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# 德 基 科 技

## D&G TECHNOLOGY

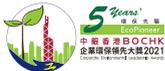
### D&G TECHNOLOGY HOLDING COMPANY LIMITED

<INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY>

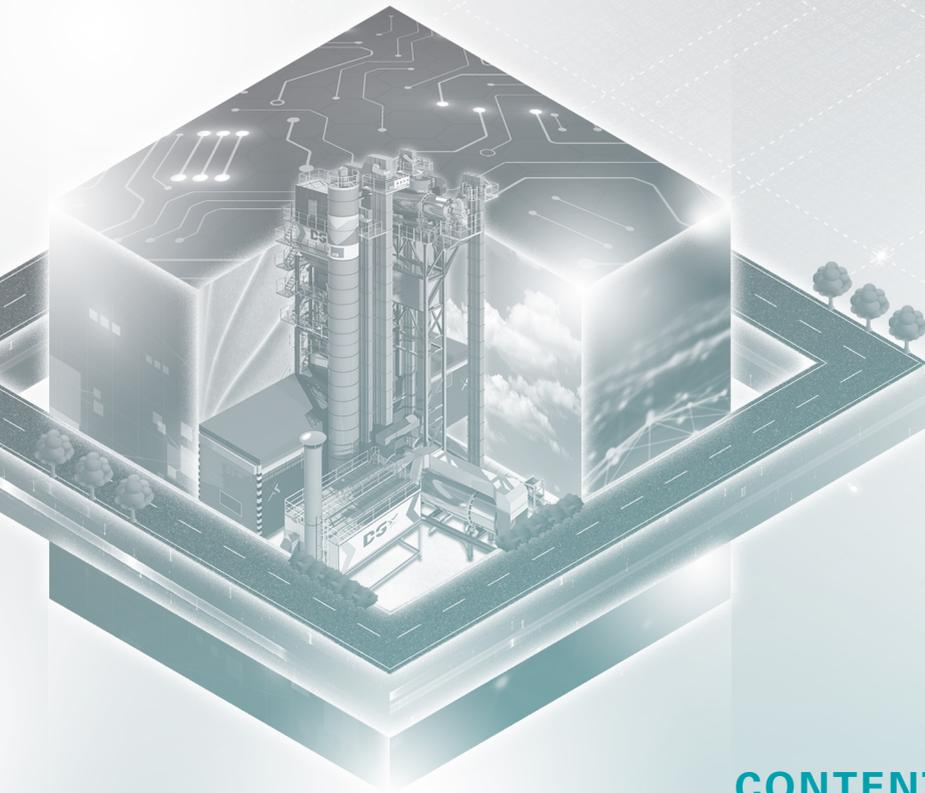
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# 2022 INTERIM REPORT







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## 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

#### Non-Executive Directors

Mr. Chan Lewis  
Mr. Alain Vincent Fontaine

#### Independent Non-Executive Directors

Mr. O'Yang Wiley  
Mr. Li Zongjin  
Mr. Lee Wai Yat, Paco  
Mr. Fok Wai Shun, Wilson

### AUDIT COMMITTEE

Mr. O'Yang Wiley (*Chairman*)  
Mr. Li Zongjin  
Mr. Lee Wai Yat, Paco  
Mr. Fok Wai Shun, Wilson

### REMUNERATION COMMITTEE

Mr. Fok Wai Shun, Wilson (*Chairman*)  
Ms. Choi Kwan Li, Glendy  
Mr. O'Yang Wiley

### 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. O'Yang Wiley  
Mr. Fok Wai Shun, Wilson  
Mr. Chung Man Lai

### COMPANY SECRETARY

Mr. Chung Man Lai

### AUTHORISED REPRESENTATIVES

Ms. Choi Kwan Li, Glendy  
Mr. Chung Man Lai

### 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

## **CORPORATE INFORMATION**

### **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  
17/F, Far East Finance Centre,  
16 Harcourt Road,  
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  
*Certified Public Accountant and  
Registered PIE Auditor*

### **LEGAL ADVISOR**

MinterEllison LLP

### **PRINCIPAL BANKERS**

Industrial Bank Co., Ltd.  
Nanyang Commercial Bank Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

### **COMPANY WEBSITE**

[www.dgtechnology.com](http://www.dgtechnology.com)

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### General Review

In the first half of 2022, 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, 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 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 six months ended 30 June 2022, the Group continued to participate in top-tier highways construction and maintenance projects in the PRC and overseas countries. There were seventeen (2021: twenty) 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 Mingchao Expressway (明巢高速), Nanheng Highway (南橫高速公路), etc. Revenue from sales of asphalt mixing plants decreased by approximately 3.0% during the period, whereas, the sales of asphalt mixing plants accounted for approximately 90.4% (2021: 91.6%) of the total revenue of the Group. Such decrease was mainly attributable to the resurgence of Coronavirus Disease 2019 (“**COVID-19**”) that led to the Chinese government’s implementation of travel restrictions and lockdowns in the major cities of China since March 2022, which had affected the Group’s business activities and deliveries. Although transportation restrictions in China have been gradually lifted in June 2022, there were still some delays in customers’ acknowledgements of implementation of our asphalt mixing plants, resulting in the Group not being able to recognise the revenue of certain contracts in the first half of 2022. The Group’s gross profit decrease to RMB56,883,000 (2021: RMB66,089,000) which was mainly attributable to the decrease in sales of asphalt mixing plants and the increase in provision for impairment of inventories amounted to RMB6,010,000 (2021: RMB128,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

The increase in provision for impairment of inventories during the period was mainly due to the slow moving of raw materials and work in progress as a result of COVID-19 and postponement of customers' project delivery schedules. Moreover, the impact of the COVID-19 in China is hard to be determined, based on the principle of prudence, the Group has made additional provision for impairment of inventories.

Management has been cautiously monitoring the collection of trade receivables in order to improve the cash cycle. During the period, management continued to put effort in receivable collection and tighten its credit controls on new and existing customers. The Group has recovered certain long overdue trade receivables of which provision for impairment loss has been made in prior years and re-assessed the recoverability of its trade receivables. The overall settlement from customers has also improved. The Group therefore made a reversal of provision for impairment loss of trade receivables of approximately RMB4,948,000 during the period (2021: RMB5,221,000). Nevertheless, the Group shall strictly adhere to its credit policy and continuously strengthen its internal control procedures so as to improve the receivable collection cycle and shorten the debtors' turnover days.

The Group has been expanding its business and entering into potential markets along the "Belt and Road" countries. Out of the seventeen sales contracts of asphalt mixing plants completed during the period, one was completed in an overseas country, Peru. Although the overseas road construction projects along the "Belt and Road" countries slowed down during the period, the Group has entered into two sales contracts with a customer in Russia, which are expected to be completed in the second half of the year. To further penetrate the markets in the developing countries, the Group has also developed a compact mobile asphalt plants series in product line. The outbreak of COVID-19 casted uncertainties in the overseas market, however, with the established overseas network, the Group expects the road construction projects along the "Belt and Road" countries to resume once the COVID-19 situation is under control.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 income sources and raise profits. In order to leverage the synergies of local expertise, the Group has been seeking potential strategic partners to develop the production and sale of asphalt mixtures business.

*Sichuan Rui Tong De Long New Materials Technology Limited\* (“Sichuan RTDL”)*

On 30 May 2021, Langfang De Feng New Materials Technology Limited\* (“**Langfang De Feng**”) entered into a share transfer agreement with Sichuan Xin De Yuan Trading Limited\* (“**Sichuan Xin De Yuan**”) to transfer 50% of equity interest in Sichuan RTDL to its joint venture partner for a consideration of approximately RMB2.4 million. The share transfer will be completed once the debt between Sichuan RTDL and the Group’s wholly owned subsidiary has been settled.

Upon the completion of the share transfer, Sichuan RTDL will be 100% owned by Sichuan Xin De Yuan and Langfang De Feng will have no interest in Sichuan RTDL and thus Sichuan RTDL will no longer be a joint venture of the Group.

The Group’s management had reassessed the business development potential of Sichuan RTDL and considered that the share transfer offered an opportunity for the Group to realise its investment with profit and provided funds to cater for other new suitable investment opportunities with more growth potential in the development of production and sales of asphalt mixture plant business.

*Development of combustion technology*

During the period, 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 2022, forty (31 December 2021: forty) patents of combustion technology were registered, one patent was pending registration.

\* For identification purpose only

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Investment in a convertible bond (the “Convertible Bond”)*

On 10 August 2020, the Group’s wholly owned subsidiary, Langfang D&G Machinery Technology Company Limited\* (“**Langfang D&G**”) (as the lender), has entered into a convertible bond agreement with Zhejiang Zhengfang Asphalt Concrete Technology Limited\* (the “**Zhengfang ACT**”) (as the borrower). It is a wholly owned subsidiary of Zhejiang Zhengfang Holding Limited, as a guarantor in the convertible bond agreement, a road construction company in Zhejiang, China which is an existing customer of Langfang D&G.

The principal amount of the Convertible Bond is in a total amount of RMB20 million. The Convertible Bond is interest bearing at 6% per annum and the maturity date is 30 April 2024.

During the tenure of the Convertible Bond, the Zhengfang ACT shall purchase no less than five sets of asphalt mixing plants from Langfang D&G. As at 30 June 2022, two asphalt mixing plants sales contracts have been completed.

Pursuant to the convertible bond agreement, at 30 April 2024, Langfang D&G has the right to exercise its equity conversion option at the conversion ratio of the higher of (i) 1.5 times of the net assets of the Zhengfang ACT as at 31 December 2023 or (ii) 6 times of the weighted average of its net profits for the years ended 31 December 2022 and 2023, both of which are calculated with reference to its audited accounts prepared in accordance with the PRC generally accepted accounting principles.

### *Partnership with LiuGong Wuxi Road Equipment Co., Ltd.\* (“LiuGong Road Equipment”)*

In May 2021, the Group has entered into an agreement with LiuGong Road Equipment to become the exclusive supplier of asphalt mixing plant for LiuGong Road Equipment. The Group will research and develop, design and manufacture products under the label of “LiuGong”, by leveraging its technical strength, as well as LiuGong’s well-established distribution network and strong financial services capabilities, to sell the products to domestic and overseas markets. The Group expects this strategic partnership will further penetrate the mid-end asphalt mixing plant market to win more orders and expand its revenue stream. Furthermore, the collaboration enables LiuGong Road Equipment to enrich and improve its one-stop road construction equipment solution to achieve a win-win situation.

\* For identification purpose only

## 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 2022, the Group had one hundred and eighty-four registered patents in the PRC (of which four were invention patents and four appearance patents) and twenty-seven software copyrights. In addition, the registration of twenty-two patents were pending approval as at 30 June 2022.

### Marketing and Awards

The Group places great emphasis on the marketing and promotion of its brands, products and services offered and leverages different online platforms, including global trading B2B online platforms, mobile websites, LinkedIn and the WeChat platform to offer better services to customers and establish a better brand image in both the PRC and overseas markets.

During the period, the Group participated in various promotional events, technical seminars and corporate social responsibility events such as the DG customers technical training in Nanchang, the Bauma CTT Russia 2022 held in Russia, the World Environment Day and the Green Day 2022.

In March 2022, the Group was awarded the “5 Years Plus Caring Company” which was organised by the Hong Kong Council of Social Service. In August 2022, the Group was awarded as an “EcoChallenger” and “5 Years+ EcoPioneer” in the BOCHK Corporate Environmental Leadership Awards which was organised by the Federation of Hong Kong Industries and Bank of China (Hong Kong). The awards are recognition of the Group’s contribution to the promotion of environmental protection.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Outlook

Looking ahead, the outlook for the business environment and global economies are still uncertain. The challenges arising from the continuing US-China trade conflict, widespread of COVID-19 new variants, Russia-Ukraine war and elevated inflation concerns. The economic sanctions against Russian military actions imposed by the United States (the “**US**”) and the European Union led to suspension of business relationship between the Western countries and Russia, however, offer an opportunity for Chinese corporations to extend the market share in Russia and maintain long-term relationship with Russian corporations.

Besides, 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, the demand for our recycling and environmentally-friendly products continue to grow in the long run. There will be increasing demand for the recycling asphalt plants as well as the modification services of adding recycling and environmental protection functions to existing plants. 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.

Since the technologies of the Group’s asphalt mixing plants are widely adopted in countries except the US, the Group does not export its products to the US. The US-China trade conflict does not have direct impact on the Group’s performance during the period. However, the Group expects that the ongoing trade conflict may affect the economies of some of the “Belt and Road” countries which will indirectly affect the Group’s export businesses.

With the established overseas network and high-technology asphalt mixing plants, the Group is prepared to grasp the opportunities of upgrading asphalt mixing plant technology and equipment in the ASEAN region. To utilise the Group’s wide clientele base of over 600 asphalt plants spreading across the PRC and 35 nations overseas, the Group is also exploring business opportunities in developing business upstream into the road construction and maintenance materials supply chain and downstream into the asphalt mixture provision. The Group will however manage its business development strategies cautiously due to the relatively volatile international economic and political conditions.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

During the six months ended 30 June 2022, the Group recorded a total revenue of RMB193,779,000 (2021: RMB197,078,000), representing a decrease of approximately 1.7% as compared to the last corresponding period. Gross profit decreased from RMB66,089,000 for the six months ended 30 June 2021 to RMB56,883,000 for the six months ended 30 June 2022, representing a decrease of approximately 13.9%. Gross profit margin decreased by 4.1 percentage points from 33.5% to 29.4%. The Group recorded a net loss attributable to owners of the Company of RMB2,509,000 compared with a net profit of RMB8,228,000 in the last corresponding period.

	Six months ended 30 June		
	2022 RMB'000	2021 RMB'000	Change
Sales of asphalt mixing plants	175,204	180,559	-3.0%
Sales of spare parts and modified equipment	18,575	14,312	29.8%
Operating lease income of asphalt mixing plants	–	2,207	-100%
	<b>193,779</b>	197,078	-1.7%

### Sales of Asphalt Mixing Plants

	Six months ended 30 June		
	2022 RMB'000	2021 RMB'000	Change
Revenue	175,204	180,559	-3.0%
Gross profit (Note)	55,572	61,017	-8.9%
Gross profit margin	31.7%	33.8%	-2.1pp
Number of contracts	17	20	-3
Average contract value	10,306	9,028	14.2%

## MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from the sales of asphalt mixing plants decreased as a result of the decrease in number of contracts completed and partially offset by increase in the average contract value. The decrease in number of contracts was mainly due to the lockdowns in the major cities of China from the impact of the COVID-19 resurgence in March 2022. The increase in average contract value was due to the increase in number of sales of newly rolled out models which have higher contract price. The decrease in the gross profit margin was primarily due to the proportional decrease in the number of sales with higher capacity (usually with higher gross profit margin).

Note: Impairment of inventories of RMB6,010,000 was made during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB128,000) and charged to the “Cost of sales”. The gross profit of the sales of asphalt mixing plants presented above and in this section has excluded the provision for impairment of inventories for analysis purpose.

### By Types of Plants

	Six months ended 30 June		
	2022 RMB'000	2021 RMB'000	Change
<b>Recycling Plant</b>			
Revenue	<b>90,656</b>	94,446	-4.0%
Gross profit	<b>27,637</b>	30,833	-10.4%
Gross profit margin	<b>30.5%</b>	32.6%	-2.1pp
Number of contracts	<b>7</b>	8	-1
Average contract value	<b>12,951</b>	11,806	9.7%
<b>Conventional Plant</b>			
Revenue	<b>84,548</b>	86,113	-1.8%
Gross profit	<b>27,935</b>	30,184	-7.5%
Gross profit margin	<b>33.0%</b>	35.1%	-2.1pp
Number of contracts	<b>10</b>	12	-2
Average contract value	<b>8,455</b>	7,176	17.8%

Revenue from the sales of Recycling Plants decreased by 4.0% which was mainly due to the decrease in the number of contracts completed and partially offset by increase in the average contract value. The gross profit margin decreased by 2.1 percentage points to 30.5% was mainly due to the increase in manufacturing costs during the period.

## MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from the sales of Conventional Plants decreased by 1.8% primarily because of the decrease in the number of contracts completed and partially offset by increase in the average contract value. The gross profit margin decreased by 2.1 percentage points to 33.0% was mainly due to proportional decrease in the number of sales with higher capacity (i.e. 4000 model series or above which have higher gross profit margin than lower capacity series) as compared to the last corresponding period.

### *By Geographical Location*

	Six months ended 30 June		
	2022 RMB'000	2021 RMB'000	Change
<b>PRC</b>			
Revenue	<b>169,045</b>	171,696	-1.5%
Gross profit	<b>53,592</b>	59,530	-10.0%
Gross profit margin	<b>31.7%</b>	34.7%	-3.0pp
Number of contracts	<b>16</b>	17	-1
Average contract value	<b>10,565</b>	10,100	4.6%
<b>Overseas</b>			
Revenue	<b>6,159</b>	8,863	-30.5%
Gross profit	<b>1,980</b>	1,487	33.2%
Gross profit margin	<b>32.1%</b>	16.8%	15.3pp
Number of contracts	<b>1</b>	3	-2
Average contract value	<b>6,159</b>	2,954	108.5%

Revenue from the PRC sales decreased primarily because of the decrease in the number of contracts completed and partially offset by increase in the average contract value. The gross profit margin decreased by 3.0 percentage points to 31.7% was mainly due to the decrease in the number of sales with higher capacity sold during the period.

Revenue from the overseas sales decreased mainly because of the decrease in the number of contracts completed and partially offset by increase in the average contract value. The gross profit margin increased by 15.3 percentage points to 32.1% was mainly due to asphalt mixing plants sold were all PM model series which have lower contract price and lower gross profit margin in the last corresponding period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Sales of Spare Parts and Components and Modified Equipment

	Six months ended 30 June		Change
	2022 RMB'000	2021 RMB'000	
Revenue	18,575	14,312	29.8%
Gross profit	7,321	5,464	34.0%
Gross profit margin	39.4%	38.2%	1.2pp

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

During the period, the revenue from sales of spare parts and components amounted to RMB10,033,000 (2021: RMB12,570,000) and the revenue from sales of modified equipment amounted to RMB8,542,000 (2021: RMB1,742,000). The increase in revenue was mainly due to the increase in the number of customers demand for modification of Conventional Plants. The gross profit margin increased by 1.2 percentage points during the period was mainly due to the improvement in gross profit margin of sales of modified equipment to 40.4%.

### Operating Lease Income of Asphalt Mixing Plants

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

No revenue from operating lease of asphalt mixing plants generated during the period (2021: RMB2,207,000) due to the last asphalt mixing plant held for operating lease business was disposed during the period. A gain on disposal of asphalt mixing plant amounted to RMB1,049,000 (2021: RMB1,594,000) was recorded in "Other income and other gains, net". The operating lease business had been ceased during the period.

### Other Income and Other Gains, Net

During the period, other income and other gains, net mainly represented government grants, fair value gain on a financial asset at fair value through profit or loss, net gain on disposal of non-current asset classified as asset held for sale, net off with the net exchange loss. The decrease was mainly due to the increase in net foreign exchange loss to RMB0.7 million (2021: exchange gain of RMB0.1 million) and offset by the fair value gain on the investment in a convertible bond.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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. Increase in distribution costs was mainly due to the increase in sales of asphalt mixing plants through distributors and the increase in marketing expenses as the Company has launched marketing activities in promoting its newly rolled out modular models to the market during the period.

### Administrative Expenses

Administrative expenses mainly included staff costs, research and development expenses and legal and professional fees. During the period, administrative expenses decreased by approximately RMB4.7 million mainly due to the decrease in research and development expenses by RMB2.5 million.

### Net Reversal of Impairment Losses on Financial Assets

The amount represented the net reversal of impairment losses on trade receivables of RMB4,948,000 (2021: net reversal of impairment losses on trade receivables of RMB5,221,000 and reversal of impairment losses on other receivables of RMB110,000). The reversal of provision for impairment loss was mainly due to the settlement of long overdue trade receivables during the period.

### Share of Profit of an Associate

The amount represented the share of the profit of Topp Financial Leasing (Shanghai) Co., Ltd.\* (“**Shanghai Topp**”) of RMB861,000.

### Finance Income, Net

Finance income, net mainly included bank interest income and interest income on unwinding discounted trade receivables offset by interest expenses on interest-bearing bank borrowings. The slightly increase in finance income, net during the period was mainly due to the decrease in interest expenses as there was a decrease in borrowings.

### Income Tax Expense

The income tax expense for the six months ended 30 June 2022 was mainly attributable to the deferred tax expense arisen from the reversal of impairment losses of trade receivables and the profit tax incurred by a PRC subsidiary of the Company which is a “high and new technology enterprise” entitled to a preferential tax rate of 15%.

\* For identification purpose only

## MANAGEMENT DISCUSSION AND ANALYSIS

### **(Loss)/Profit Attributable to Owners of the Company**

Loss attributable to owners of the Company amounted to approximately RMB2,509,000 for the six months ended 30 June 2022 compared with the profit attributable to owners of the Company of approximately RMB8,228,000 for the six months ended 30 June 2021. The increase in loss for the period was mainly due to the decrease in revenue and gross profit and the increase in distribution costs as discussed above.

### **Working Capital Management**

Net current assets of the Group amounted to RMB462,866,000 (31 December 2021: RMB466,251,000) with a current ratio of 2.8 times (31 December 2021: 2.9 times) as at 30 June 2022.

Inventories increased by RMB10,584,000 from RMB220,512,000 as at 31 December 2021 to RMB231,096,000 as at 30 June 2022. Inventory turnover days was 299 days for the six months ended 30 June 2022, representing an increase of 14 days as compared to 285 days for the year ended 31 December 2021. The increase in inventories and inventory turnover days was mainly due to the increase in raw materials purchased and work in progress for sales contracts signed but not yet recognised.

Trade and bills receivables increased by RMB28,176,000 from RMB196,364,000 as at 31 December 2021 to RMB224,540,000 as at 30 June 2022. Trade and bills receivables turnover days was 197 days for the six months ended 30 June 2022, representing an increase of 33 days as compared to 164 days for the year ended 31 December 2021. The increase in trade and bills receivables turnover days during the period was primarily due to (1) the delay in settlement from some of the PRC customers; and (2) the decrease in number of sales contracts completed. The Group will continue to cautiously monitor the trade receivables collection process so as to improve the collection cycle.

Trade and bills payables decreased by RMB3,438,000 from RMB133,704,000 as at 31 December 2021 to RMB130,266,000 as at 30 June 2022. Trade and bills payables turnover days was 175 days for the six months ended 30 June 2022, representing an increase of 10 days as compared to 165 days for the year ended 31 December 2021. The increase in trade and bills payables and turnover days was mainly because of extended payments to suppliers and sub-contractors.

## 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 are to lower finance costs while enhancing returns on financial assets under a prudent and conservative approach.

As at 30 June 2022, the Group had cash and cash equivalents of RMB182,508,000 (31 December 2021: RMB199,644,000) and pledged bank deposits of RMB41,589,000 (31 December 2021: RMB50,029,000). In addition, the Group had interest-bearing bank borrowings of RMB11,552,000 (31 December 2021: RMB19,623,000). The Group's cash and cash equivalents, pledged bank deposits and borrowings were mostly denominated in Renminbi, Hong Kong dollars and US dollars. The borrowings were mainly arranged on a floating rate basis. The gearing ratio, calculated as total borrowings divided by equity attributable to the owners of the Company, amounted to 1.7% (31 December 2021: 2.9%).

During the six months ended 30 June 2022, the Group recorded cash used in operating activities of RMB3,223,000 (six months ended 30 June 2021: cash generated from operating activities of RMB9,401,000). Net cash generated from investing activities amounted to RMB1,936,000 (six months ended 30 June 2021: RMB7,540,000) for the six months ended 30 June 2022. Net cash used in financing activities for the six months ended 30 June 2022 amounted to RMB17,181,000 (six months ended 30 June 2021: cash generated from financing activities of RMB8,833,000).

### Capital Commitments and Contingent Liabilities

Capital commitments as at 30 June 2022 not provided for in the consolidated financial statements were as follows:

	<b>At 30 June 2022 RMB'000</b>	At 31 December 2021 RMB'000
Contracted for – Property, plant and equipment	<b>858</b>	585

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, there is no capital commitments authorised but not contracted for (31 December 2021: Same).

Certain customers of Langfang D&G, a principal operating subsidiary of the Group, financed their purchases of the Group's plants through finance leases provided by Shanghai Topp. Under the leasing arrangements, Langfang D&G provided guarantee to Shanghai Topp that in the event of customer default, Shanghai Topp have the rights to demand Langfang D&G to repay the outstanding lease payments due from the customers for the repossession of the leased plants. As at 30 June 2022, the Group's maximum exposure to such guaranteees was approximately RMB54,603,000 (31 December 2021: RMB74,531,000).

### **Pledge of Assets**

As at 30 June 2022, property, plant and equipment of RMB41,281,000 (31 December 2021: RMB40,237,000), land use right of RMB4,508,000 (31 December 2021: RMB4,573,000) and bank deposits of RMB41,589,000 (31 December 2021: RMB50,029,000) were pledged for borrowings and bills payables 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 US 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 purchases of raw materials 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 2022.

### **Significant Investments and Material Acquisitions or Disposals**

During the six months ended 30 June 2022, the Group did not have any significant investments or material acquisitions or disposals.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests or short positions of the directors of the Company (the “**Directors**”), the chief executives of the Company (the “**Chief Executives**”) and their associates in the shares of the Company (the “**Shares**”), underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) were as follows:

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

Name of Director	Long/ Short position	Type of interest	Number of Shares and underlying shares held	Approximate percentage of shareholding in the Company
Mr. Choi Hung Nang	Long	Interest in controlled corporation <sup>(1)</sup>	345,696,000	54.07%
	Long	Interest of spouse <sup>(2)</sup>	620,000	0.10%
	Long	Beneficial owner	52,758,000	8.25%
	Long	Beneficial owner <sup>(3)</sup>	4,000,000	0.63%
Ms. Choi Kwan Li, Glendy	Long	Beneficial owner	4,150,000	0.65%
	Long	Beneficial owner <sup>(3)</sup>	4,000,000	0.63%
Mr. Choi Hon Ting, Derek	Long	Beneficial owner	4,150,000	0.65%
	Long	Beneficial owner <sup>(3)</sup>	4,000,000	0.63%
Mr. Liu Tom Jing-zhi	Long	Interest in controlled corporation <sup>(4)</sup>	13,500,000	2.11%
	Long	Interest of spouse <sup>(4)</sup>	150,000	0.02%
	Long	Beneficial owner	2,000,000	0.31%
	Long	Beneficial owner <sup>(5)</sup>	2,000,000	0.31%
Mr. Lao Kam Chi	Long	Interest in controlled corporation <sup>(6)</sup>	9,000,000	1.41%
	Long	Beneficial owner	2,000,000	0.31%
	Long	Beneficial owner <sup>(5)</sup>	2,000,000	0.31%

## OTHER INFORMATION

Name of Director	Long/ Short position	Type of interest	Number of Shares and underlying shares held	Approximate percentage of shareholding in the Company
Mr. Chan Lewis	Long	Beneficial owner	300,000	0.05%
	Long	Beneficial owner <sup>(7)</sup>	300,000	0.05%
Mr. Alain Vincent Fontaine	Long	Beneficial owner <sup>(8)</sup>	300,000	0.05%
Mr. Li Zongjin	Long	Beneficial owner	300,000	0.05%
	Long	Beneficial owner <sup>(7)</sup>	300,000	0.05%
Mr. Lee Wai Yat, Paco	Long	Beneficial owner	300,000	0.05%
	Long	Beneficial owner <sup>(9)</sup>	300,000	0.05%
Mr. Fok Wai Shun, Wilson	Long	Beneficial owner	400,000	0.06%
	Long	Beneficial owner <sup>(10)</sup>	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%

## OTHER INFORMATION

### 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. The 620,000 Shares were held by his spouse, Ms. Tin Suen Chu. Accordingly, by virtue of the SFO, Mr. Choi Hung Nang is deemed to be interested in all the Shares in which Ms. Tin Suen Chu is interested.
3. 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 and 4,000,000 share options during the year ended 31 December 2018 under the share option scheme of the Company adopted on 6 May 2015 (the "**Share Option Scheme**"). 4,000,000 share options were exercised during the year ended 31 December 2021 and was deemed to be interested in 4,000,000 underlying shares in respect of the share options granted during the year ended 31 December 2018.
4. 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.
5. Each of Mr. Liu Tom Jing-zhi and Mr. Lao Kam Chi was granted 2,000,000 share options during the year ended 31 December 2016 and 2,000,000 share options during the year ended 31 December 2018 under the Share Option Scheme. 2,000,000 share options were exercised during the year ended 31 December 2021 and was deemed to be interested in 2,000,000 underlying shares in respect of the share options granted during the year ended 31 December 2018.
6. 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.
7. Each of Mr. Chan Lewis and Mr. Li Zongjin was granted 300,000 share options during the year ended 31 December 2016 and 300,000 share options during the year ended 31 December 2018 under the Share Option Scheme. 300,000 share options were exercised during the year ended 31 December 2021 and was deemed to be interested in 300,000 underlying shares in respect of the share options granted during the year ended 31 December 2018.

## OTHER INFORMATION

8. Mr. Alain Vincent Fontaine was granted 300,000 share options during year ended 31 December 2018 under the Share Option Scheme and was deemed to be interested in 300,000 underlying shares in respect of the share options granted.
9. Mr. Lee Wai Yat, Paco was granted 300,000 share options during the year ended 31 December 2016 and 300,000 share options during the year ended 31 December 2018 under the Share Option Scheme. 300,000 share options were exercised during the year ended 31 December 2019. He was deemed to be interested in 300,000 underlying shares in respect of the share options granted during the year ended 31 December 2018.
10. Mr. Fok Wai Shun, Wilson was granted 400,000 share options during the year ended 31 December 2016 and 400,000 share options during the year ended 31 December 2018 under the Share Option Scheme. 400,000 share options were exercised during the year ended 31 December 2021 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 2022, 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 2022, 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 <sup>1</sup>	Long	Beneficial owner	345,696,000	54.07%
Mr. Choi Hung Nang <sup>1</sup>	Long	Interest in controlled corporation	345,696,000	54.07%
	Long	Interest of spouse	620,000	0.10%
	Long	Beneficial owner	52,758,000	8.25%
	Long	Beneficial owner <sup>2</sup>	4,000,000	0.63%
Ms. Tin Suen Chu <sup>1</sup>	Long	Interest of spouse	402,454,000	62.94%
	Long	Beneficial owner	620,000	0.10%
Regal Sky Holdings Limited <sup>3</sup>	Long	Beneficial owner	48,922,000	7.65%
Ocean Equity Partners Fund L.P. <sup>3</sup>	Long	Interest in controlled corporation	48,922,000	7.65%
Ocean Equity Partners Fund GP Limited <sup>3</sup>	Long	Interest in controlled corporation	48,922,000	7.65%

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 Mr. Choi Hung Nang is the spouse of Ms. Tin Suen Chu, Mr. Choi Hung Nang is deemed to be interested in the same number of Shares in which Ms. Tin Suen Chu is interested by virtue of the SFO.

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.

## OTHER INFORMATION

2. Mr. Choi Hung Nang was granted 4,000,000 share options during the year ended 31 December 2016 and 4,000,000 share options during the year ended 31 December 2018 under the Share Option Scheme. 4,000,000 share options were exercised during the year ended 31 December 2021 and was deemed to be interested in 4,000,000 underlying shares in respect of the share options granted.
3. 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 2022, 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 of Directors (the "**Board**") may at its absolute discretion (subject to any conditions as it may think fit) grant options to any employee and director (including executive director, non-executive director and independent non-executive director) of any member of the Group and any other eligible participants (the "**Eligible 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.

## OTHER INFORMATION

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 “**Limit**”), i.e. 60,000,000 Shares representing approximately 9.38% 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 and 5 June 2018 (the “**Dates of Grant**”), options to subscribe for an aggregate of 24,700,000 Shares and 23,100,000 Shares were granted respectively to certain Eligible Participants under the Share Option Scheme. The exercise price in respect of each option granted under the Share Option Scheme on 20 April 2016 and 5 June 2018 is HK\$0.88 and HK\$1.12 per Share respectively. The adjusted closing price of the Shares immediately before the Dates of Grant was HK\$0.866 and HK\$1.120 per Share respectively. There was no Eligible Participant with options granted in excess of the individual limit.

During the six months ended 30 June 2022, none of the above share options was cancelled, exercised or has lapsed and no share option has been granted under the Share Option Scheme.

## OTHER INFORMATION

The fair values of the share options granted on 20 April 2016 and 5 June 2018 were HK\$7,823,400 (equivalent to approximately RMB6,780,000) and HK\$10,279,500 (equivalent to approximately RMB8,391,300) respectively.

The fair value of the share options granted on 20 April 2016 and 5 June 2018 were estimated as at that date by an independent firm of professionally qualified valuers using the binomial option pricing model and taking into account the terms and conditions upon which the options were granted.

The binomial option pricing model required input of subjective assumption such as the expected stock price volatility. Change in subjective input may materially affect the fair value estimates.

Particulars and movements of share options granted under the Share Option Scheme for the six months ended 30 June 2022 were as follows:

Name of Grantee	Date of Grant	Exercise Period	Exercise Price per Share	Outstanding as at 1 January 2022	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30 June 2022
<b>Directors</b>								
Mr. Choi Hung Nang	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	2,000,000	–	–	–	2,000,000
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	2,000,000	–	–	–	2,000,000
Ms. Choi Kwan Li, Glendy	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	2,000,000	–	–	–	2,000,000
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	2,000,000	–	–	–	2,000,000
Mr. Choi Hon Ting, Derek	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	2,000,000	–	–	–	2,000,000
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	2,000,000	–	–	–	2,000,000
Mr. Liu Tom Jing-zhi	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	1,000,000	–	–	–	1,000,000
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	1,000,000	–	–	–	1,000,000
Mr. Lao Kam Chi	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	1,000,000	–	–	–	1,000,000
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	1,000,000	–	–	–	1,000,000

## OTHER INFORMATION

Name of Grantee	Date of Grant	Exercise Period	Exercise Price per Share	Outstanding as at 1 January 2022	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30 June 2022
Mr. Alain Vincent Fontaine	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	150,000	–	–	–	150,000
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	150,000	–	–	–	150,000
Mr. Chan Lewis	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	150,000	–	–	–	150,000
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	150,000	–	–	–	150,000
Mr. Li Zongjin	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	150,000	–	–	–	150,000
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	150,000	–	–	–	150,000
Mr. Lee Wai Yat, Paco	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	150,000	–	–	–	150,000
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	150,000	–	–	–	150,000
Mr. Fok Wai Shun, Wilson	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	200,000	–	–	–	200,000
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	200,000	–	–	–	200,000
				17,600,000	–	–	–	17,600,000
<b>Other employees in aggregate</b>	5/6/2018	1/10/2019 – 4/6/2023	HK\$1.12	1,200,000	–	–	–	1,200,000
	5/6/2018	1/10/2020 – 4/6/2023	HK\$1.12	1,200,000	–	–	–	1,200,000
				2,400,000	–	–	–	2,400,000
				20,000,000	–	–	–	20,000,000

## **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 2022.

### **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2022, the Group had approximately 385 employees (31 December 2021: 381). The total staff costs for the six months ended 30 June 2022 amounted to approximately RMB30,712,000 (six months ended 30 June 2021: RMB35,104,000).

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, which includes salaries, discretionary bonuses, contributions to pension schemes, housing and other allowances and benefits in kind subject to applicable laws, rules and regulations. The Group also provided training to employees on a regular basis. In accordance with the relevant requirements, the Group made contributions to pension and provided other employees benefits.

The Company has adopted a share option scheme of the Company pursuant to which employees may be granted options to subscribe for shares of the Company as incentives or rewards for their services rendered to the Group. No option has been granted during the six months ended 30 June 2022 and 2021.

### **INTERIM DIVIDEND**

No interim dividend was proposed by the Board for the six months ended 30 June 2022.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

## OTHER INFORMATION

### CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. During the six months ended 30 June 2022, 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 set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors. Specific enquiry has been made to all the Directors and all the Directors have confirmed that they have complied with the Model Code throughout the period.

### REVIEW OF INTERIM RESULTS

The Company has an audit committee (the “**Audit Committee**”) which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting system, risk management and internal control systems. The Audit Committee comprises four members, namely Mr. O’Yang Wiley (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 2022 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 2022 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. O’Yang Wiley has renewed his service agreement with the Company for a further period of three years commencing from 1 May 2022. His emolument has not changed upon the renewal of the service agreement and other terms and conditions of the service agreement remained the same.

Mr. O’Yang Wiley resigned as an independent non-executive director, the Chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee of Tianyun International Holdings Limited (Hong Kong Stock Code: 6836) with effective from 12 May 2022.

# 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 31 to 58 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 2022 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of 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.

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

### CONCLUSION

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 31 August 2022

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Note	Unaudited Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
<b>Revenue</b>	6	<b>193,779</b>	197,078
Cost of sales		<b>(136,896)</b>	(130,989)
<b>Gross profit</b>		<b>56,883</b>	66,089
Other income and other gains, net	7	<b>2,678</b>	2,931
Distribution costs		<b>(45,189)</b>	(38,578)
Administrative expenses		<b>(28,777)</b>	(33,489)
Net reversal of impairment losses on financial assets	8	<b>4,948</b>	5,331
<b>Operating (loss)/profit</b>		<b>(9,457)</b>	2,284
Finance income, net		<b>7,234</b>	7,202
Share of profit of an associate	12	<b>861</b>	958
Share of profit of a joint venture		<b>–</b>	465
<b>(Loss)/profit before income tax</b>		<b>(1,362)</b>	10,909
Income tax expense	9	<b>(1,147)</b>	(2,681)
<b>(Loss)/profit for the period attributable to owners of the Company</b>		<b>(2,509)</b>	8,228
<b>(Loss)/earnings per share attributable to owners of the Company during the period</b>			
– Basic (RMB cents)	10(a)	<b>(0.39)</b>	1.31
– Diluted (RMB cents)	10(b)	<b>(0.39)</b>	1.27

The above interim condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
<b>(Loss)/profit for the period</b>	<b>(2,509)</b>	8,228
<b>Other comprehensive income/(loss)</b> <i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<b>2,975</b>	(999)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>2,975</b>	(999)
<b>Total comprehensive income attributable to owners of the Company for the period</b>	<b>466</b>	7,229

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	111,787	111,040
Intangible assets	11	2,189	2,639
Investment in an associate	12	59,741	58,880
Financial asset at fair value through profit or loss	13	19,255	18,363
Deferred tax assets		9,618	10,703
<b>Total non-current assets</b>		<b>202,590</b>	201,625
<b>Current assets</b>			
Inventories		231,096	220,512
Trade and bills receivables	14	224,540	196,364
Amount due from a joint venture	21(b)	737	1,787
Prepayments, deposits and other receivables		41,516	44,271
Pledged bank deposits		41,589	50,029
Cash and cash equivalents		182,508	199,644
<b>Total current assets</b>		<b>721,986</b>	712,607
<b>Non-current asset classified as asset held for sale</b>		<b>1,844</b>	5,397
<b>Total assets</b>		<b>926,420</b>	919,629
<b>EQUITY</b>			
Share capital	17	5,059	5,059
Other reserves		575,822	579,015
Retained earnings		80,220	83,116
<b>Total equity</b>		<b>661,101</b>	667,190

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		1,699	1,583
Deferred tax liabilities		4,500	4,500
<b>Total non-current liabilities</b>		<b>6,199</b>	6,083
<b>Current liabilities</b>			
Borrowings	15	11,552	19,623
Trade and other payables	16	178,739	167,659
Contract liabilities	16	66,431	57,500
Lease liabilities		1,263	785
Income tax payable		1,135	789
<b>Total current liabilities</b>		<b>259,120</b>	246,356
<b>Total liabilities</b>		<b>265,319</b>	252,439
<b>Total equity and liabilities</b>		<b>926,420</b>	919,629

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited							Total equity RMB'000
	Attributable to owners of the Company							
	Share capital RMB'000 Note 17(a)	Share premium RMB'000 Note 17(b)	Capital reserve RMB'000 Note 17(c)	Statutory reserve RMB'000 Note 17(d)	Exchange reserve RMB'000	Share options reserve RMB'000	Retained earnings RMB'000	
<b>Unaudited:</b>								
<b>Balance at 1 January 2021</b>	4,912	420,899	65,290	44,219	23,709	13,421	74,766	647,216
Comprehensive income								
– Profit for the period	-	-	-	-	-	-	8,228	8,228
Other comprehensive loss								
– Currency translation differences	-	-	-	-	(999)	-	-	(999)
<b>Total comprehensive (loss)/income</b>	-	-	-	-	(999)	-	8,228	7,229
Employee share option scheme								
– Exercise of share options	147	12,790	-	-	-	-	-	12,937
– Lapse of share options	-	-	-	-	-	(82)	82	-
Transfer to statutory reserve	-	-	-	943	-	-	(943)	-
<b>Balance at 30 June 2021</b>	5,059	433,689	65,290	45,162	22,710	13,339	82,133	667,382
<b>Unaudited:</b>								
<b>Balance at 1 January 2022</b>	5,059	433,689	65,290	46,614	20,083	13,339	83,116	667,190
Comprehensive loss								
– Loss for the period	-	-	-	-	-	-	(2,509)	(2,509)
Other comprehensive income								
– Currency translation differences	-	-	-	-	2,975	-	-	2,975
<b>Total comprehensive income/(loss)</b>	-	-	-	-	2,975	-	(2,509)	466
Transfer to statutory reserve	-	-	-	387	-	-	(387)	-
Dividends	-	(6,555)	-	-	-	-	-	(6,555)
<b>Balance at 30 June 2022</b>	5,059	427,134	65,290	47,001	23,058	13,339	80,220	661,101

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Note	Unaudited Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations		(3,543)	11,438
Income tax refund/(paid)		320	(2,037)
<b>Net cash (used in)/generated from operating activities</b>		<b>(3,223)</b>	9,401
<b>Cash flows from investing activities</b>			
Payment for acquisition of property, plant and equipment		(1,284)	(3,004)
Proceeds from disposal of non-current asset classified as asset held for sale		600	–
Proceeds from disposal of property, plant and equipment		–	8,677
Interest received		2,620	1,867
<b>Net cash generated from investing activities</b>		<b>1,936</b>	7,540
<b>Cash flows from financing activities</b>			
Repayments of borrowings		(8,587)	(7,424)
Proceeds from borrowings		–	4,399
Principal elements of lease payments		(690)	(695)
Interest expenses paid		(143)	(595)
(Increase)/decrease in bank deposits pledged for bank borrowings		(1,206)	211
Proceeds from the exercise of share options		–	12,937
Dividend paid	18	(6,555)	–
<b>Net cash (used in)/generated from financing activities</b>		<b>(17,181)</b>	8,833
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(18,468)</b>	25,774
<b>Cash and cash equivalents at beginning of the period</b>		<b>199,644</b>	188,778
Effect of foreign exchange rate changes		1,332	(733)
<b>Cash and cash equivalents at end of the period</b>		<b>182,508</b>	213,819

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

The Group is principally engaged in manufacturing, distribution, research and development and sales of spare parts and modified equipment.

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

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 27 May 2015.

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 2022 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2021, except for the adoption of new and amended standards as set out below.

### (a) New and amended standards adopted by the Group

The adoption of the following new standards, amendments to existing standard and interpretation are mandatory for the Group's financial year beginning on 1 January 2022.

<b>Standards</b>	<b>Subject</b>
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contract – Cost Fulfilling a Contract
Annual Improvements Projects	Annual Improvements to HKFRSs 2018-2020 (Amendments)
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

The adoption of the amendments listed above did not have material impact on the Group's accounting policies and financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 3 ACCOUNTING POLICIES (CONTINUED)

#### (b) New standards, amendments to standards and interpretations not yet adopted and revised HKFRSs issued but not yet effective

Certain new and amended standards have been issued but not yet to be effective for the financial year beginning on 1 January 2022 and have not been early adopted by the Group:

Standards	Subject	Effective for Annual Periods Beginning on or After
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Management is in the process of assessing the financial impact of the above new and amended standards but is not yet in a position to state whether they will result in substantial changes to the Group's significant accounting policies and the presentation of its financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 4 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 condensed consolidated interim 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 2021.

There have been no changes in the risk management policies since 31 December 2021.

#### (b) Fair value estimation

The carrying amounts of the Group's financial assets and liabilities with a maturity of less than one year, including trade and bills receivables, deposits and other receivables, cash and cash equivalents, pledged bank deposits, amount due from a joint venture, trade and other payables, lease liabilities and borrowings approximate their fair values.

See Note 13 for the disclosures of the investment in a convertible bond that is measured at fair value.

### 5 ESTIMATES

The preparation of the condensed consolidated 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 of the Group for the year ended 31 December 2021.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 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 who make strategic decisions.

The Group has determined that it only has one major operating segment which is the sales of asphalt mixing plants, spare parts and modified equipment.

Revenue consists of the following:

	<b>Unaudited Six months ended 30 June</b>	
	<b>2022 RMB'000</b>	2021 RMB'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Sales of asphalt mixing plants	<b>175,204</b>	180,559
Sales of spare parts and modified equipment	<b>18,575</b>	14,312
	<b>193,779</b>	194,871
<b>Revenue from other sources</b>		
Operating lease income of asphalt mixing plants	–	2,207
	<b>193,779</b>	197,078
<b>Revenue from contracts with customers recognised</b>		
– at a point in time	<b>193,779</b>	194,871
– over time	–	2,207

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6 SEGMENT INFORMATION (CONTINUED)

#### (a) Revenue from external customers by country

	Unaudited Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
People's Republic of China (the "PRC")	185,708	185,641
Outside the PRC	8,071	11,437
	193,779	197,078

#### (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.

	Unaudited At 30 June 2022 RMB'000	Audited At 31 December 2021 RMB'000
The PRC	143,633	144,166
Outside the PRC	49,339	46,756
	192,972	190,922

#### (c) Information about major customer

No customer with whom transactions have exceeded 10% of the Group's revenue for the six months ended 30 June 2022 and 2021.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 7 OTHER INCOME AND OTHER GAINS, NET

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<i>RMB'000</i>
<b>Other income</b>		
Government grants (Note)	<b>509</b>	133
Others	<b>16</b>	92
	<b>525</b>	225
<b>Other gains, net</b>		
Fair value gain on a financial asset at fair value through profit or loss	<b>892</b>	–
Interest income from a financial asset at fair value through profit or loss	<b>566</b>	566
Net gain on disposal of non-current asset classified as asset held for sale	<b>1,049</b>	–
Net gain on disposal of property, plant and equipment	–	1,594
Net foreign exchange (loss)/gain	<b>(696)</b>	124
Others	<b>342</b>	422
	<b>2,153</b>	2,706
	<b>2,678</b>	2,931

Note:

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 8 OPERATING (LOSS)/PROFIT

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<i>RMB'000</i>
Cost of inventories	<b>118,680</b>	128,518
Employee benefit expenses	<b>30,712</b>	35,104
Depreciation and amortisation (Note 11)		
– Property, plant and equipment used for operating leases	–	841
– Property, plant and equipment	<b>4,266</b>	4,249
– Intangible assets	<b>505</b>	543
Net reversal of impairment losses on trade receivables	<b>(4,948)</b>	(5,221)
Net reversal of impairment losses on other receivables	–	(110)
Provision for impairment of inventories	<b>6,010</b>	128

### 9 INCOME TAX EXPENSE

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<i>RMB'000</i>
Current income tax		
– PRC enterprise income tax	<b>683</b>	1,456
– Withholding tax	–	1,296
– Over-provision in prior period	<b>(621)</b>	(792)
Deferred income tax	<b>1,085</b>	721
	<b>1,147</b>	2,681

No provision for Hong Kong profits tax was made for the current period (2021: Nil) as the Group had no assessable profits subject to Hong Kong profits tax for the period.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 9 INCOME TAX EXPENSE (CONTINUED)

The Group's operations in the PRC are subject to PRC enterprise income tax at a statutory rate of 25% (2021: 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 ("Langfang D&G") is qualified as a "high and new technology enterprise" under the tax law and entitled to a preferential income tax rate of 15% (2021: 15%).

Under the PRC enterprise income tax law and its relevant regulations, a 100% (2021: 75%) additional tax deduction is allowed for qualified research and development expenses.

### 10 (LOSS)/EARNINGS PER SHARE

#### (a) Basic

The calculation of basic (loss)/earnings per share is based on the (loss)/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 (loss)/earnings per share are as follows:

	Unaudited Six months ended 30 June	
	2022	2021
(Loss)/profit attributable to owners of the Company (RMB'000)	(2,509)	8,228
Weighted average number of ordinary shares in issue	639,408,000	629,671,000
Basic (loss)/earnings per share (expressed in RMB cents per share)	(0.39)	1.31

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 10 (LOSS)/EARNINGS PER SHARE (CONTINUED)

#### (b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares arise from the share options, for which calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
(Loss)/profit attributable to owners of the Company (RMB'000)	<b>(2,509)</b>	8,228
Weighted average number of ordinary shares in issue	<b>639,408,000</b>	629,671,000
Adjustment for share options (Note)	–	17,968,000
Weighted average number of ordinary shares for diluted (loss)/earnings per share	<b>639,408,000</b>	647,639,000
Diluted (loss)/earnings per share (expressed in RMB cents per share)	<b>(0.39)</b>	1.27

Note:

Diluted loss per share for the six months ended 30 June 2022 was the same as the basic loss per share as potential ordinary shares arising from share options were anti-dilutive.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 11 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment		
	Right-of-use assets <i>RMB'000</i>	Other property, plant and equipment <i>RMB'000</i>	Intangible assets <i>RMB'000</i>
<b>Unaudited:</b>			
<b>Six months ended 30 June 2022</b>			
<b>Net book value</b>			
<b>At 1 January 2022</b>	<b>6,877</b>	<b>104,163</b>	<b>2,639</b>
Additions	1,206	1,284	–
Transfers	–	(48)	48
Amortisation (Note 8)	–	–	(505)
Depreciation (Note 8)	(713)	(3,553)	–
Exchange difference	23	2,548	7
<b>At 30 June 2022</b>	<b>7,393</b>	<b>104,394</b>	<b>2,189</b>
<b>Unaudited:</b>			
<b>Six months ended 30 June 2021</b>			
<b>Net book value</b>			
<b>At 1 January 2021</b>	8,196	119,102	2,680
Additions	–	3,004	–
Disposals	–	(1,969)	–
Transfers	–	(84)	84
Amortisation (Note 8)	–	–	(543)
Depreciation (Note 8)	(712)	(4,378)	–
Exchange difference	(7)	(578)	(2)
<b>At 30 June 2021</b>	<b>7,477</b>	<b>115,097</b>	<b>2,219</b>

As at 30 June 2022, property, plant and equipment with carrying amount of RMB34,890,000 and RMB6,391,000 (31 December 2021: RMB33,403,000 and RMB6,834,000) were pledged for the Group's bank borrowings and bill payables respectively (Notes 15 and Note 16).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 12 INVESTMENT IN AN ASSOCIATE

The movement of the investment in an associate during the period is as follows:

	<b>Unaudited</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<i>RMB'000</i>
Balance at 1 January	<b>58,880</b>	56,759
Share of profit	<b>861</b>	958
Balance at 30 June	<b>59,741</b>	57,717

### 13 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial asset at fair value through profit or loss comprises the following:

	<b>Unaudited</b>	Audited
	<b>At 30</b>	At 31
	<b>June</b>	December
	<b>2022</b>	2021
	<b>RMB'000</b>	<i>RMB'000</i>
<b>Non-current asset</b>		
Investment in a convertible bond	<b>19,255</b>	18,363

In 2020, the Group purchased a convertible bond issued by 浙江正方瀝青混凝土科技有限公司 (the “**Issuer**”), amounting to RMB20,000,000. The Issuer of the convertible bond is engaged in providing asphalt concrete for highway construction through setting up asphalt concrete stations. The convertible bond is guaranteed by the parent holding company of the Issuer and is interest bearing at 6% per annum. Under the convertible bond agreement, the Group has the right to exercise its equity conversion option at the conversion ratio of the higher of (i) 1.5 times of the net assets of the Issuer as at 31 December 2023 or (ii) 6 times of the weighted average of its net profits for the years ended 31 December 2022 and 2023, both of which are calculated with reference to its audited accounts prepared in accordance with the PRC generally accepted accounting principles.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 13 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

#### Valuation process

The Group measures its financial asset at fair value through profit or loss at fair value. Fair value assessment of the convertible bond was performed as at 30 June 2022 by an independent firm of professionally qualified valuers. The Group's finance department reviews the valuation performed by the independent valuer for financial reporting purposes. Discussions of valuation processes and results are held between management and the valuer at least once every six months, in line with the Group's interim and annual reporting dates. The main input used by the Group for financial asset at fair value through profit or loss pertains to the expected volatility and discount rate. The inputs are quantified on the basis of relevant restricted stock studies and represents the most significant unobservable input applied to arrive at the fair value measurement.

### 14 TRADE AND BILLS RECEIVABLES

	<b>Unaudited At 30 June 2022 RMB'000</b>	Audited At 31 December 2021 RMB'000
Trade receivables from third parties	<b>275,683</b>	253,179
Loss allowance	<b>(48,971)</b>	(53,919)
Discounting impact	<b>(9,170)</b>	(9,967)
	<b>217,542</b>	189,293
Bills receivables	<b>6,998</b>	7,071
Total trade and bill receivables	<b>224,540</b>	196,364

- (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 Group's customers.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 14 TRADE AND BILLS RECEIVABLES (CONTINUED)

- (b) The ageing analysis of the trade receivables as at the end of the reporting period based on the date of revenue recognition (mutually known as by invoice date) as follows:

	<b>Unaudited At 30 June 2022 RMB'000</b>	Audited At 31 December 2021 RMB'000
Within 1 year	<b>154,044</b>	131,649
1 to 2 years	<b>73,474</b>	70,091
2 to 3 years	<b>9,503</b>	7,892
Over 3 years	<b>38,662</b>	43,547
	<b>275,683</b>	253,179

Certain trade receivables relating to customers with known financial difficulties or significant doubt on settlement of receivables are assessed individually for provision for impairment allowance. Expected credit losses are estimated by grouping the remaining trade receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying the expected credit loss rates to the respective gross carrying amounts of the trade receivables.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 15 BORROWINGS

Borrowings repayable within one year or repayable beyond one year but with repayment on demand clause are analysed as follows:

	<b>Unaudited At 30 June 2022 RMB'000</b>	Audited At 31 December 2021 RMB'000
Within 1 year	<b>11,552</b>	19,623

As at 30 June 2022, borrowings of RMB11,552,000 (31 December 2021: RMB11,822,000) were secured by pledged bank deposits of RMB23,479,000 (31 December 2021: RMB22,273,000) and property, plant and equipment of RMB34,890,000 (31 December 2021: RMB33,403,000).

No borrowing was secured by bills receivable as at 30 June 2022. As at 31 December 2021, borrowings of RMB4,399,000 were secured by bills receivables of RMB4,399,000. The remaining borrowings of RMB3,402,000 were secured by the corporate guarantee provided by the Company.

Movements of borrowings are analysed as follows:

	<b>RMB'000</b>
<b>Unaudited:</b>	
<b>Balance at 1 January 2022</b>	<b>19,623</b>
Repayments of borrowings	<b>(8,587)</b>
Exchange difference	<b>516</b>
<b>Balance at 30 June 2022</b>	<b>11,552</b>

	<b>RMB'000</b>
<b>Unaudited:</b>	
<b>Balance at 1 January 2021</b>	31,145
Repayments of borrowings	(7,424)
Proceeds from borrowings	4,399
Exchange difference	(316)
<b>Balance at 30 June 2021</b>	<b>27,804</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 16 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	<b>Unaudited At 30 June 2022 RMB'000</b>	Audited At 31 December 2021 RMB'000
Trade payables	<b>69,881</b>	39,935
Bills payables (Note)	<b>60,385</b>	93,769
	<b>130,266</b>	133,704
Amount due to a related party	<b>295</b>	295
Other payables and accruals	<b>48,178</b>	33,660
	<b>48,473</b>	33,955
Total trade and other payables	<b>178,739</b>	167,659
Contract liabilities	<b>66,431</b>	57,500
	<b>245,170</b>	225,159

Note:

The Group's bills payables of RMB60,365,000 (31 December 2021: RMB92,517,000) were secured by the Group's pledged bank deposits of approximately RMB18,110,000 (31 December 2021: RMB27,756,000), property, plant and equipment of RMB6,391,000 (31 December 2021: RMB6,834,000) and land use right of RMB4,508,000 (31 December 2021: RMB4,573,000).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 16 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (CONTINUED)

The ageing analysis of trade and bills payables as at the end of the reporting period based on invoice date is as follows:

	<b>Unaudited At 30 June 2022 RMB'000</b>	Audited At 31 December 2021 RMB'000
Within 3 months	<b>86,387</b>	66,144
After 3 months but within 6 months	<b>27,673</b>	42,297
After 6 months but within 1 year	<b>14,161</b>	23,339
Over 1 year	<b>2,045</b>	1,924
	<b>130,266</b>	133,704

### 17 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES

#### (a) Share capital

Authorised:

	<b>Number of ordinary shares of HK\$0.01 each</b>	<b>Nominal value of ordinary shares HK\$</b>
<b>At 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022</b>	2,000,000,000	20,000,000

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 17 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES (CONTINUED)

#### (a) Share capital (continued)

Issued and fully paid:

	Number of shares ( <i>'000</i> )	<i>HK\$'000</i>	<i>RMB'000</i>
<b>At 1 January 2021</b>	621,958	6,220	4,912
Exercise of share option (Note)	17,450	175	147
<b>At 30 June 2021, 1 January 2022 and 30 June 2022</b>	639,408	6,395	5,059

Note: Proceeds from the exercise of share options amounted to approximately RMB12,937,000 for the six months ended 30 June 2021.

#### (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.

#### (c) Capital reserve

Capital reserve comprises contributions by the controlling shareholder arising from transactions with owners in their capacity as the equity owners.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 17 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES (CONTINUED)

#### (d) PRC statutory reserves

The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A PRC company is required to appropriate an amount of not less than 10% of statutory profits after income tax to statutory surplus reserves, prior to distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretionary surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

### 18 DIVIDEND

No interim dividend was proposed by the Board for the six months ended 30 June 2022 and 2021.

A final dividend in respect of the year ended 31 December 2021 of HK\$1.20 cents per ordinary share, amounting to a total dividend of approximately RMB6,555,000, was paid during the period ended 30 June 2022.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 19 COMMITMENTS

#### Capital commitments

Capital commitments as at 30 June 2022 not provided for in the consolidated financial statements were as follows:

	<b>Unaudited At 30 June 2022 RMB'000</b>	Audited At 31 December 2021 RMB'000
Contracted for:		
Property, plant and equipment	<b>858</b>	585

As at 30 June 2022, there is no capital commitments authorised but not contracted for (31 December 2021: Same).

### 20 CONTINGENT LIABILITIES

#### Financial guarantee issued

Certain customers of Langfang D&G, a principal operating subsidiary of the Group, financed their purchase of the Group's plants through finance leases provided by Topp Financial Leasing (Shanghai) Co., Ltd. ("Shanghai Topp"). Under the leasing arrangement, Langfang D&G provides guarantee to Shanghai Topp that in the event of customer default, Shanghai Topp have the rights to demand Langfang D&G to repay the outstanding lease payments due from the customers for the repossession of the leased plants. As at 30 June 2022, the Group's maximum exposure to such guarantees was approximately RMB54,603,000 (31 December 2021: RMB74,531,000).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 21 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 54% of the Company's shares. The remaining approximately 46% 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).

The directors of the Company are of the view that its associate, its joint venture, Sichuan Rui Tong De Long New Materials Technology Limited ("Sichuan RTDL") which was classified as non-current asset classified as asset held for sale as at 30 June 2022 and 31 December 2021, and a entity controlled by Choi Family were related parties that had transactions or balances with the Group.

#### (a) Transactions with related parties

	Unaudited Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Purchase of goods and services from an associate	–	177
Interest income from Sichuan RTDL	5	58
	5	235

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 21 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

#### (b) Year end balances

	Note	Unaudited At 30 June 2022 RMB'000	Audited At 31 December 2021 RMB'000
Amount due from a joint venture – Sichuan RTDL	(i)	737	1,787
Included in other receivables: Amount due from an associate, Shanghai Topp	(ii)	863	863
Included in other payables: Amount due to a related party – Entity controlled by Choi Family	(ii)	295	295

Notes:

- (i) As at 30 June 2022 and 31 December 2021, the amount receivables in respect of disposal of machineries to Sichuan RTDL and the accumulated interest. The balance was interest bearing at 4.5% per annum and unsecured.
- (ii) As at 30 June 2022 and 31 December 2021, the amounts due from an associate and a related party were unsecured, interest free and repayable on demand.