings/(loss) per share was based on the profit/(loss) for the year 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 year, as used in the basic earnings/(loss) 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.

	2017	2016
Profit/(loss) attributable to owners of the Company *(RMB'000)*	**21,157**	(28,499)
Weighted average number of ordinary shares in issue	**620,238,000**	619,381,863
Effect of dilutive potential ordinary shares:		
– Share options *(Note)*	**1,547,000**	–
Weighted average number of ordinary shares in issue for the purpose of diluted earnings/(loss) per share	**621,785,000**	619,381,863
Diluted earnings/(loss) per share *(expressed in RMB cents per share)*	**3.40**	(4.60)

Note:

Diluted loss per share for the year ended 31 December 2016 did not assume the exercise of the share options since the exercise had an anti-dilutive effect on the loss per share.

10. INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Raw materials	**105,699**	73,660
Work in progress	**102,010**	89,333
Finished goods	**10,741**	5,770
	218,450	168,763

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately RMB251,129,000 (2016: RMB162,448,000).

The inventories as at 31 December 2017 and 2016 were stated at cost.

No inventory provision was made as at 31 December 2017 and 2016.

11. TRADE AND BILLS RECEIVABLE

	2017	2016
	RMB'000	*RMB'000*
Trade receivables from third parties	**482,052**	454,277
Less: provision for impairment	**(90,206)**	(71,053)
	391,846	383,224
Bills receivable	**1,800**	1,000
Total trade and bills receivable	**393,646**	384,224

The carrying amounts of trade and bills receivable approximated their fair values.

(a) Trade receivables under credit sales arrangements 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 customers.

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

	2017	2016
	RMB'000	*RMB'000*
Less than 3 months	**18,864**	64,606
3 to 6 months	**82,854**	59,379
6 to 12 months	**140,493**	80,759
1 to 2 years	**99,344**	177,764
Over 2 years	**140,497**	71,769
	482,052	454,277

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

	2017	2016
	RMB'000	*RMB'000*
Current	**157,743**	118,797
Past due but not impaired	**184,779**	186,599
Past due and impaired	**139,530**	148,881
	482,052	454,277

As of 31 December 2017, trade receivables of RMB184,779,000 (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:

	2017	2016
	RMB'000	*RMB'000*
Less than 3 months	**65,720**	56,990
3 to 12 months	**75,385**	102,494
1 to 2 years	**36,789**	25,815
Over 2 years	**6,885**	1,300
	184,779	186,599

As of 31 December 2017, trade receivables of RMB139,530,000 (2016: RMB148,881,000) were impaired. The amount of the provision was RMB90,206,000 as of 31 December 2017 (2016: RMB71,053,000). Management has assessed the recoverability of the trade receivables and the impaired receivables mainly relate to certain customers which are in difficult economic situations and fail to fulfill their agreed repayment schedules. The ageing analysis of these receivables based on due date is as follows:

	2017	2016
	RMB'000	*RMB'000*
3 to 12 months	**9,140**	48,457
1 to 2 years	**77,037**	93,135
Over 2 years	**53,353**	7,289
	139,530	148,881

12. BORROWINGS

	2017	2016
	RMB'000	*RMB'000*
Secured bank loans	**60,150**	63,271

13. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Non-current		
Deposits received form customers	**5,294**	–
Current		
Trade payables	**49,933**	51,072
Bills payable	**116,736**	107,175
	166,669	158,247
Amounts due to related parties	**914**	584
Other payables and accruals	**48,804**	56,000
Deposits received from customers	**562**	–
	216,949	214,831
	222,243	214,831

At 31 December 2017, the ageing analysis of trade and bills payable based on invoice date is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**91,679**	58,890
After 3 months but within 6 months	**48,694**	51,518
After 6 months but within 1 year	**25,294**	47,839
Over 1 year	**1,002**	–
	166,669	158,247

14. SHARE CAPITAL

Authorised:

	Number of ordinary shares of HK$0.01 each	Nominal value of ordinary shares
		HK$
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	2,000,000,000	20,000,000

Issued and fully paid:

	Number of shares		
	('000)	*HK$'000*	*RMB'000*
At 1 January 2016	619,258	6,193	4,888
Employee share option scheme:			
Shares issued in respect of exercise of share options	980	10	9
At 31 December 2016, 1 January 2017 and 31 December 2017	620,238	6,203	4,897

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2017, the Group continued to be a leading market player in the road construction and maintenance machinery industry focusing on medium to large-scale asphalt mixing plants. The Group provided one-stop customised solutions to the People's Republic of China ("PRC", "China" or Mainland China") and overseas customers, specialising in research and development, design, manufacture and sale of conventional and recycling asphalt mixing plants.

Business Review

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 mixtures, 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 objectives of resources recycling and cost saving in the production of asphalt mixtures.

During the year, the Group participated in top-tier highways construction and maintenance projects in the PRC and overseas countries. There were 52 (2016: 34) sales contracts of asphalt mixing plants completed by the Group during the year and the asphalt mixing plants were sold to customers engaged 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), Jitsing Expressway (濟青高速), Beifu Expressway (北富高速), etc. Out of the 52 asphalt mixing plants sold during the year, 34 asphalt mixing plants were sold to China, one to Hong Kong and 17 were sold to overseas countries including six to Pakistan, five to Russia, two to Angola, one to Bangladesh, one to India, one to Sierra Leone and one to Ethiopia. Due to the increase in number of road construction projects, there was an increase in demand for asphalt mixing plants, which has resulted in an increase in total revenue of the Group by 39.3% as compared to last year.

The Group continued to expand its business and entered into potential markets along the "One Belt One Road" countries. The Group, through its wholly-owned subsidiary in Singapore, has entered into various distribution or agency agreements with local distributors or agencies in Myanmar, Indonesia, Vietnam, Brunei and Malaysia. During the year, the Group has entered into sales contracts under the brand name of PRIMACH in Myanmar and Malaysia. The Group has also entered into six sales contracts of asphalt mixing plants with Chinese state-owned enterprises engaged in the construction of China-Pakistan Corridor. With the established overseas network along the "One Belt One Road" countries, the Group is well prepared to participate in the upcoming road construction projects.

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 broaden the income sources and enhance our profitability. The Group has set up a wholly-owned subsidiary in the PRC engaged in the production of asphalt mixtures which contributed revenue of RMB5.9 million to the Group in 2016. During the year, the Group did not engage in any projects related to the production of asphalt mixtures. In order to fully utilize the Company's recourses and local expertise, the Group has been exploring potential strategic partners in the PRC to develop the production and sale of asphalt mixtures business.

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 services during the year. The burner combustion equipment can be applied in a wide spectrum including asphalt mixing plants, furnace, heating system, etc. During the year, certain combustion technologies were developed and 18 patents of combustion technology are pending registration.

The Group is also exploring potential opportunities arising from "One Belt One Road" projects including road construction materials supply to "One Belt One Road" countries and provision of road pavement and maintenance services. With the diversification of revenue stream in upstream and downstream asphalt related business, the Group should be able to grasp the business opportunities of "One Belt One Road" in the coming future.

Research and Development

To maintain the Group's position as a leading market player in the road construction and maintenance machinery industry focusing on medium to large-scale asphalt mixing plants, the Group continued to maintain the strong research and development capabilities and develop innovative ideas. As at 31 December 2017, the Group had 58 (31 December 2016: 49) registered patents in the PRC (of which four were invention patents) and 24 software copyrights (31 December 2016: 22). In addition, 22 patents copyrights are pending registration as at 31 December 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 research and development projects include "Asphalt Pavement Recycling Technology Equipment and Demonstration", which was a project subsidised by the PRC government and was completed during the year.

Marketing

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 services to customers and establish a better brand image in both PRC and overseas markets.

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

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 ("Ms. Choi"), 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. Choi shared the experience of business development in the "One Belt One Road" countries with over 500 participants including students, professionals and young businessmen.

In September 2017, the Group was awarded as the China Top 30 Construction Machinery Manufacturers. The award was jointly organized by the China Construction Machinery Industry Association, the American Equipment Manufacturers Association and the Korea Construction Machinery Manufacturers Association. This is the seventh consecutive year that the Group was recognized with China Top 50 since 2011.

Outlook

Looking forward, we believe the PRC government will continue adopting policies to stimulate the economy and maintain currency stability. In increasing 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, the demand for recycling and environmentally friendly products will continue to grow. There will be increasing demand for recycling asphalt plants as well as the modification services of adding recycling and environmental protection functions to existing plants. The Group will focus on promoting 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 one of the core development strategies 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 along the "One Belt One Road" region. During the year, the Group has participated in numerous "One Belt One Road" construction projects led by Chinese 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 honoured to participate in the major infrastructure construction projects along the "One Belt One Road" countries and is prepared for more projects in the future.

The demand for asphalt mixing plants in 2018 shall remain significant along the "One Belt One Road" region. The Group shall take the momentum forward and develop its businesses in the industry, including but not limited to explore the co-operation with strategic partners in local countries to leverage their local expertise and create business synergies.

Financial Review

During the year ended 31 December 2017, the Group recorded an aggregate revenue of RMB447,927,000 (2016: RMB321,449,000), representing an increase of 39.3% as compared to that of last year. Gross profit increased by 34.4% from RMB126,934,000 for the year ended 31 December 2016 to RMB170,625,000 for the year ended 31 December 2017. Gross profit margin remained stable at 38.1% compared to 39.5% in last year.

	2017	2016	Change
	RMB'000	*RMB'000*	
Sales of asphalt mixing plants	**367,655**	246,193	+49.3%
Sales of spare parts and provision of equipment modification services	**38,001**	23,625	+60.9%
Operating lease income of asphalt mixing plants	**38,123**	45,766	-16.7%
Sales of asphalt mixtures	**–**	5,865	N/A
Finance lease income	**4,148**	–	N/A
	447,927	321,449	+39.3%

Sales of Asphalt Mixing Plants

	2017	2016	Change
	RMB'000	*RMB'000*	
Revenue	**367,655**	246,193	+49.3%
Gross profit	**134,514**	88,613	+51.8%
Gross profit margin	**36.6%**	36.0%	+0.6pp
Number of contracts	**52**	34	+18
Average contract value	**7,070**	7,241	-2.4%

Revenue from the sales of asphalt mixing plants increased as a result of the increase in number of contracts which was partially offset by the decrease in average contract value during the year. The increase in revenue was mainly attributable to the increase in road construction projects both in China and overseas during the year, especially the number of contracts in overseas market increased from 3 to 18. The average contract value remained stable with a slight decrease of 2.4%. Gross profit margin remained stable at around 36%.

By type of Plants

	2017	2016	Change
	RMB'000	*RMB'000*	
Recycling Plants			
Revenue	**203,152**	108,879	+86.6%
Gross profit	**77,295**	41,935	+84.3%
Gross profit margin	**38.0%**	38.5%	-0.5pp
Number of contracts	**28**	16	+12
Average contract value	**7,255**	6,805	+6.6%
Conventional Plants			
Revenue	**164,503**	137,314	+19.8%
Gross profit	**57,219**	46,678	+22.6%
Gross profit margin	**34.8%**	34.0%	+0.8pp
Number of contracts	**24**	18	+6
Average contract value	**6,854**	7,628	-10.1%

Revenue from the sales of Recycling Plants increased by 86.6% which was mainly as a result of both the increase in number of contracts as well as the increase of average contract value during the year. The demand for recycling asphalt mixing plants continued to grow in both PRC and the overseas market during the year as a result of increasing awareness on environmental protection. The increase in average contract value mainly resulted from an increase in demand for high capacity asphalt mixing plants during the year. Gross profit margin remained stable during the year.

Revenue from the sales of Conventional Plants increased by 19.8% primarily because of the increase in number of contracts and partially offset by the decrease in the average contract value during the year. The decrease in average contract value was mainly resulted from the increased demand for low capacity asphalt mixing plants from the overseas customers. Gross profit margin remained stable during the year.

By Geographical Location

	2017	2016	Change
	RMB'000	*RMB'000*	
PRC			
Revenue	**257,927**	222,471	+15.9%
Gross profit	**102,581**	86,473	+18.6%
Gross profit margin	**39.8%**	38.9%	+0.9pp
Number of contracts	**34**	31	+3
Average contract value	**7,586**	7,176	+5.7%
Overseas			
Revenue	**109,728**	23,722	+362.6%
Gross profit	**31,933**	2,140	+1,392.2%
Gross profit margin	**29.1%**	9.0%	+20.1pp
Number of contracts	**18**	3	+15
Average contract value	**6,096**	7,907	-22.9%

Revenue from the sales in the PRC increased because of the increase in number of contracts as well as the increase of average contract value. The increase in revenue was mainly due to the increase in road construction projects especially in northern and southern China. The increase in average contract value was mainly resulted from the higher demand for high capacity asphalt mixing plants.

Revenue from overseas sales increased significantly mainly because of the increase in number of contracts completed during the year. Gross profit margin significantly increased from 9% to 29.1%. The decrease in average contract value was mainly because of the exceptional high contract value of the projects in Hong Kong in 2016. The relatively low gross profit margin of 9.0% in 2016 was mainly because of the increased raw material costs of the projects in Hong Kong.

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

	2017	2016	Change
	RMB'000	*RMB'000*	
Revenue	**38,001**	23,625	+60.9%
Gross profit	**17,306**	9,522	+81.7%
Gross profit margin	**45.5%**	40.3%	+5.2pp

The Group sold spare parts and components for the asphalt mixing plants to our customers as value-added services. The Group also provided equipment modification services, including modifying Conventional Plants, installing key components with recycling functions, upgrading control systems and other customised services.

Revenue from the sales of spare parts and components and provision of equipment modification services increased during the year mainly because of increase in demand for modification services from customers. Revenue of sales of spare parts and components amounted to RMB21.1 million (2016: RMB17.9 million), representing an increase of approximately RMB3.2 million and revenue of provision of equipment modification services amounted to RMB16.9 million (2016: RMB5.7 million), representing an increase of approximately RMB11.2 million. Gross profit margin increased mainly due to improvement in the gross profit margin of sales of spare parts and components to 46.2% (2016: 38.4%) during the year.

Operating lease of asphalt mixing plants

	2017	2016	Change
	RMB'000	*RMB'000*	
Revenue	**38,123**	45,766	-16.7%
Gross profit	**14,657**	27,957	-47.6%
Gross profit margin	**38.4%**	61.1%	-22.7pp
Number of plants held for operating lease	**13**	9	+4

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

Revenue from operating lease of asphalt mixing plants decreased by 16.7% primarily because the total volume of productions during the year were lower compared with last year though the number of operating agreements remained the same during the year (2016: 13). Gross profit margin decreased by 22.7 percentage points primarily because of decrease in production of asphalt mixtures by the customers but increase in the fixed overheads, including but not limited to staff costs and depreciation charged during the year.

Other Income and Other Gains/(Losses), Net

During the year, other income and other gains/(losses), net mainly represented net exchange gain/loss on translation of pledged bank deposits, fair value gain on revaluation of investment property, rental income, loss on disposal of property, plant and equipment and government grants. The increase was mainly due to the net exchange gain of RMB1.9 million (2016: loss of RMB6.2 million) due to appreciation of Renminbi off-shore bank deposits, the fair value gain on revaluation of investment property situated in Hong Kong during the year by approximately RMB0.7 million (2016: fair value loss of RMB0.7 million) and loss on disposal of property, plant and equipment decreased to RMB82,000 (2016: RMB606,000).

Distribution Costs

Distribution costs mainly consisted of staff costs of our sales and marketing staff, distribution fees to our distributors, freight and transportation expenses, and marketing expenses. Distribution costs represented 14.9% (2016: 13.7%) of revenue for the year ended 31 December 2017. Increase in distribution costs was mainly due to increase in sales of asphalt mixing plant through distributors during the year.

Administrative Expenses

Administrative expenses mainly included staff costs, research and development expenses, legal and professional fees, provision for bad debts and depreciation. Administrative expenses decreased to RMB84.7 million (2016: RMB105.3 million) by approximately RMB20.6 million, primarily due to the decrease in net provision for impairment of trade receivables of approximately RMB19.2 million.

Finance Income/(Costs), net

Finance income/(costs), net mainly included bank interest income and interest income on unwinding discounted trade receivables offset by interest expenses on interest-bearing bank borrowings. Finance income was recorded during the year was mainly due to the increase in interest income on unwinding discounted trade receivables and decrease in interest expenses on interest-bearing bank borrowings.

Income Tax Expense

Increase in tax expense for the year ended 31 December 2017 was mainly attributable to the net profit generated by its PRC subsidiary which is a "high-technology enterprise" entitled to a preferential income tax rate of 15%.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company amounted to approximately RMB21.2 million for the year ended 31 December 2017 while loss attributable to owners of the Company amounted to approximately RMB28.5 million for the year ended 31 December 2016. The overall increase in net profit was mainly due to increase in revenue and decrease of net provision for impairment of trade receivables and partially offset by increase in distribution costs.

Working Capital Management

Net current assets of the Group amounted to RMB520,337,000 (2016: RMB560,055,000) with a current ratio of 2.8 (31 December 2016: 3.0) times as at 31 December 2017.

Inventories increased by RMB49,687,000 from RMB168,763,000 as at 31 December 2016 to RMB218,450,000 as at 31 December 2017. The increase in inventory was mainly due to the increase in purchases of raw materials to meet the increase in sales demand. Inventory turnover days was 255 for the year ended 31 December 2017, representing a decrease of 27 days as compared to 282 days for the year ended 31 December 2016. The decrease in inventory turnover days was mainly because of increase in finished goods delivered and accepted by customers during the year.

Trade and bills receivable increased by RMB9,422,000 from RMB384,224,000 as at 31 December 2016 to RMB393,646,000 as at 31 December 2017, mainly due to increase in revenue during the year. Trade and bills receivable turnover days was 316 days for the year ended 31 December 2017, representing a decrease of 122 days as compared to 438 days for the year ended 31 December 2016. Since 2016, the Group experienced delay in payments from some of the PRC customers because the government fundings for the PRC road construction and maintenance projects have not been available as planned. The Group believes that this was an industry wide phenomenon in the PRC and 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 decrease in trade and bills receivable turnover days during the year was mainly because of the improvement in overall settlement from customers, primarily resulted from (1) increase in overseas sales of asphalt mixing plants of which majority of contract sum were settled prior to shipment; (2) certain PRC customers opted for finance lease service; (3) more timely settlement from PRC customers for the sales contracts entered into during the year; and (4) increase in deposits placed by the customers.

Trade and bills payable increased by RMB8,422,000 from RMB158,247,000 as at 31 December 2016 to RMB166,669,000 as at 31 December 2017 which was in line with the increase in purchase of raw materials during the year. Trade and bills payable turnover days was 190 for the year ended 31 December 2017 (2016: 208 days), representing a decrease of 18 days. 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 are to lower finance costs while enhance returns on financial assets under a prudent and conservative approach.

As at 31 December 2017, the Group had cash and cash equivalents of RMB42,708,000 (31 December 2016: RMB169,261,000) and pledged bank deposits of RMB90,411,000 (31 December 2016: RMB89,031,000). In addition, the Group had interest-bearing bank borrowings of RMB60,150,000 (31 December 2016: RMB63,271,000). The Group's cash and cash equivalents, pledged bank deposits and borrowings were mostly denominated in Renminbi, Hong Kong dollars and United States dollars. 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 8.1% (31 December 2016: 8.6%).

During the year ended 31 December 2017, the Group recorded a net cash outflow from operating activities of RMB68,552,000 (2016: RMB8,413,000). Net cash used in investing activities amounted to RMB46,697,000 (2016 net cash generated from investing activities: RMB29,931,000) for the year ended 31 December 2017. Net cash used in financing activities for the year ended 31 December 2017 amounted to RMB7,280,000 (2016: RMB32,825,000).

Capital Commitments and Contingent Liabilities

	2017	2016
	RMB'000	*RMB'000*
Contracted for	**9,116**	2,250
Authorised but not contracted for	**8,159**	7,955
	17,275	10,205

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 31 December 2017, the Group's maximum exposure to such guarantees was approximately RMB975,000 (31 December 2016: RMB6,634,000).

Pledge of Assets

As at 31 December 2017, property, plant and equipment of RMB45,245,000 (31 December 2016: RMB48,946,000), land use right of RMB5,095,000 (31 December 2016: RMB5,226,000) and bank deposits of RMB90,411,000 (31 December 2016: RMB89,031,000) were pledged for bank loans and bills payable of the Group.

Foreign Exchange Risk

The reporting currency of the Group was Renminbi. The Group was exposed to foreign exchange risk through sales and purchases which were denominated in a foreign currency including United States dollars and Euros. The appreciation or depreciation of Renminbi against these foreign currencies would increase or decrease the price of the Group's products which were sold to overseas market and might bring negative or positive impact on the Group's export sales. On the other hand, the appreciation or depreciation of Renminbi would also decrease or increase the cost of sales of the Group in respect of the purchase of raw materials from overseas.

Significant Investments and Material Acquisitions or Disposals

During the year ended 31 December 2017, the Group did not have any significant investments or material acquisitions or disposals.

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 31 December 2017, the unutilised proceeds were deposited in banks in Hong Kong and China.

The Company announced on 1 March 2017 for the change of proposed use of the net proceeds. For details, please refer to the announcement published on 1 March 2017. 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 31 December 2017:

	Original allocation	Revised allocation as at 1 March 2017	Utilised amount as at 31 December 2017	Unutilised amount as at 31 December 2017
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Expansion of manufacturing facilities				
Acquisition of land	39.6	–	–	–
Development and construction of the manufacturing facilities	65.9	31.5	31.5	–
Purchase equipment for the manufacturing facilities	26.4	7.2	4.4	2.8
Research and development	52.8	52.8	39.4	13.4
Development of new business	26.4	72.0	60.6	11.4
Expansion of the sales and distribution networks and promotional activities	26.4	26.4	21.4	5.0
Working capital and general corporate purposes	26.4	74.0	74.0	–
	263.9	263.9	231.3	32.6

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group had approximately 445 (2016: 438) employees. The total staff costs for the year ended 31 December 2017 amounted to approximately RMB62,852,000 (2016: RMB63,802,000).

The remuneration policy of the Group was based on performance of employees, market conditions, business demands and expansion plans. The Group offered different remuneration packages to the employees based on their positions, salaries, discretionary bonuses, contributions to pension schemes, housing and other allowances and benefits in kind subject to applicable laws, rules and regulations. The Group also provided training to employees on a regular basis. In accordance with the relevant requirements, the Group made contributions to pension and provided other employees benefits.

The Group has adopted a share option scheme pursuant to which employees may be granted options to subscribe for shares of the Company as incentives or rewards for their service rendered to the Group. Since the adoption of the share option scheme on 6 May 2015, the company granted 5,000,000 share options to its employees and 19,700,000 share options to the Directors, of which 980,000 share options were exercised. No option has been granted during the year.

DIVIDENDS

The Directors do not recommend the payment of final dividend for the year ended 31 December 2017 (2016: HK1.8 cents (equivalent to RMB1.6 cents)).

ANNUAL GENERAL MEETING

The 2018 annual general meeting ("2018 AGM") will be held on Wednesday, 30 May 2018, and the notice of the 2018 AGM will be published and despatched in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Friday, 25 May 2018 to Wednesday, 30 May 2018, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2018 AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 24 May 2018.

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 year ended 31 December 2017.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. During the year ended 31 December 2017, the Company, in the opinion of the Directors, complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules.

SUSTAINABILITY

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

The sustainability report (the "Sustainability Report") of the Group demonstrated the integration of environmental, social and governance considerations in its business approach. The innovative technology and sustainable products carry a strong message: with every segment of road paved with asphalt mixtures from our asphalt mixing plant, we leave an imprint of sustainability. The Sustainability Report will be published on the website of Hong Kong Exchanges and Clearing Limited and the website of the Company in due course, which provides the sustainability performance for the year ended 31 December 2017, and sets out the sights and plans for the future.

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 was made to all the Directors and all the Directors confirmed that they complied with the Model Code throughout the year ended 31 December 2017.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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 final results of the Group for the year ended 31 December 2017 have been reviewed by the Audit Committee and the auditor of the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the website of Hong Kong Exchanges and Clearing Limited and the website of the Company.

The 2017 annual report will also be published on the website of Hong Kong Exchanges and Clearing Limited and the website of the Company 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, 28 March 2018

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 and Mr. Lao Kam Chi; 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.