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D&G TECHNOLOGY

D&G TECHNOLOGY HOLDING COMPANY LIMITED

<INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY>

STOCK CODE 1301



2024 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. Yeung Tsz Kit Alban

COMPANY SECRETARY

Mr. Yeung Tsz Kit Alban

AUTHORISED REPRESENTATIVES

Ms. Choi Kwan Li, Glendy
Mr. Yeung Tsz Kit Alban

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

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

COMPANY WEBSITE

www.dgtechnology.com

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

General Review

D&G Technology Holding Company Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) is a leading market player in the road construction and maintenance machinery industry in the People’s Republic of China (“**PRC**”, “**China**” or “**Mainland China**”) and overseas markets. It provides smart road construction and conservation solution catering for different clients by offering a full range of asphalt mixing plants from small to large-scale, recycled asphalt pavement (“**RAP**”) crushing equipment and sand manufacturing machine, as well as modification services of adding recycling and environmental protection functions, such as bitumen foaming device for warm mix asphalt to existing plants.

The asphalt mixing plants, being the core products are divided into two main categories: (i) conventional hot-mix asphalt mixing plant (“**Conventional Plant**”) and (ii) recycling hotmix asphalt mixing plant (“**Recycling Plant**”). The asphalt mixtures produced by the asphalt mixing plants of the Group can be applied 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. In addition, RAP crushing equipment and sand manufacturing machine are newly developed products, which combined with our existing advanced asphalt mixture technology to be a comprehensive solution for our customers.

For the six months ended 30 June 2024, China’s road construction industry has been steadily gaining momentum and making progress, driven by increased efforts from regional governments in PRC towards building a strong transportation hub in China. Plans for trillions of yuan in transportation investments were launched across the country, aiming to provide strong support for sustaining domestic demand and stabilizing the overall economy.

Under such backdrop, the Group participated in several landmark highways construction and maintenance projects in the PRC, including Xianning to Jiujiang Expressway (咸九高速公路), Hebei Qugang Expressway Cangzhou Section (河北曲港高速滄州段) and Mei County to Taibai Expressway (眉太高速公路第二標段), etc. As of 30 June 2024, the Group completed 10 (1H2023: 13) sales contracts of asphalt mixing plants during the six months period ended 30 June 2024, including a significant project in Hong Kong. Total revenue increased by approximately 19.2% to RMB141,811,000 during the six months period ended 30 June 2024 (1H2023: RMB118,965,000). Gross profit reached RMB49,368,000 (1H2023: RMB43,875,000).

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, the gross profit margin of asphalt mixing plants remained at 30.9% during the six months ended 30 June 2024. Despite facing intense market competition and high pressure to maintain optimal inventory levels, the Group was able to maintain profitability across the period.

Coping with the challenges, the Group strived to penetrate different market segments to expand sales. While PRC remained the major market, the Group has also capitalised on the development opportunities presented by the “Belt and Road Initiative” to expand into Hong Kong, Southeast Asia and Africa, as well as European region. In particular, the Group completed delivery of a highly intelligent, efficient and environmental friendly recycling plant for a key development project in Hong Kong, further demonstrating our products’ capabilities. In May 2024, the Group visited Xinjiang with other economic and trade representatives from Hong Kong and PRC. It signed agreements with local companies to cooperate on the development of comprehensive green and intelligent solutions.

In addition, the Group has consistently invested in research and development to diversify its product offering, as well as showcasing our steadfast commitment to driving industry innovation and business growth. During the period, the Group introduced a drying drum featuring a “self-cleaning” capability, which surpasses traditional products in terms of economic efficiency and sustainability. Traditionally, conventional drying drums require regular internal residue cleaning, which hampers operational efficiency. The new product extends the cleaning interval, enhancing energy conservation, reducing emissions and improving operational efficiency. The development of this product underscores D&G’s dedication to scientific research and reaffirms our leading position in recycling equipment sector.

D&G Technology, as a benchmark enterprise in the industry, has always regarded giving back to society and supporting educational initiatives as crucial components of its corporate culture. It has made positive contributions to fostering social responsibility and enhancing educational standards. During the period, the Group has donated generous assistance to Chang’an University in Xian, supporting continuous collaboration with the University in areas such as student employment, scientific research and development, and technology transfer. Both parties also aim to achieve resources sharing and mutually drive high-quality development.

MANAGEMENT DISCUSSION AND ANALYSIS

Development of Upstream and Downstream Asphalt Related Business

Asphalt mixture, the vital material for asphalt road construction, holds great importance for the Group. With a strong emphasis on diversifying income sources and increasing profits, the Group is dedicated to the development of asphalt-related businesses along the supply chain. To harness the power of local expertise and maximize synergies, the Group actively seeks potential strategic partners to collaborate on the production and sale of asphalt mixtures. By forging these strategic alliances, the Group aims to create a robust and thriving asphalt mixture 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 2024, 57 (31 December 2023: 40) patents of combustion technology were registered, 2 patents were pending registration.

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 April 2024, the companies have mutually agreed that in lieu of exercising the equity conversion option, Langfang D&G will instead elect to receive the full repayment of the RMB20 million principal amount from Zhengfang ACT.

MANAGEMENT DISCUSSION AND ANALYSIS

Research and Development

The Group continued to maintain its strong research and development capabilities 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. As at 30 June 2024, the Group owns 245 registered patents in the PRC (of which 13 were invention patents and 7 were appearance patents) and 30 software copyrights. In addition, the registration of 28 patents were pending approval as at 30 June 2024.

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 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 9th Asphalt Pavement Maintenance Technology Forum in Zhengzhou, Xinjiang exchange program organised by the Hong Kong Belt and Road Office, the 1st Highway Maintenance Equipment and Intelligent Safety Facilities Exhibition and Technical Exchange Conference of Hubei Province and the 2024 Paving and Maintenance Machinery Branch Annual Meeting and Development Forum.

In March 2024, the Group was awarded the “5 Years Plus Caring Company” which was organised by the Hong Kong Council of Social Service. In July 2024, the Group was awarded the UNSDG Achievement Awards Hong Kong 2024 – Merit Award for Sustainable Development Organization” which was organised by the Green Council. In August 2024, 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) Limited. The awards are recognition of the Group’s contribution to the promotion of environmental protection.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

In the second half of 2024 and beyond, China's economy is expected to continue its recovery, with GDP growth projected at around 5%, driven by increased consumer spending, sustained infrastructure investments, and improved export conditions. According to reports from Goldman Sachs and UBS, the Chinese government's focus on green and smart construction, as part of the 14th Five-Year Plan, will bolster the infrastructure sector. Investments in transportation networks, renewable energy projects, and urban utilities are anticipated to grow, providing substantial opportunities for the road construction industry. The emphasis on sustainable development and technological advancements will further support the industry's expansion, ensuring a steady demand for road construction equipment and services.

The Group will actively capitalize on the opportunities presented by the Chinese market, which has consistently been the largest contributor to our growth. Leveraging on the partnerships with state-owned enterprises and other key industry players, the Group will proactively pursue tenders for road construction projects across various provinces. In response to the increasing market demand for environmentally friendly solutions, the Group will enhance the promotion and research of its eco-friendly recycling products.

On overseas market, the Group will actively seek opportunities in Europe, Africa, and Southeast Asia, including the "Belt and Road" countries. Key markets in Southeast Asia, including Thailand, India, and Malaysia, are our target markets, where there has been strong demand for recycling plants driven by government policies emphasizing sustainable development. The Group looks forward to introducing its quality products, especially the recycling plants to the regions, thereby showing our advanced product capabilities in the field of recycling plant, while increasing market share following the participations of more landmark projects in the potential markets.

While driving business growth, the Group will comprehensively strengthen accounts receivable management to ensure that financial conditions remain stable and healthy alongside increasing revenues. By tightening credit controls and improving collection processes, the Group will mitigate risks associated with outstanding payments and enhance cash flow. Regular assessments of customers' creditworthiness will further bolster our financial stability, allowing for strategic investments in growth opportunities without compromising fiscal health. This balanced approach aims to create a sustainable foundation for long-term performance and deliver superior returns to our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the six months ended 30 June 2024, the Group recorded a total revenue of RMB141,811,000 (2023: RMB118,965,000), representing an increase of approximately 19.2% as compared to the last corresponding period. Gross profit increased from RMB43,875,000 for the six months ended 30 June 2023 to RMB49,368,000 for the six months ended 30 June 2024, representing an increase of approximately 12.5%. Gross profit margin decreased by 2.1 percentage points from 36.9% to 34.8%. The Group recorded a net loss attributable to owners of the Company of RMB5,683,000 compared with a net loss of RMB6,908,000 in the last corresponding period.

	Six months ended 30 June		
	2024 RMB'000	2023 RMB'000	Change
Sales of asphalt mixing plants	112,578	67,270	67.4%
Sales of spare parts and modified equipment	21,906	32,990	-33.6%
Sales of other asphalt specialty equipment	7,327	18,705	-60.8%
	141,811	118,965	19.2%

Sales of Asphalt Mixing Plants

	Six months ended 30 June		
	2024 RMB'000	2023 RMB'000	Change
Revenue	112,578	67,270	67.4%
Gross profit (Note)	34,773	20,797	67.2%
Gross profit margin	30.9%	30.9%	0pp
Number of contracts	10	13	-3
Average contract value	11,258	5,175	117.5%

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from the sales of asphalt mixing plants increased as a result of the increase in the average contract value despite a decrease in number of contracts completed. The increase in average contract value was due to a higher proportion of large scale plants being sold during the current period. The decrease in number of contracts was mainly due to intense competition within the industry, which has created obstacles for our Group in securing additional orders. The gross profit margin remained steady during the periods, indicating that the Group was able to maintain profitability despite facing intense market competition.

Note: Reversal of impairment of inventories of RMB3,199,000 was made during the six months ended 30 June 2024 (six months ended 30 June 2023: impairment of inventories of RMB415,000) 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 reversal of provision and provision for impairment of inventories for analysis purpose.

By Types of Plants

	Six months ended 30 June		
	2024 RMB'000	2023 RMB'000	Change
Recycling Plant			
Revenue	75,139	18,681	302.2%
Gross profit	23,773	4,202	465.8%
Gross profit margin	31.6%	22.5%	9.1pp
Number of contracts	5	2	3
Average contract value	15,028	9,341	60.9%
Conventional Plant			
Revenue	37,439	48,589	-22.9%
Gross profit	11,000	16,595	-33.7%
Gross profit margin	29.4%	34.2%	-4.8pp
Number of contracts	5	11	-6
Average contract value	7,488	4,417	69.5%

Revenue from the sales of Recycling Plants increased by 302.2% which was mainly due to the increase in the number of contracts completed and the increase in the average contract value. The gross profit margin increased by 9.1 percentage points to 31.6% as one significant overseas contract having high gross profit margin has been completed during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from the sales of Conventional Plants decreased by 22.9% primarily because of the decrease in the number of contracts completed. The decrease in the number of contracts completed mainly refer to the decrease in oversea sales. The gross profit margin decreased by 4.8 percentage points to 29.4% was mainly due to proportional decrease in the number of overseas sales which generally had higher gross profit margin as compared to the last corresponding period.

By Geographical Location

	Six months ended 30 June		
	2024 RMB'000	2023 RMB'000	Change
PRC			
Revenue	73,800	28,477	159.2%
Gross profit	21,784	8,197	165.8%
Gross profit margin	29.5%	28.8%	0.7pp
Number of contracts	8	3	5
Average contract value	9,225	9,492	-2.8%
Overseas			
Revenue	38,778	38,793	0.0%
Gross profit	12,989	12,600	3.1%
Gross profit margin	33.5%	32.5%	1.0pp
Number of contracts	2	10	-8
Average contract value	19,389	3,879	399.8%

Revenue from the PRC sales increased primarily because of the increase in the number of contracts completed. The gross profit margin increased by 0.7 percentage points to 29.5% was mainly due to the increase in the number of sales with higher capacity during the period.

Revenue from the overseas sales remains constant during the periods. The gross profit margin increased by 1.0 percentage points to 33.5% as one significant contract having high gross profit margin has been completed in the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales of Spare Parts and Components and Modified Equipment

	Six months ended 30 June		
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>	Change
Revenue	21,906	32,990	-33.6%
Gross profit	9,989	18,864	-47.0%
Gross profit margin	45.6%	57.2%	-11.6pp

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 RMB13,439,000 (six months ended 30 June 2023: RMB17,136,000) and the revenue from sales of modified equipment amounted to RMB8,467,000 (six months ended 30 June 2023: RMB15,854,000). The decrease in revenue was mainly due to a drop of customers demand for modification of Conventional Plants. The gross profit margin decreased by 11.6 percentage points during the period was mainly due to less high gross profit margin overseas sales were made.

Sales of other Asphalt Specialty Equipment

	Six months ended 30 June		
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>	Change
Revenue	7,327	18,705	-60.8%
Gross profit	1,407	4,629	-69.6%
Gross profit margin	19.2%	24.7%	-5.5pp
Number of contracts	3	5	-2
Average contract value	2,442	3,741	-34.7%

The Group published several new series of brand of asphalt specialty equipment since 2021 which included the LiuGong Asphalt Plant (“LAP”) series asphalt mixing plants, the recycled asphalt pavement (“RAP”) crushing equipment and the sand manufacturing machine.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has become the exclusive supplier of the LAP series asphalt mixing plants since May 2021. This strategic partner will further penetrate the mid-end asphalt mixing plant market to win more orders and expand its revenue stream. There was one sales contract completed during the period. We continue to explore more business opportunities with the sales channel with LiuGong in our coming future.

The Group considered the sales of RAP crushing equipment and the sand manufacturing machine as the new source of revenue for domestic and overseas asphalt mixing plants markets and to its customers as value-added services as well as provided solutions to meet the diversified needs of the customers. Two RAP crushing equipments were sold during the period. As both equipment were new to the market, we expect to give proactive and determined effort to offer this comprehensive asphalt solution to the customers.

Other Income and Other (Losses)/Gains, Net

During the period, other income and other (losses)/gains, net, mainly represented government grants, fair value gain on a financial asset at fair value through profit or loss, net off with the net exchange loss. The decrease was mainly due to the increase in net foreign exchange loss to RMB1.2 million (2023: exchange loss of RMB0.9 million) and the decrease of approximately RMB0.8 million in interest income and fair value gain from a financial asset at fair value through profit or loss.

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 net off with the decrease in marketing expenses, which accounted for a significant portion of expenses in the promotion of new products in comparative period.

Administrative Expenses

Administrative expenses mainly included staff costs, research and development expenses and legal and professional fees. During the period, administrative expenses increased by approximately RMB0.5 million mainly due to the increase in marketing expenses and travelling expenses to expand our business network.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Reversal of Impairment Losses on Financial Assets

The amount represented the net reversal of impairment losses on trade receivables of RMB3,350,000 (2023: RMB3,920,000). 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 RMB1,066,000 (2023: RMB901,000).

Finance Income, Net

Finance income, net, mainly included bank interest income and interest income on unwinding discounted trade receivables offset by interest expenses on lease liabilities. The slightly decrease in finance income, net, during the period was mainly due to the decrease in interest income on bank deposits.

Income Tax Expense

The income tax expense for the six months ended 30 June 2024 was mainly attributable to the deferred tax expense arisen from the reversal of impairment losses of trade receivables.

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company amounted to approximately RMB5,683,000 for the six months ended 30 June 2024 compared with the loss attributable to owners of the Company of approximately RMB6,908,000 for the six months ended 30 June 2023. The decrease in loss for the period was mainly due to the increase in revenue and gross profit as discussed above.

Working Capital Management

Net current assets of the Group amounted to RMB382,601,000 (31 December 2023: RMB428,440,000) with a current ratio of 2.8 times (31 December 2023: 3.5 times) as at 30 June 2024.

Inventories increased by RMB47,292,000 from RMB211,933,000 as at 31 December 2023 to RMB259,225,000 as at 30 June 2024. Inventory turnover days was 461 days for the six months ended 30 June 2024, representing an increase of 48 days as compared to 413 days for the year ended 31 December 2023. The increase in inventories was mainly due to the increase in raw materials purchased and work in progress for sales contracts signed but not yet recognised.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and bills receivables increased by RMB13,451,000 from RMB96,557,000 as at 31 December 2023 to RMB110,008,000 as at 30 June 2024. Trade and bills receivables turnover days was 132 days for the six months ended 30 June 2024, representing a decrease of 16 days as compared to 148 days for the year ended 31 December 2023. The decrease in trade and bills receivables turnover days during the period was primarily due to the settlement from some of the PRC customers and increase of sales during the period. The Group will continue to cautiously monitor the trade receivables collection process so as to improve the collection cycle.

Trade and bills payables increased by RMB21,211,000 from RMB79,897,000 as at 31 December 2023 to RMB101,108,000 as at 30 June 2024. Trade and bills payables turnover days was 177 days for the six months ended 30 June 2024, representing an increase of 3 days as compared to 174 days for the year ended 31 December 2023. The increase in trade payables and turnover days was mainly due to extended payment terms for suppliers and subcontractors, as well as increased sales orders, leading to a higher cost of goods sold.

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 2024, the Group had cash and cash equivalents of RMB95,148,000 (31 December 2023: RMB161,654,000) and pledged bank deposits of RMB23,738,000 (31 December 2023: RMB22,625,000). In addition, the Group had no borrowings (31 December 2023: interest-bearing bank borrowings of RMB909,000). 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 0.2% as at 31 December 2023.

During the six months ended 30 June 2024, the Group recorded cash used in operating activities of RMB29,834,000 (six months ended 30 June 2023: cash generated from operating activities of RMB29,568,000). Net cash generated from investing activities amounted to RMB7,408,000 (six months ended 30 June 2023: RMB2,820,000) for the six months ended 30 June 2024. Net cash used in financing activities for the six months ended 30 June 2024 amounted to RMB42,231,000 which comprised (i) cash dividend paid during six months ended 30 June 2024 of RMB39,898,000; (ii) repayment of borrowings of RMB922,000; (iii) repayment of principal elements of lease payment of RMB738,000; (iv) interest paid on bank standby letter of credit of RMB486,000; and (v) others of RMB187,000 (six months ended 30 June 2023: RMB6,565,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitments and Contingent Liabilities

Capital commitments not provided for in the consolidated financial statements were follows:

	At 30 June 2024 RMB'000	At 30 June 2023 RMB'000
Contracted for – Property, plant and equipment	306	658

As at 30 June 2024, there is no capital commitments authorised but not contracted for (31 December 2023: 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 2024, the Group's maximum exposure to such guarantees was approximately RMB85,592,000 (31 December 2023: RMB112,771,000).

Pledge of Assets

As at 30 June 2024, property, plant and equipment of RMB42,251,000 (31 December 2023: RMB41,899,000), land use right of RMB4,246,000 (31 December 2023: RMB4,311,000) and bank deposits of RMB23,738,000 (31 December 2023: RMB22,625,000) were pledged for bill payables (31 December 2023: 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 2024.

Significant Investments and Material Acquisitions or Disposals

During the six months ended 30 June 2024, 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 2024, 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 C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) were as follows:

(i) Interests in Shares and underlying shares

Name of Director	Long/ Short position	Type of interest	Number of Shares and underlying shares held	Approximate percentage of shareholding in the Company
Mr. Choi Hung Nang	Long	Interest in controlled corporation ⁽¹⁾	345,696,000	54.07%
	Long	Interest of spouse ⁽²⁾	620,000	0.10%
	Long	Beneficial owner	56,216,000	8.79%
Ms. Choi Kwan Li, Glendy	Long	Beneficial owner	4,150,000	0.65%
Mr. Choi Hon Ting, Derek	Long	Beneficial owner	4,150,000	0.65%
Mr. Liu Tom Jing-zhi	Long	Interest in controlled corporation ⁽⁴⁾	13,500,000	2.11%
	Long	Interest of spouse ⁽⁴⁾	150,000	0.02%
	Long	Beneficial owner	2,000,000	0.31%
Mr. Lao Kam Chi	Long	Interest in controlled corporation ⁽⁵⁾	9,000,000	1.41%
	Long	Beneficial owner	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%
Mr. Li Zongjin	Long	Beneficial owner	300,000	0.05%
Mr. Lee Wai Yat, Paco	Long	Beneficial owner	300,000	0.05%
Mr. Fok Wai Shun, Wilson	Long	Beneficial owner	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 in the Company
Mr. Choi Hung Nang	Prima DG Investment Holding Company Limited ("Prima DG")	Long	Beneficial owner	40%
Ms. Choi Kwan Li, Glendy	Prima DG	Long	Beneficial owner	20%
Mr. Choi Hon Ting, Derek	Prima DG	Long	Beneficial owner	20%

Notes:

- 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.
- 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.

OTHER INFORMATION

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 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 end 31 December 2021 and 4,000,000 share options were lapsed during the year end 31 December 2023.
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. 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.

Save as disclosed above, as at 30 June 2024, 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 2024, so far as known to the Directors, the following interests of 5% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Long/ Short position	Type of interest	Number of Shares and underlying shares held	Approximate percentage of shareholding in the Company
Prima DG ¹	Long	Beneficial owner	345,696,000	54.07%
Mr. Choi Hung Nang ¹	Long	Interest in controlled corporation	345,696,000	54.07%
	Long	Interest of spouse	620,000	0.10%
	Long	Beneficial owner	56,216,000	8.79%
Ms. Tin Suen Chu ¹	Long	Interest of spouse	401,912,000	62.86%
	Long	Beneficial owner	620,000	0.10%
Regal Sky Holdings Limited ³	Long	Beneficial owner	48,716,000	7.62%
Ocean Equity Partners Fund L.P. ³	Long	Interest in controlled corporation	48,716,000	7.62%
Ocean Equity Partners Fund GP Limited ³	Long	Interest in controlled corporation	48,716,000	7.62%

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 4,000,000 share options were lapsed during the year end 31 December 2023.
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 2024, 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 2024, none of the above share options was cancelled, exercised or has lapsed and no share option has been granted under the Share Option Scheme.

No share option expenses recognized during the period ended 30 June 2024 and 30 June 2023.

OTHER INFORMATION

There is no outstanding exercisable share option as at 30 June 2024 and 30 June 2023.

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.

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 2024.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group had approximately 323 employees (31 December 2023: 323). The total staff costs for the six months ended 30 June 2024 amounted to approximately RMB33,511,000 (six months ended 30 June 2023: RMB37,706,000).

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 2024 and 2023.

INTERIM DIVIDEND

No interim dividend was paid, declared or proposed during the six months ended 30 June 2024 (2023: Nil).

OTHER INFORMATION

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 2024 (six months ended 30 June 2023: same).

CORPORATE GOVERNANCE CODE

The Board recognises the importance of maintaining a high standard of corporate governance to protect and enhance the benefits of shareholders and has applied the principles and the code provisions of the Corporate Governance Code (the "**CG Code**") contained in "Part 2 – Principles of Good Corporate Governance, Code Provisions and Recommended Best Practices" of Appendix C1 to the Listing Rules. During the six months ended 30 June 2024, the Company has complied with all code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as the code of conduct for its Directors dealing in securities of the Company. The Company has made specific enquiry to all Directors and all Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2024.

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 2024 have been reviewed by the Audit Committee.

Scope of Work of PricewaterhouseCoopers

PricewaterhouseCoopers, certified public accountants and independent auditor of the Company, has reviewed the unaudited interim condensed consolidated financial information for the six months ended 30 June 2024 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

There is no change of director's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 27 to 52, 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 2024 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 selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. 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, 29 August 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Unaudited Six months ended 30 June	
		2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
	Note		
Revenue	6	141,811	118,965
Cost of sales		(92,443)	(75,090)
Gross profit		49,368	43,875
Other income and other (losses)/gains, net	7	422	2,385
Distribution costs		(33,537)	(32,414)
Administrative expenses		(31,598)	(31,054)
Net reversal of impairment losses on trade receivables		3,350	3,920
Operating loss	8	(11,995)	(13,288)
Finance income, net		5,714	6,246
Share of profit of an associate	12	1,066	901
Loss before income tax		(5,215)	(6,141)
Income tax expense	9	(468)	(767)
Loss for the period attributable to owners of the Company		(5,683)	(6,908)
Loss per share attributable to owners of the Company during the period			
– Basic and diluted (<i>RMB cents</i>)	10	(0.89)	(1.08)

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 2024

	Unaudited	
	Six months ended 30 June	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Loss for the period	(5,683)	(6,908)
Other comprehensive (loss)/income <i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(1,060)	1,376
Other comprehensive (loss)/income for the period, net of tax	(1,060)	1,376
Total comprehensive loss attributable to owners of the Company for the period	(6,743)	(5,532)

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 2024

	Note	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	102,531	103,582
Intangible assets	11	1,769	2,147
Investment in an associate	12	63,322	62,256
Deferred tax assets		11,790	12,258
Total non-current assets		179,412	180,243
Current assets			
Inventories		259,225	211,933
Financial asset at fair value through profit or loss	13	–	19,760
Trade and bills receivables	14	110,008	96,557
Prepayments, deposits and other receivables		106,284	84,355
Pledged bank deposits		23,738	22,625
Cash and cash equivalents		95,148	161,654
Total current assets		594,403	596,884
Total assets		773,815	777,127
EQUITY			
Share capital	17	5,059	5,059
Other reserves		525,988	566,946
Retained earnings		25,834	31,517
Total equity		556,881	603,522

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 (CONTINUED)

AS AT 30 JUNE 2024

	Note	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		632	661
Deferred tax liabilities		4,500	4,500
Total non-current liabilities		5,132	5,161
Current liabilities			
Borrowings	15	–	909
Trade and other payables	16	128,238	106,370
Contract liabilities	16	82,270	58,165
Lease liabilities		1,294	899
Income tax payable		–	2,101
Total current liabilities		211,802	168,444
Total liabilities		216,934	173,605
Total equity and liabilities		773,815	777,127

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 2024

	Unaudited							
	Attributable to owners of the Company							
	Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Share options reserve	Retained earnings	Total equity
	RMB'000 Note 17(a)	RMB'000 Note 17(b)	RMB'000 Note 17(c)	RMB'000 Note 17(d)	RMB'000	RMB'000	RMB'000	RMB'000
Unaudited:								
Balance at 1 January 2023	5,059	427,134	65,290	46,900	25,971	13,339	42,042	625,735
Comprehensive loss								
– Loss for the period	-	-	-	-	-	-	(6,908)	(6,908)
Other comprehensive income								
– Currency translation differences	-	-	-	-	1,376	-	-	1,376
Total comprehensive income/(loss)	-	-	-	-	1,376	-	(6,908)	(5,532)
Employee share option scheme								
– Lapse of share option	-	-	-	-	-	(7,864)	7,864	-
– Transfer to Retained earnings	-	-	-	-	-	(5,475)	5,475	-
Balance at 30 June 2023	5,059	427,134	65,290	46,900	27,347	-	48,473	620,203
Unaudited:								
Balance at 1 January 2024	5,059	427,134	65,290	46,900	27,622	-	31,517	603,522
Comprehensive loss								
– Loss for the period	-	-	-	-	-	-	(5,683)	(5,683)
Other comprehensive loss								
– Currency translation differences	-	-	-	-	(1,060)	-	-	(1,060)
Total comprehensive loss	-	-	-	-	(1,060)	-	(5,683)	(6,743)
Transactions with owners in their capacity as owners								
– Dividend paid	-	(39,898)	-	-	-	-	-	(39,898)
Balance at 30 June 2024	5,059	387,236	65,290	46,900	26,562	-	25,834	556,881

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 2024

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Cash flows from operating activities		
Cash (used in)/generated from operations	(27,683)	28,998
Income tax (paid)/refund	(2,151)	570
Net cash (used in)/generated from operating activities	(29,834)	29,568
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment	(828)	(458)
Payments for purchases of intangible assets	(42)	–
Proceeds from disposal of property, plant and equipment, net of tax	7	–
Interest received	8,271	3,278
Net cash generated from investing activities	7,408	2,820
Cash flows from financing activities		
Repayments of borrowings	(922)	(3,974)
Principal elements of lease payments	(738)	(789)
Interest expenses paid	(564)	(315)
Addition of restricted bank deposits pledged for borrowings	(109)	(1,487)
Dividend paid	(39,898)	–
Net cash used in financing activities	(42,231)	(6,565)
Net (decrease)/increase in cash and cash equivalents	(64,657)	25,823
Cash and cash equivalents at beginning of the period	161,654	199,942
Effect of foreign exchange rate changes	(1,849)	1,061
Cash and cash equivalents at end of the period	95,148	226,826

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

1 GENERAL INFORMATION

The Group is principally engaged in manufacturing, distribution, research and development of asphalt mixing plants, other asphalt speciality equipment 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 interim condensed consolidated financial information is presented in thousands of Renminbi ("**RMB'000**"), unless otherwise stated.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2024 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 interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2023, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The Group has adopted the following revised framework and amendments to standards which are relevant to the Group's operations and are mandatory for the financial year beginning on 1 January 2024:

- Classification of Liabilities as Current or Non-current – Amendments to HKAS 1
- Non-current Liabilities with Covenants – Amendments to HKAS 1
- Lease Liability in a Sale and Leaseback – Amendments to HKFRS 16
- Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – Hong Kong Interpretation 5 (Revised)
- Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7

The adoption of the above revised framework and amendments to standards did not have any significant financial impact on this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

3 ACCOUNTING POLICIES (CONTINUED)

(b) New standards and interpretations not yet adopted

The following are amendments to standards and interpretations that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2025 or later periods, but have not been early adopted by the Group.

Standards	Subject	Effective for accounting periods beginning on or after
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
New standard – HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
New standard – HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HK Int 5	Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of assessing potential impact of the above amendments to standards and interpretations that are relevant to the Group upon initial application. It is not yet in a position to state whether these amendments to standards and interpretations will have a significant impact on the Group's results of operations and financial position.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2023.

There have been no changes in the risk management policies since 31 December 2023.

(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, trade and other payables, lease liabilities and borrowings approximate their fair values.

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

5 ESTIMATES

The preparation of the interim condensed consolidated 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 interim condensed consolidated 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 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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, modified equipment and other asphalt specialty equipment.

Revenue consists of the followings:

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of asphalt mixing plants	112,578	67,270
Sales of spare parts and modified equipment	21,906	32,990
Sales of other asphalt specialty equipment	7,327	18,705
	141,811	118,965
Revenue from contracts with customers recognised		
– at a point in time	141,811	118,965

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

6 SEGMENT INFORMATION (CONTINUED)

(a) Revenue from external customers by country

	Unaudited Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Mainland China	97,388	67,797
Outside Mainland China	44,423	51,168
	141,811	118,965

(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 2024 RMB'000	Audited At 31 December 2023 RMB'000
	Mainland China	114,605
Outside Mainland China	53,017	45,541
	167,622	167,985

(c) Information about major customer

During the six months ended 30 June 2024, revenue from customer A of the Group's outside the Mainland China segment amounting to approximately HK\$34,018,000, which represented approximately 24.0% of the Group's consolidated revenue in continuing operations.

Other than disclosed above, no customer with whom transactions have exceeded 10% of the Group's revenue for the six months ended 30 June 2024 and 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

7 OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Other income		
Government grants (Note)	1,034	1,760
Others	31	6
	1,065	1,766
Other (losses)/gains, net		
Fair value gain on a financial asset at fair value through profit or loss	240	923
Interest income from a financial asset at fair value through profit or loss	409	566
Loss on disposal of property, plant and equipment	(260)	–
Exchange loss, net	(1,187)	(943)
Others	155	73
	(643)	619
	422	2,385

Note:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

8 OPERATING LOSS

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

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Cost of inventories	87,607	66,087
Employee benefit expenses	33,511	37,706
Depreciation and amortisation (Note 11)		
– Property, plant and equipment	3,885	4,376
– Intangible assets	424	417
Net reversal of impairment losses on trade receivables	(3,350)	(3,920)
(Reversal of provision)/provision for impairment of inventories	(3,199)	415

9 INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current income tax		
– Over-provision in prior period	–	(238)
Deferred income tax	468	1,005
	468	767

No provision for Hong Kong profits tax was made for the current period (2023: Nil) as the Group had no assessable profits subject to Hong Kong profits tax for the period.

No provision for PRC enterprise income tax was made for the current period (2023: Nil) as the Group had no assessable profits subject to PRC enterprise income tax for the period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

9 INCOME TAX EXPENSE (CONTINUED)

The Group's operations in the Mainland China are subject to PRC enterprise income tax at a statutory rate of 25% (2023: 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% (2023: 15%).

Under the PRC enterprise income tax law and its relevant regulations, a 100% (2023: 100%) additional tax deduction is allowed for qualified research and development expenses.

10 LOSS PER SHARE

The calculation of basic loss per share is based on the loss 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 per share are as follows:

	Unaudited Six months ended 30 June	
	2024	2023
Loss attributable to owners of the Company (<i>RMB'000</i>)	(5,683)	(6,908)
Weighted average number of ordinary shares in issue	639,408,000	639,408,000
Basis loss per share (<i>expressed in RMB cents per share</i>)	(0.89)	(1.08)

For the periods ended 30 June 2024 and 2023, diluted loss per share is the same as basic loss per share as there were no potential dilutive shares.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

11 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment			Intangible assets RMB'000
	Right-of-use assets RMB'000	Other property, plant and equipment RMB'000	Total RMB'000	
Unaudited:				
Six months ended				
30 June 2024				
Net book value				
At 1 January 2024	5,384	98,198	103,582	2,147
Additions	1,074	828	1,902	42
Disposals	–	(267)	(267)	–
Loss on early termination	(37)	–	(37)	–
Amortisation (Note 8)	–	–	–	(424)
Depreciation (Note 8)	(701)	(3,184)	(3,885)	–
Exchange difference	9	1,227	1,236	4
At 30 June 2024	5,729	96,802	102,531	1,769
Unaudited:				
Six months ended				
30 June 2023				
Net book value				
At 1 January 2023	6,691	102,732	109,423	2,892
Additions	349	458	807	–
Transfers	–	(89)	(89)	89
Amortisation (Note 8)	–	–	–	(417)
Depreciation (Note 8)	(810)	(3,566)	(4,376)	–
Exchange difference	16	2,306	2,322	7
At 30 June 2023	6,246	101,841	108,087	2,571

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

12 INVESTMENT IN AN ASSOCIATE

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

	Unaudited	
	2024	2023
	RMB'000	<i>RMB'000</i>
Balance at 1 January	62,256	60,259
Share of profit	1,066	901
Balance at 30 June	63,322	61,160

13 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	Unaudited	Audited
	At	At
	30 June	31 December
	2024	2023
	RMB'000	<i>RMB'000</i>
Current assets		
Investment in convertible bond	–	19,760

In 2021, 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 Mainland China generally accepted accounting principles.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

On 30 April 2024, the bond became mature and the Group did not exercise the equity conversion option. The Group received a total of approximately RMB20,433,000 in cash, comprising of principal of RMB20,000,000 and interest income of RMB409,000, net of tax, on 10 May 2024.

Valuation process

The Group measures its financial asset at fair value through profit or loss. Fair value assessments of the convertible bonds were performed as at 31 December 2023 by an independent firm of professionally qualified valuers. The Group's finance department reviews the valuations 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

	Unaudited At 30 June 2024 RMB'000	Audited At 31 December 2023 RMB'000
Trade receivables from third parties	159,684	170,250
Less: loss allowance	(69,039)	(72,389)
Less: discounting impact	(5,264)	(6,794)
	85,381	91,067
Bills receivables	24,627	5,490
Total trade and bill receivables	110,008	96,557

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

14 TRADE AND BILLS RECEIVABLES (CONTINUED)

- (a) Trade receivables under credit sales arrangement are due for payment in accordance with specific payment terms as agreed with individual customers on a case-by-case basis, subject to the fulfilment of conditions as stipulated in the respective sales contracts. Credit terms up to 18 months were generally granted to the Group's customers.
- (b) The ageing analysis of the trade receivables as at the end of the reporting period based on the date of revenue recognition as follows:

	Unaudited At 30 June 2024 RMB'000	Audited At 31 December 2023 RMB'000
Within 1 year	71,755	94,862
1 to 2 years	12,225	3,878
2 to 3 years	6,056	31,324
Over 3 years	69,648	40,186
	159,684	170,250

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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

15 BORROWINGS

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

	Unaudited At 30 June 2024 RMB'000	Audited At 31 December 2023 RMB'000
Within 1 year	–	909

As at 31 December 2023, RMB909,000 of borrowings were secured by pledged bank deposits RMB4,614,000 and property, plant and equipment RMB36,836,000.

Movements of borrowings are analysed as follows:

	RMB'000
Unaudited:	
Balance at 1 January 2024	909
Repayments of borrowings	(922)
Exchange difference	13
Balance at 30 June 2024	–
	<i>RMB'000</i>
Unaudited:	
Balance at 1 January 2023	11,506
Repayments of borrowings	(3,974)
Exchange difference	370
Balance at 30 June 2023	7,902

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

16 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	Unaudited At 30 June 2024 RMB'000	Audited At 31 December 2023 RMB'000
Trade payables	33,927	19,839
Bills payables (Note)	67,181	60,058
	101,108	79,897
Amount due to a related party	266	266
Other payables and accruals	26,864	26,207
	27,130	26,473
Total trade and other payables	128,238	106,370
Contract liabilities	82,270	58,165
	210,508	164,535

Note:

The Group's bills payables of RMB67,181,000 (31 December 2023: RMB60,058,000) were secured by the Group's pledged bank deposits of approximately RMB18,903,000 (31 December 2023: RMB18,011,000), property, plant and equipment of RMB4,621,000 (31 December 2023: RMB5,063,000) and land use right of RMB4,246,000 (31 December 2023: RMB4,311,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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:

	Unaudited At 30 June 2024 RMB'000	Audited At 31 December 2023 RMB'000
Within 3 months	61,580	30,601
After 3 months but within 6 months	35,575	35,052
After 6 months but within 1 year	247	12,093
Over 1 year	3,706	2,151
	101,108	79,897

17 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES

(a) Share capital

Authorised:

	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares HK\$
At 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	2,000,000,000	20,000,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

(a) Share capital (continued)

Issued and fully paid:

	Number of shares (‘000)	HK\$‘000	RMB‘000
At 30 June 2023, 1 January 2024 and 30 June 2024	639,408	6,395	5,059

(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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

(d) Statutory reserve

Statutory general reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the Mainland China. Appropriations to the reserves were approved by the respective companies' boards of directors.

For the entities concerned, statutory general reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

Specific reserve for maintenance and production funds

Pursuant to the relevant PRC regulations, the Mainland China companies comprising the Group are required to transfer maintenance and production funds at fixed rates based on production volume to a specific reserve accounts. The production and maintenance funds could be utilised when expenses or capital expenditures on maintenance, production and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve account to retained earnings.

18 DIVIDEND

At a board meeting held on 23 May 2024, the directors of the Company recommended the payment of a special dividend of approximately HK\$0.07 per ordinary share, totalling HK\$43.9 million (equivalent to RMB40.0 million) for the year ended 31 December 2023, which was paid in June 2024.

No interim dividend was paid, declared or proposed during the six months ended 30 June 2024 (2023: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

19 COMMITMENTS

Capital commitments

Capital commitments not provided for in the consolidated financial statements were as follows:

	Unaudited At 30 June 2024 RMB'000	Audited At 31 December 2023 RMB'000
Contracted for:		
Property, plant and equipment	306	778

As at 30 June 2024, there is no capital commitments authorised but not contracted for (31 December 2023: 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 2024, the Group's maximum exposure to such guarantees was approximately RMB85,592,000 (31 December 2023: RMB112,771,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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).

(a) Year end balances

	Note	Unaudited At 30 June 2024 RMB'000	Audited At 31 December 2023 RMB'000
Included in other payables: Amount due to a related party – Entity controlled by Choi Family	(i)	266	266

Note:

- (i) As at 30 June 2024 and 31 December 2023, the amount due to a related party was unsecured, interest free and repayable on demand.