

# SUSTAINABILITY REPORT 2019



德基科技

D&G TECHNOLOGY

D&G TECHNOLOGY HOLDING COMPANY LIMITED

◀INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY▶

STOCK CODE 1301





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# 1 ABOUT THIS REPORT



## Reporting Period and Scope

This is the fifth annual sustainability report (the “report”) published by D&G Technology Holding Company Limited (the “Company”) and its subsidiaries (hereafter collectively referred to as “D&G” or the “Group”) (Stock Code: 1301). The report covers the Group’s sustainability performance of the financial reporting period from 1 January 2019 to 31 December 2019 (the “reporting year”). The scope of the report has no significant change, covering D&G’s offices in Hong Kong, Beijing, Shanghai, Guangzhou, Chengdu, Singapore, Pakistan and India, and main manufacturing plant and adjacent employees’ dormitory located in Langfang, Hebei.

## Reporting Framework

The report is prepared in accordance with Appendix 27 Environmental, Social and Governance (“ESG”) Reporting Guide (the “ESG Guide”) issued by The Stock Exchange of Hong Kong Limited (“HKEx”), and “core” option of Global Reporting Initiative standards (the “GRI standards”). The Group adheres to the principles introduced by the ESG Guide and the GRI standards to report on the measures and performances in the reporting year. A content index is attached at the end of this report as a tool to navigate readers to the specific issues corresponding with the ESG Guide and the GRI standards. Information on corporate governance has been reported in detail in the Annual Report in accordance with Appendix 14 of the Main Board Listing Rules.

The board of directors of the Company (the “Board”) would like to express its sincere gratitude to the management and all the staff for their hard work and contribution towards the report and the environmental and social performances throughout the reporting year.

## Contact Details

We welcome you to provide any comments and suggestions on the report and other matters related to the sustainable development of the Group. Please feel free to contact us at:



E-mail: [info@dgtechnology.com](mailto:info@dgtechnology.com)

# 2 BUSINESS REVIEW

Founded in 1999, D&G is a leading manufacturer and service provider of medium and large asphalt mixing plants in China. Its headquarters is located in Hong Kong. The Group focuses on innovation and environmentally friendly production in order to provide customers with efficient, reliable, safe and environmentally friendly conventional hot-mix asphalt mixing plants (“conventional plants”) and hot-mix asphalt mixing recycling plants (“recycling plants”). Such equipment can be applied to the highways of different scales and construction and maintenance of highways. In addition, the Group provides customer services for asphalt mixing equipment in various countries such as China, Singapore, Pakistan and India. The customer services include sales of spare parts and components, provision of equipment modification services and operating leases of asphalt mixing plants.

**D&G’s asphalt mixing plants are divided into four categories for customers to select:**

Categories	Description	Properties
<b>CONVENTIONAL</b>		
<p><b>STANDARD SERIES</b></p>	<p>Traditional and robust asphalt mixing plant</p>	<ul style="list-style-type: none"> <li>• 100-400 tonnes/hour</li> <li>• Conventional</li> <li>• Easy to operate</li> <li>• Reliable</li> <li>• Easy for maintenance</li> </ul>
<p><b>COMPACT SERIES</b></p>	<p>Customers are able to save transportation costs for the Compact Series, and these asphalt mixing plants are designed with individual elements after precise selection and professional configuration for shipping container housings</p>	<ul style="list-style-type: none"> <li>• 100-240 tonnes/hour</li> <li>• Lower shipping costs</li> <li>• Suitable for long-distance transportation</li> <li>• No production capacity compromised</li> </ul>
<p><b>MOBILE SERIES</b></p>	<p>Customers with mobile needs are able to utilise the Mobile Series asphalt mixing plant for quick and efficient works</p>	<ul style="list-style-type: none"> <li>• 100-120 tonnes/hour</li> <li>• Fast Transit</li> <li>• Easy installation</li> <li>• Suitable for maintenance work</li> </ul>
<b>RECYCLING</b>		
<p><b>RECYCLING SERIES</b></p>	<p>As one of the first manufacturers in China to develop recycling plants and export the products to advanced countries such as Australia, D&amp;G takes pride in its recycling series in promoting a more environmentally friendly approach to asphalt production</p>	<ul style="list-style-type: none"> <li>• 100-400 tonnes/hour</li> <li>• 10-50% reclaimed asphalt pavement</li> <li>• Cost reduction</li> <li>• Environmentally friendly</li> <li>• Efficient Production</li> </ul> <p><b>Environmental benefits:</b></p> <ul style="list-style-type: none"> <li>• 10-35% fuel reduction</li> <li>• Less emissions (compared with conventional plants) <ul style="list-style-type: none"> <li>◆ Carbon dioxide – 60%</li> <li>◆ Sulfur dioxide – 70%</li> <li>◆ Volatile organic compounds – 50%</li> <li>◆ Carbon monoxide – 10-30%</li> <li>◆ Nitrogen oxides – 60-70%</li> <li>◆ Particulate matter– 20-25%</li> </ul> </li> </ul>

In the face of the impact of global climate change issues on the market and in line with the national vision of environmental protection development, the Group is well-equipped by incorporating the concept of circular economy into its business, and is devoted to working to further improve the environmental performance of the recycling plants, so as to promote environmental protection throughout the operations. This series effectively uses construction waste such as used and broken asphalt mixtures as raw materials for the production of recycled asphalt pavement. Compared with conventional plants, it also has higher energy efficiency and significantly reduces air pollution emissions, attaining resource-efficient and environmentally friendly production. With the global concern on climate change and the tightening of government environmental requirements for operations, the Group anticipates that the market demand for such products will continue to grow. Therefore, in addition to supporting the global sustainable development goals and the government's development direction, the continuous development of this series will also bring the Group a competitive advantage in the market.

To provide more diversified services, D&G has launched equipment modification services, including the installation of recyclable essential parts, remote control systems and other customised services to upgrade conventional plants. These services are aligned with the market's requirements for technology, providing customers with more convenient and intimate services while enhancing the market competitiveness of D&G.

Meanwhile, the Group endeavours to strengthen product research and development ("R&D") in order to maintain D&G's leading position in the industry over the years. In order to actively carry out different R&D projects, D&G has established the R&D Centre in December 2017 to effectively promote knowledge exchange and lead the team development with innovation as the core. These efforts enable the Group to use new technologies and innovations while improving the environmental performance of its products to promote the development of circular economy and drive business reform.

In an effort to consolidate the sustainable development of the business, D&G has set its vision, mission and core values ("VMC") to determine the direction for its steady development.



In support of the above VMC, the Group has successfully incorporated the concept of circular economy into its business model, making operations more resource-efficient and sustainable:



Hinging on continuous efforts, the market coverage of D&G's practice has reached more than 30 countries and regions (see the map below), and it has also led the expansion of business. The total number of employees of the Group reached 436. They are distributed in business locations in ten different countries and regions, and all subsidiaries are wholly-owned. The Group's achievement allowed it to be successfully listed on the HKEx in 2015, further increasing its influence in the market.



For the economic performance of the Group during the reporting year, please refer to the Group's 2019 Annual Report.



## 3 SUSTAINABILITY HIGHLIGHTS

In response to more stringent environmental protection requirements across the globe, the Group has been playing an important role in shaping a sustainable society through manufacturing more eco-friendly asphalt mixing plants and consistently reinforcing its sustainability strategy.

With an aim to scale up positive efforts to green operations, the Group has proactively taken part in a number of environmental initiatives such as becoming members of green organisations such as Green Council and Friends of the Earth, obtaining green loan financing to support the operation of asphalt mixing recycling plants, and giving pledges to promote sustainable procurement and enhance environmental awareness of stakeholders. These measures have assisted the Group in laying the foundation for sustainable business.

Echoing with the reporting theme of “Reinforcing governance in support of building a sustainable value chain”, the report will present its sustainability governance performance that maintains green and people-centered business operation and makes a positive impact to the society from the inside out. The Group will remain dedicated to effective stakeholder engagement and corporate social responsibility.

The sustainability performance is highlighted as follows:

### Safe Production



- OHSAS 1800:2007 Occupational Health and Safety Management certification
- Zero work fatality rate for 5 consecutive years

### Innovative and Green Manufacturing



- Application of geothermal heat pumps in the R&D Centre
- Use of industrial robots, smart meters, and computer numerical control
- Continuous replacement of more energy-efficient machines
- Introduction of LED lighting across factory
- Research on low-nitrogen combustion technology to improve air quality

### Environmental Performance



- Total energy intensity in the reporting year reduced by 32% from the same period last year
- Total greenhouse gases emission intensity in the reporting year reduced by 35% from the same period last year
- 77% of waste recycled

### Patents and Copyrights



- 109 Registered patents – 4 invention patents, 105 utility model patents
- 31 Combustion technology patents that reduces air pollutant emissions
- 26 Software copyrights

### Recognition and Awards



- Caring Company
- EcoChallenger
- Hong Kong Green Awards 2019 – Corporate Green Governance Award
- 3 Years+ EcoPioneer
- Green-design Industrial Product Demonstration Enterprise
- Green Finance Certification Mark issued by HKQAA

### Staff Training



- 80 Topics – 11 hours on safety and security, 265 hours on professional knowledge, 28.5 hours on management and operation

## 4 CHAIRMAN'S STATEMENT



Dear Stakeholders,

I am pleased to present the Sustainability Report of D&G for the year ended December 31 2019. It outlines our tireless efforts to driving sustainable development and creating positive values for our operations, environment and society.

D&G embarked on another fruitful milestone in the reporting year by demonstrating our actions deployed to manage the potential opportunities and risks associated with ESG issues. As one of the practical solutions to stimulate green production and environmental stewardship, green finance assists in attracting investors to support projects with environmental benefits. I feel honoured to witness that D&G is certified as green finance issuer under the Green Finance Certification Scheme of the Hong Kong Quality Assurance Agency in March 2019. Through obtaining green loans from Hong Kong and Shanghai Banking Corporation in February 2019, we are confident that this initiative is able to catalyse our transition to more sustainable business.

In addition, during the reporting year, we made progress in embedding sustainability elements into our value chain. On top of the last year's signatory to the Sustainable Procurement Charter of Green Council, we have set new procurement objectives for the year of 2020 to assure the materials quality and supply chain stability. With an aim to instil sustainability concepts in our supply chain, we also strive to prioritise suppliers that demonstrate ESG commitments.

As a company emphasising environmental management, D&G remains committed to the application of R&D of environmental protection technology as to improve product performance. In the upcoming year, the Group will continue to leverage our expertise in manufacturing recycling plants, paving the way for a greener living environment for the next generation.

Echoing with our sustainability dedication, the theme of this report is "Reinforcing Governance in Support of Building a Sustainable Value Chain". We place high importance to our value chain as it refers to the full lifecycle of our product and manufacturing processes, such as raw material sourcing, emission control and waste management. From setting clear targets to adopting holistic management approach to various ESG issues, we believe that robust sustainability governance helps add values to our supply chain and lay the foundation for sustainable operations.

In face of opportunities and challenges during the reporting year, I would like to express my sincere gratitude to our management team and staff for their consistent contributions to the sustainable flourish of our business.

**Choi Hung Nang**

*Chairman*

17 June, 2020

# 5 STAKEHOLDER ENGAGEMENT

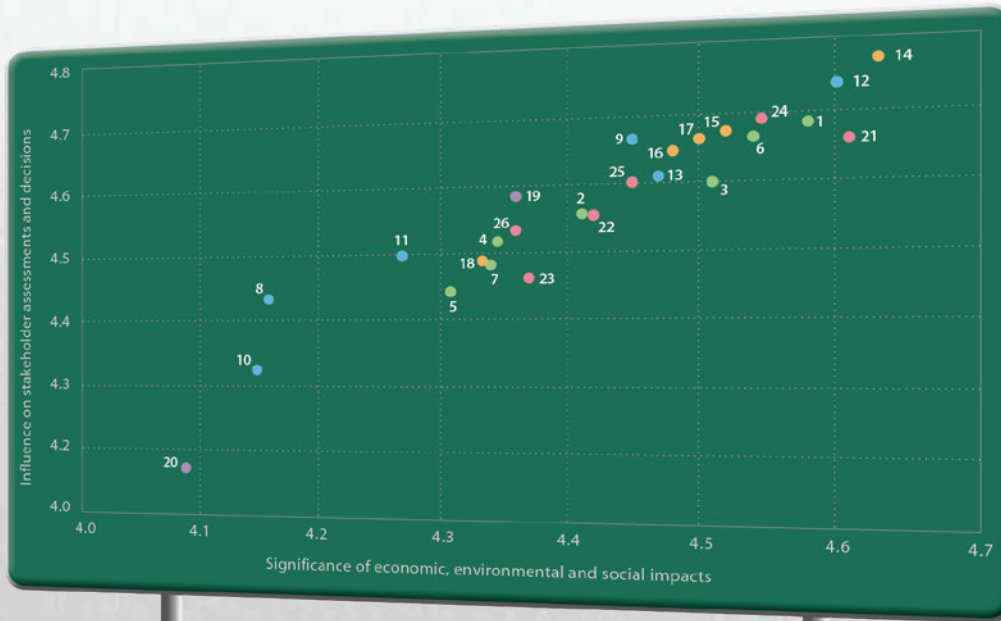
D&G believes that the valuable opinion of stakeholders is paramount for the Group to conduct business planning. Therefore, D&G is dedicated to establishing an interactive communication channel with stakeholders in business decision-making to better understand their expectations and needs. During the reporting year, the Group devoted itself to maintaining a close connection with the stakeholders via various means, including online communication platforms such as WeChat public account and official website.

## Communication Channels

Stakeholder Groups	Participants	Topics	Engagement Methods	Engagement Time
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Management</li> <li>• Employees</li> <li>• New employees</li> </ul>	<ul style="list-style-type: none"> <li>• Quality management</li> <li>• Environmental management</li> <li>• Occupational health and safety management</li> </ul>	<ul style="list-style-type: none"> <li>• Quality / environmental / occupational health and safety management system training</li> <li>• Quality / environmental / occupational health and safety management system three-aspect audit</li> <li>• Employee meeting / satisfaction questionnaire</li> <li>• On-the-job training and physical examination</li> </ul>	<ul style="list-style-type: none"> <li>• July</li> <li>• September</li> <li>• December</li> <li>• Entire year</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Road construction companies</li> <li>• Road construction machinery distributors</li> </ul>	<ul style="list-style-type: none"> <li>• Discussion on cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• Satisfaction questionnaire</li> <li>• Factory inspection</li> <li>• Site visit</li> </ul>	<ul style="list-style-type: none"> <li>• Several times</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Material suppliers</li> <li>• Subcontractors</li> </ul>	<ul style="list-style-type: none"> <li>• Training and technical exchange</li> <li>• Assessment and capability survey</li> </ul>	<ul style="list-style-type: none"> <li>• Study visit</li> <li>• Product technical standards exchange forum</li> <li>• Supplier capability survey</li> <li>• Supplier assessment</li> </ul>	<ul style="list-style-type: none"> <li>• December</li> <li>• November</li> <li>• Several times</li> <li>• June to July</li> </ul>
<b>Education and research partners</b>	<ul style="list-style-type: none"> <li>• Construction machinery association road machine chapter</li> <li>• China Highway and Transportation Society</li> <li>• Institute of Tsinghua University, Hebei</li> <li>• Research Institute of Highway Ministry of Transport</li> </ul>	<ul style="list-style-type: none"> <li>• Summit</li> <li>• Technical exchange</li> </ul>	<ul style="list-style-type: none"> <li>• The 10<sup>th</sup> China Asphalt Mixing Plant Industry Summit</li> <li>• Teaching and technical sharing and exchange forum</li> </ul>	<ul style="list-style-type: none"> <li>• December</li> <li>• December</li> </ul>
<b>Government and other public bodies</b>	<ul style="list-style-type: none"> <li>• Provincial and municipal local governments</li> <li>• County Party Committee and County Government</li> </ul>	<ul style="list-style-type: none"> <li>• Inspection</li> </ul>	<ul style="list-style-type: none"> <li>• Inspection</li> <li>• Factory exchange interview</li> </ul>	<ul style="list-style-type: none"> <li>• Several times</li> </ul>
<b>Business partners</b>	<ul style="list-style-type: none"> <li>• Distributors</li> <li>• Exclusive Dealers</li> <li>• Joint Venture partners</li> </ul>	<ul style="list-style-type: none"> <li>• Introduction of product performance</li> <li>• Product knowledge training and discussion</li> </ul>	<ul style="list-style-type: none"> <li>• Seminar</li> <li>• Training session</li> <li>• Meeting and discussion</li> </ul>	<ul style="list-style-type: none"> <li>• Several times</li> </ul>
<b>Social media</b>	<ul style="list-style-type: none"> <li>• Industry magazine</li> <li>• Industry network platform</li> </ul>	<ul style="list-style-type: none"> <li>• Information promotion</li> </ul>	<ul style="list-style-type: none"> <li>• Collaboration and cooperation</li> <li>• Advertising and promotion</li> </ul>	<ul style="list-style-type: none"> <li>• Several times</li> </ul>

## Materiality Assessment

To identify material issues through quantitative methods, D&G hired an independent consulting firm during the reporting year, and collected the opinions of a total of 251 stakeholders through questionnaires, including employees and suppliers. With the assistance of the consulting firm, the senior management had selected 26 economic, environmental and social issues for the participants to rate anonymously in the questionnaire (1 is the least important; 5 is the most important). Based on the ratings of these issues, the Group identified and reported a total of 14 material issues, and report them in detail in the report to respond to the stakeholders.



Aspects	Number	Material Issues	Material Issues
Environment	1	Air emissions control	✓
	2	Greenhouse gases emissions and control	✓
	3	Energy consumption and conservation	✓
	4	Water use and conservation	
	5	Non-hazardous waste management	
	6	Hazardous waste management	✓
	7	Material use	
Workplace practices	8	Employment standards	
	9	Labour standards	✓
	10	Diversity and equal opportunity	
	11	Non-discrimination	
	12	Occupational health and safety	✓
	13	Training and development	✓
Product responsibility	14	Quality assurance	✓
	15	Marketing and labeling	✓
	16	Customer privacy	✓
	17	Customer health and safety	✓
	18	Supplier environmental and social assessment	
Social	19	Stakeholder engagement	
	20	Community involvement	
Economic	21	Economic performance	✓
	22	Indirect economic performance	
	23	Procurement practices	
	24	Compliance	✓
	25	Anti-corruption	✓
	26	Anti-competitive behaviour	

Even though greenhouse gas (“GHG”) emissions and control are not classified as high materiality, there is a problem of global climate change. D&G reckons that the control of GHG emissions is of vital importance, and hence ranks it as one of the material issues. In order for stakeholders to explore further about various economic, environmental and social issues, the Group has voluntarily disclosed other sustainability issues even they are not considered highly material, such as water use, supplier assessment and community involvement. Moreover, the Group hopes to invite more stakeholder groups to share their opinions in the coming year, so as to further increase the reference value of materiality assessment.

## 6 SUSTAINABLE VALUE CHAIN



D&G believes that success of the business is contributed by various factors. They include concrete objectives set out based on the background and knowledge of the senior management, conceptual business strategy risk management, business transparency and integrity, procurement and quality assurance practices, as well as the ways the Company understands industry and market trends. These factors correlate to the stability of business operations, hence maintaining long-term collaborations with customers and business partners to create a sustainable value chain.

### Corporate and Sustainability Governance

The Group regards excellent corporate governance as the key to maintaining a sustainable value chain. To this end, the Company has developed a well-defined structure and division of labour among departments. With top-down management approach, D&G formulates comprehensive policy and supervision mechanism to guarantee effective management of operations. First, the senior management, composed of the Board Chairman and the Chief Financial Officer, is responsible for reviewing the effectiveness of internal control systems and risk management methods to determine strategic business objectives. Among the 11 senior management members, six of them are independent and non-executive directors (“INED”) and non-executive directors (“NED”). They are in charge of the advisory of corporate governance affairs, such as important strategy development, performance, accountability, major appointments and transaction issues.

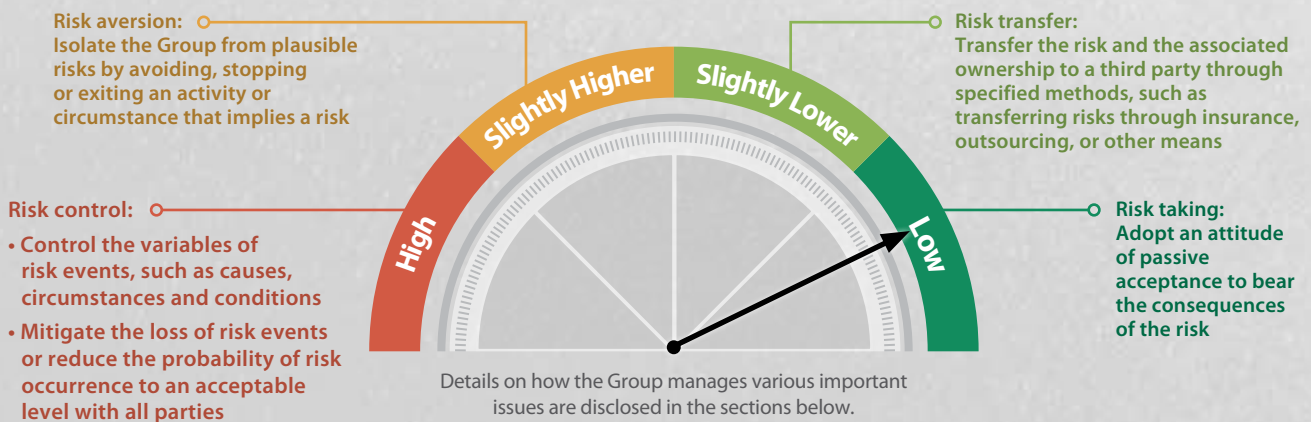
The Group’s Sustainability Committee (the “Committee”) centrally manages environmental and social issues, to improve the efficiencies of decision-making and implementation of different issues. Members of the Committee include Executive Director and General Manager, Marketing Centre, Deputy General Manager of Production Centre, Deputy General Manager of Control Centre, Chief Engineer, and staff of the Technical Research Office. If the Committee encounters any economic problems, it can raise the issues to the corresponding departments. Besides, in order to facilitate the Committee’s execution of specific planning and works relating to sustainability governance, the Committee will establish a sustainable development working group to assist in the implementing relevant measures.

## Risk Management

D&G puts importance to risk management and regards it as the essential factor of steady business development. D&G defines risk as any uncertainty that threatens or affects business development and goals. During business decision making, the Group integrates environmental and social factors into consideration, aiming to avoid and minimise the operational risk of the business, as well as ensuring its sustainability.

In particular, the Group uses internally developed risk management policies and measures to prevent and control identified significant risks, including resource supply sustainability, overseas market management, financial credit reliability and environmental compliance. In response to the risks of different natures, the Group uses its internal risk management systems to conduct corresponding risk assessments. According to the results of confirmed analysis, the Group determines the risk level (divided into high, slightly higher, slightly lower and low) of projects, and classifies the projects into the risk database that serves as a risk-and-opportunity factor when making business decisions.

If a project is regarded as high-risk under risk assessment, the Quality Control Department (the "QC Department") will execute and oversee the risk management measures of the entire project, in accordance with the initial assessment results and with the assistance of relevant departments. Overall, D&G has adopted the following measures in consideration of the probability of risk occurrence to reduce potential risks:



## Operational Compliance

D&G views operational compliance forms an important element of corporate social responsibility. The Group establishes stringent management control departments, processes and policies on economic, social, and environmental aspects. To maintain innovative and compliant business model, the Group sets up the Legal and Compliance Department ("L&C Department") to regulate the compliance of the Group's operation.

To support environmental compliance, the Group has established the Safety and Environmental Department ("S&E Department"), which supervises the environmental and safety performance, and responds to the related updates by the government. The S&E Department is required to regularly receive relevant sustainable trainings arranged by the government, so as to ensure the operation complies with the latest and relevant local laws and regulations.

Dedicating to the effective operation of D&G, the Group has complied with and did not violate the laws and regulations on environmental, social, and economic aspects that were subjected to high fines and non-monetary sanctions during the reporting year. During the reporting year, D&G had three recorded cases that were resolved by the dispute mechanism. Two of the cases involved labour relations and were won by D&G at last. Another case was related to customer arrears and already retrieved through legal mechanism.

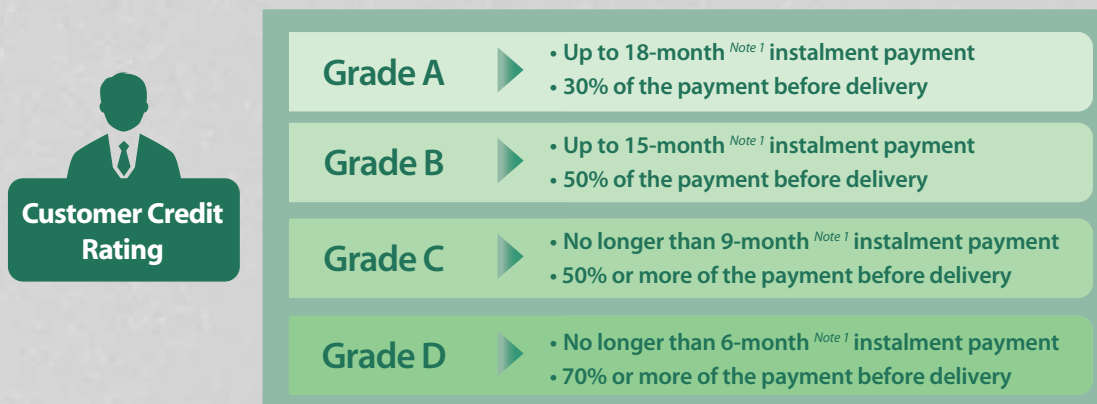
## Ethics and Integrity

In accordance with the core values upheld by the Group, excellent conducts of ethics and integrity are fundamental to the business. To express its expectations thoroughly, D&G has established corresponding guidelines with a reward and punishment mechanism to encourage employees to be self-disciplined. Employees are also required to attend regular trainings to understand the importance of occupational ethics to the Group. In addition to the Company’s internal management, the Group keeps communicating the ethics and integrity standards with suppliers and business partners.

The Group has set up whistle-blowing channels such as mailbox, mailing address, telephone (fax) or email, and assigned the L&C Department to monitor the related issues. The Group encourages the employees to report any suspicious misbehaviours anonymously or in person. In case of reported misconduct, the L&C Department would conduct investigation and contact the complainant and the parties involved. Meanwhile, it also ensures the confidentiality of sources in order to protect whistleblowers.

Regardless of the findings of the investigation, the L&C Department shall inform the complainant about the results and evaluate the seriousness of the case and decide whether to have internal punishment or contact relevant authorities for handling. For sake of fairness, if the relevant parties are not pleased with the results, they could request re-investigation and submit relevant and additional information. The L&C Department could ask for confirmation from the senior management accordingly. If the case was confirmed, the complainant could be monetarily or administratively rewarded according to the conclusion from the senior management. Due to the Group’s excellent business ethics, the Group had not noticed any relevant corruption cases during the reporting year.

Apart from anti-corruption, D&G also attaches great importance to the integrity management between corporate and customers so as to ensure that its credit policies effectively protect the interests of both parties. Having noticed long-term arrears affairs, the Group has reviewed current customer credit policies and collection arrangements, as well as strengthening the internal control procedures. As shown in the figure below, the credit policies currently established by the Group mainly divide the customer credit ratings into four major categories:

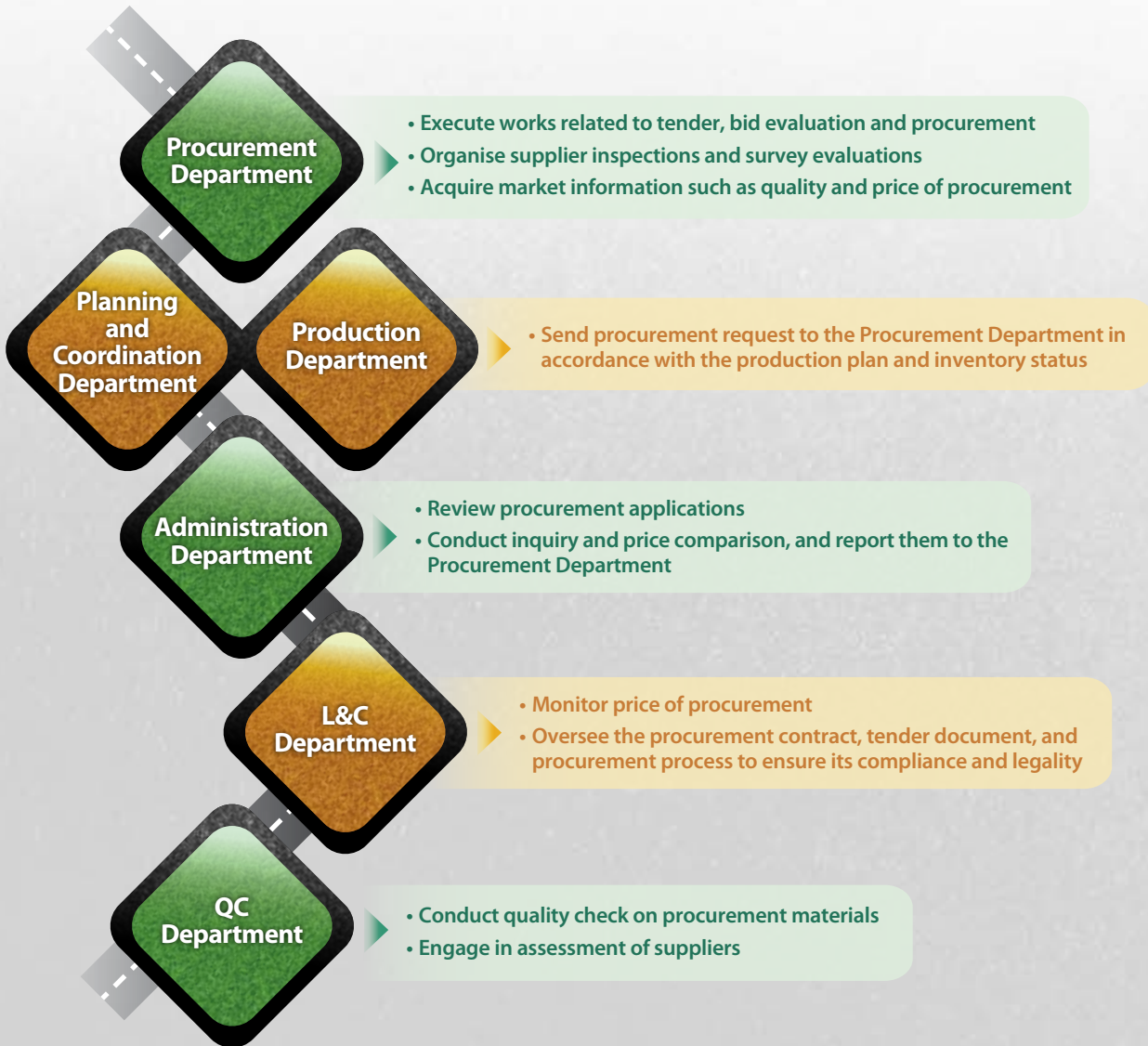


Note 1: From the date of contract signing

In addition, the Group believes that healthy competition is able to drive development and improvement of the industry. D&G places emphasis on fair competition and has confidence in its corporate image and product quality. To ensure that the Group’s operations comply with relevant laws and regulations, the Group, with the assistance of the L&C Department, has formulated policies to promote anti-competitive or monopolistic behaviour. During the reporting year, the Group has complied with the regulations related to anti-competitive behaviour, anti-trust and monopoly practices.

## Sustainable Procurement

A stable and sustainable supply chain is the cornerstone of stable business growth. The Group has developed stringent management and control systems as well as policies for the supply chain, and allocated different departments to undergo risk and performance assessments in order to assure the materials' quality and supply chain stability.



During the procurement process, the Procurement Department plays a vital role in preliminary selection of qualified suppliers according to the procurement standard and production requirement. Also, in doing so, there is comparison of several factors, including materials quality, price, delivery date, packaging, after-sale service and technological support. In the meantime, the Procurement Department selects several qualified suppliers for comparison. Apart from basic requirements such as quality, price and delivering capacity of the supplier's products, environmental, occupational health and safety ("EHS") performance as well as the financial status of the suppliers are incorporated into consideration. Thus, the suppliers are required to submit relevant documents for verification.



In terms of EHS, suppliers have to prove their comprehensive EHS management systems through submission of relevant qualifications and test reports. This ensures they can control the sources of pollution and hazards on-site effectively. Besides, the suppliers have to indicate clearly that there is no material environmental pollution or fatality case. The relevant departments could conduct on-site inspection if necessary. In the reporting year, in pursuance of commitments to the Sustainable Procurement Charter of Green Council, the Group stepped forward to tighten the EHS requirements for supplier assessment. The details are elaborated in the progress table on the following page.

The suppliers with higher scores are regarded as the major suppliers and are offered larger orders, whereas other suppliers are classified as low-priority and alternative. In order to ensure the sound performance of the major suppliers and give opportunities to the low-priority and alternative ones to improve, D&G reviews the supplier list by conducting yearly assessment on all suppliers. If the supplier fails the yearly assessment, it has to reply and provide improvement plan within two working days after the release of the assessment results. Otherwise, it will be treated as acquiesced. The supplier with improvement made would then be re-assessed. To ensure the fairness of the review mechanism, the unqualified suppliers would be classified as alternative suppliers, yet they can still undergo annual reviews.


Through conducting careful inspection, measurement, observation and process verification, the QC Department is responsible for the quality control of the procured materials. If there is major quality issue, the QC Department shall issue a “non-conformity report”, and hands over the case to the Procurement Department for product return. If the “non-conformity report” is issued twice while the quality is not improved or maintained below standard, the Procurement Department shall conduct an emergency assessment, and deal with the supplier and keep relevant records in accordance with the assessment results. D&G would terminate the cooperation with directly disqualified suppliers for at least two years.

The Langfang factory of D&G is a crucial business and production site. The Group realises that environmental emissions will be caused during the transportation of materials. Therefore, the Group prioritises domestic and local suppliers. Apart from reducing environmental footprint and alleviating the impact of climate change, the initiative acts to support local economy as well. During the reporting year, the Group has already added 20 suppliers. Among a total of 178 suppliers, only 2 of them were overseas suppliers. In terms of logistics of merchandises, D&G is devoted to improving the domestic and international freight logistics systems, in order to gradually extend the coverage of customer base. Furthermore, the Group regularly evaluates the performance of logistics companies that are currently cooperating with and bidding, including their overall loading capabilities and integrated service levels.


**2 Overseas suppliers** Note 2 

Payment amount to overseas suppliers and percentage:

**3,934 (RMB'000) ▶ 1.4%** 

**176 Local suppliers** Note 3 

Payment amount to local suppliers and percentage:

**279,416 (RMB'000) ▶ 98.6%** 



Note 2: Overseas suppliers refer to suppliers located outside of Mainland China  
 Note 3: Local suppliers refer to suppliers located in Mainland China

## 6 SUSTAINABLE VALUE CHAIN

During the reporting year, the Group's commitments to the Sustainable Procurement Charter have noticeable progress. Despite this, D&G has not ceased its work on sustainable procurement. By setting new objectives for the coming years, the Group continues to scale up its contributions to sustainable procurement.



Policy	Strategy	Objective of 2019	Target of 2019	Progress of 2019	Objective of 2020	Target of 2020
<ul style="list-style-type: none"> <li>Strive to implement sustainable measures by considering ESG factors</li> </ul>	<ul style="list-style-type: none"> <li>Incorporate sustainability into the system</li> </ul>	<ul style="list-style-type: none"> <li>Add sustainable procurement process into existing procurement policy</li> </ul>	<ul style="list-style-type: none"> <li>Add sustainable procurement process into existing procurement policy</li> <li>Publish and upload sustainable procurement policies and procedures</li> </ul>	<ul style="list-style-type: none"> <li>Drafted and added sustainable procurement regulations in the "Supplier Management Guidebook"</li> </ul>	<ul style="list-style-type: none"> <li>Conserve raw materials</li> </ul>	<ul style="list-style-type: none"> <li>Refine models of asphalt mixing plants to save at least 12 tonnes of steel consumption</li> </ul>
<ul style="list-style-type: none"> <li>Strive to reduce the consumption of natural resources</li> </ul>	<ul style="list-style-type: none"> <li>Purchase and use more energy efficient products and services in support of sustainable development</li> </ul>	<ul style="list-style-type: none"> <li>Cultivate "paperless office" culture to reduce paper use</li> <li>Increase number of electric cars to reduce consumption of fossil fuel</li> </ul>	<ul style="list-style-type: none"> <li>Improve the use of office system and reduce paper consumption by 20%</li> <li>Use electric vehicles for the warehouse loading forklift</li> </ul>	<ul style="list-style-type: none"> <li>Developed internal Office Automation ("OA") monitoring system</li> <li>Reduced the use of paper by 16.03% as compared with the previous reporting year</li> <li>Adopted the newly purchased electric automobiles</li> </ul>	<ul style="list-style-type: none"> <li>Reduce pollution emissions, save energy and minimise consumption through production cutting process</li> <li>Reduce exhaust emissions from fuel forklifts</li> <li>Optimise power consumption and save energy</li> </ul>	<ul style="list-style-type: none"> <li>Upgrade and procure a laser cutting machine, which conserves about 9,000 kWh of electricity</li> <li>Procure at least 2 electric forklifts to reduce fuel consumption by approximately 1,000 liters per unit</li> <li>Upgrade metal-halide lamps to LED lamps in the factory to save about 30,000 kWh of electricity</li> </ul>
<ul style="list-style-type: none"> <li>Strive to prevent and minimise the adverse impacts of supply chain on the society</li> </ul>	<ul style="list-style-type: none"> <li>Select suppliers with good social performance</li> </ul>	<ul style="list-style-type: none"> <li>Consider EHS and its social contribution weighting in supplier management assessment</li> </ul>	<ul style="list-style-type: none"> <li>Include social performance in consideration of assessment on all new potential suppliers</li> <li>Ensure existing suppliers attain a passing grade in EHS assessment</li> </ul>	<ul style="list-style-type: none"> <li>Considered suppliers' social behaviour when conducting assessment (3 points or higher are regarded as qualified)</li> </ul>	<ul style="list-style-type: none"> <li>Procure paintings with less pollution and improve production processes to reduce volatile organic compounds ("VOC") emissions</li> </ul>	<ul style="list-style-type: none"> <li>Adopt high-solid paintings and reduce emissions by about 10,000 kg VOC</li> <li>Improve the process in small pieces painting, produce and use spray paint hangers, which can save energy by 50%</li> </ul>
<ul style="list-style-type: none"> <li>Strive to enhance suppliers' awareness of sustainable development, and encourage innovation, wide application of new technologies and designs</li> </ul>	<ul style="list-style-type: none"> <li>Encourage suppliers to innovate and widely apply new technologies and designs</li> </ul>	<ul style="list-style-type: none"> <li>Enhance suppliers' awareness of sustainable development</li> </ul>	<ul style="list-style-type: none"> <li>Require a number of suppliers with patents for innovation and application of new designs</li> </ul>	<ul style="list-style-type: none"> <li>Required suppliers to provide a patent list, in which 4.4% could provide it</li> </ul>	<ul style="list-style-type: none"> <li>Further enhance suppliers' awareness of sustainable development</li> </ul>	<ul style="list-style-type: none"> <li>Implement sustainable procurement policies in at least 10 large-scale suppliers</li> <li>Increase the proportion of EHS in supplier management evaluation to 10%</li> </ul>
<ul style="list-style-type: none"> <li>Strive to minimise the sustainability risks and impacts of our products and services</li> </ul>	<ul style="list-style-type: none"> <li>Apply risk management tool in procurement process</li> </ul>	<ul style="list-style-type: none"> <li>Improve "risk identification, evaluation and response measure", to minimise the risk and impacts of sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Improve the implementation of "Risk identification, evaluation and response measures"</li> </ul>	<ul style="list-style-type: none"> <li>Identified risks and control measures for each process in the Procurement Department</li> </ul>	<ul style="list-style-type: none"> <li>Further improve "risk identification, evaluation, and response measures, in order to minimise the risks and impacts associate with procurement sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Further improve the implementation of "Risk identification, evaluation and response measures"</li> </ul>

By implementing the above measures, D&G desires to not only create a more stable supply chain, but also to bring positive impacts on sustainable operation and awareness of suppliers. Anticipating that the requirements of business partners and customers for products and services will be increasingly strict, D&G will continue to maintain close relationships with suppliers to ensure their qualities will align with the latest requirements and standards.

## Quality Assurance

Quality is the key to maintaining corporate reputation and performance. In this regard, D&G incorporates the concepts of innovation and circular economy, and strives to develop new technologies to bolster the functions and performances of products. On the other hand, the Group is devoted to maintaining stringent production supervision to enhance resource efficiency, and providing optimal quality by leveraging on the resource-based solutions. Hinging on years of efforts, the Group has attained numerous international standard certifications, recognising its stable quality and production efficiency:



The Group believes that professionalism not only comprises of knowledge and skills, but also respect for intellectual property rights. To this end, the Group bans adoption of pirated software, and clearly states that all employees are prohibited from downloading software on company computers without authorisation. By the end of the reporting year, D&G owned up to 109 registered patents and 26 software copyrights.

Since the establishment of R&D Centre in the December of 2017, it has consistently developed new technologies and products for the Group through innovation. In addition, the building has also specifically formulated technical standards for purchased materials, and provided technical data required for outsourcing. Also, it assists in specifying the quality monitoring process as well. In order to strengthen the public's understanding of mixing plants produced by the Group, part of the building has been opened to the public. The exhibition hall of the building is equipped with virtual reality tools to allow visitors to experience the production process of asphalt mixing plants.

In order to ensure the stability of product quality, the Group has formulated quality assurance procedures and measures in accordance with the international standard ISO9001:2015 Quality Management System:



In order to standardise the quality testing process, the Group has appointed the Technology and Process Management Department to prepare procedures and instructions. Employees are enabled to carry out works in accordance with relevant instructions. Only after confirmation by the factory supervisor or inspector, mass production can take place.

Each department has various quality management responsibilities. During the production process, the supervisor must supervise and ensure that the production process is under control, and seek technical support from the Technology and Process Management Department when necessary. If the QC Department encounters any problems during the inspection process, it must promptly notify the Production Department to take prompt corrective measures. In addition, the Group arranges regular on-the-job training for employees to enrich their operational knowledge and enhance work efficiency. The equipment must be regularly maintained and repaired to prevent the production efficiency from being affected due to its failure.

Apart from performance of the products, D&G also attaches equal importance to product safety. Prior to the commencement of production, the Group strictly complies with the standards of the country or region where the equipment operates, and considers the impacts of compositions of products on the environment and society. Moreover, the Group also adheres to safety requirements, guaranteeing that the products are able to operate properly in that country or region.

D&G carries out quality inspections on all products in accordance with the CE and EAC certification standards so as to secure the health and safety of customers. In recognition of the Group's stringent product quality inspection, D&G had no recalled sales or shipped products due to safety and health concerns in the reporting year.

To ensure the products delivered meet the specified standards, the Group is committed to identifying and controlling defective products. The Production Department is responsible to isolate and place the defective semi-products and products in "Defective Products Area" first. Depending on the reasons, they are then repaired or handled by the QC Department or the Technology and Process Management Department. The repaired products shall be reassessed and confirmed by the QC Department. As for the scrapped products, the Production Department will place them in the waste area and recycle as far as possible. For the major cases, they will be discussed during the quality assurance meetings, hence developing improvement measures to avoid recurrence.

Sound product experiences for customers can effectively increase customer satisfaction with the Company, so the Group regards it as the basis of sustainable business development. As a responsible enterprise, D&G emphasises that its products provide sufficient and correct relevant information. This is to ensure that the product safety and usage are consistent with those described at the time of sales and that customers are able to safely use the product and understand the characteristics of the product, including technical data, drawings and safety operation manuals. In addition, in order to increase the convenience of customers when installing equipment, the Group provides detailed installation instructions or technical indicators. During the reporting year, the Group did not violate the regulations regarding health and safety, information, and logos and marketing of product and service.

D&G is committed to shaping an integrity-based culture, with an aim to be a corporate that is worthy of customers' trust. In addition to providing high-quality products and services, the Group also focuses on protecting customer privacy. The Employee Handbook states that employees must ensure that customer information is not disclosed, and that they must not steal their data for profit and damage the interests of the Group. When the Group signs a contract with a customer, it must also attach a confidentiality agreement to prevent leakage of customer data. In addition, the Group also regularly maintains information technology protection systems to prevent the system from being attacked by malware and to prevent data theft. During the reporting year, the Group was not aware of any material non-compliance and complaints in relation to the violation of customer privacy matters.

## Customer Service

The Group views customer feedback as an opportunity to improve its quality control framework and measures, and to prevent such problems from recurring. In this regard, D&G has established multiple communication channels for customers to voice out their opinion. The process for handling customer complaints is as follows:



As for complaints regarding quality problems that have been found after delivery or after use, the Engineering Service Department will collect and handle them in a unified manner, and promptly report them back to the QC Department. The QC Department holds a quality meeting every two weeks, during which it formulates corresponding improvement and preventive measures based on the analysed and summarised data. Meanwhile, the Engineering Services Department shall negotiate with customers in a timely manner, including following up and reporting on the progress of the negotiations, in order to efficiently seek solutions that satisfy customers.

If the complaint is related to EHS requirements, the S&E Department would be responsible for verifying the relevant products and services, and implementing the corresponding corrective measures. The QC Department shall monitor the progress and effectiveness of various measures. To ensure continuous improvement of product quality and EHS issues, the Group has developed an assessment mechanism to review the job performance of the QC Department and the S&E Department. These departments are required to submit summary reports and carefully analyse the causes, corrective measures and summary of preventive measures for each incident.

In order to manage the needs of customers effectively, the Group has divided the complaint cases into four general categories:

Type	Description	No. of Case Received in 2019	No. of Case Received in 2018
<b>General complaints</b>	Customer complaints that can be easily resolved through communication	<b>802</b>	<b>895</b>
<b>Crisis Complaints</b>	Customer complaints that have a major impact on the Company's image and brand	<b>1</b>	<b>13</b>
<b>Major complaints</b>	Customer complaints that have a potential impact on the Company's image and brand	<b>16</b>	<b>3</b>
<b>Invalid complaints</b>	Customer complaints that are caused by misunderstandings	<b>17</b>	<b>37</b>

During the reporting year, the Group was not aware of any material non-compliance in relation to health and safety, advertising and labelling. The complaints related to products and services and received by D&G were mainly due to minor accessory failures. The Group has a comprehensive complaint handling mechanism. With regard to complaints filed by customers, the Group was aware of the incident in a timely manner and explained clearly to customers. Also, the re-delivery of accessories and compensation were arranged.

In view of the drastic increase in demand for customised service, D&G has immediately adopted a number of measures such as strict supervision procedures and strengthened R&D, so as to effectively control costs, efficiency and quality. For instance, the Group has established an industrial Internet platform to improve efficiency and quality of customer service, thereby ensuring customer satisfaction. The platform is positioned as self-built industrial Internet cloud platform for enterprises, mainly providing services of asphalt concrete production, sales, data statistics, decision analysis and information communication. The initiative helps to promote effective coordination of all stages during the production process, and to reduce material loss and assure product quality.



### Industrial Partnerships

Maintaining close industrial partnerships is of paramount importance, enabling D&G to keep track of the industrial trend and share its operating model of sustainable business. In addition to joining the memberships of various professional associations and institutions, the Group has collaborated with various professional research institutions, contributing to transition the entire industry to the era of green development.



- Vice president of China Construction Machinery Association Road Machine Chapter
- Permanent member of The Hong Kong Metals Manufactures Association Limited
- Member of Group 7 and Group 26 of Federation of Hong Kong Industries
- Sterling Silver Member of World Wildlife Fund (“WWF”) Hong Kong Branch (until July 2019)
- Founding member of Sustainable Procurement Charter of Green Council
- Corporate member of Regenerative Partnership Scheme

### Partner Organisations

<p><b>Hebei Asphalt Pavement Intelligent Equipment Technology Research Centre</b></p> <ul style="list-style-type: none"> <li>• Burning system design</li> <li>• Energy consumption and optimisation</li> <li>• Energy-saving, emission reduction, environmental protection and resources recycling</li> </ul>	<p><b>Hebei Asphalt Pavement Intelligent Equipment Technology Research Centre</b></p> <ul style="list-style-type: none"> <li>• Burning system design</li> <li>• Energy consumption and optimisation</li> <li>• Energy-saving, emission reduction, environmental protection and resources recycling</li> <li>• “Asphalt Pavement Recycling Technology and Demonstration”</li> </ul>	<p><b>The Research Institute of Highway, the Ministry of Transport</b></p> <ul style="list-style-type: none"> <li>• “Asphalt Pavement Recycling Technology and Demonstration”</li> <li>• Monoblock recycling asphalt mixing plant</li> </ul>	<p><b>Tsinghua University</b></p> <ul style="list-style-type: none"> <li>• Combustor development</li> </ul>	<p><b>Changan University; Hebei University of Science &amp; Technology; Hebei University of Technology</b></p> <ul style="list-style-type: none"> <li>• Industry-university-research agreement</li> </ul>
<p><b>Partnership Projects</b></p>				

In this reporting year, the Group's efforts have been recognised by various institutions and obtained relevant certifications:



Month	Award	Organiser/ Organisation
1	Retrieval and identification of "Certificate of Science and Technology SMEs in Hebei Province"	Industry and Information Technology Department of Hebei Province
	Achieved "Research and Development of Bitumen Renewable Energy and Low - Carbon Construction - First Prize Certificate"	China Association of Circular Economy
	Title of "Hebei SME Famous Brand"	Industry and Information Technology Department of Hebei Province
	"Demonstrational Enterprise in Industrial and Green Product Design"	Ministry of Industry and Information Technology of the People's Republic of China
2	Title of "Hebei SME Famous Brand"	Industry and Information Technology Department of Hebei Province
3	Caring Company 2018/19 for Three Consecutive Years	The Hong Kong Council of Social Service
	Green Finance Certificate	Hong Kong Quality Assurance Agency
5	Outstanding Environmental Protection Enterprise 2018	Bank of China (Hong Kong), Federation of Hong Kong Industries
	3 years + "Participation in Environmental Protection Pioneer Medal"	Bank of China (Hong Kong), Federation of Hong Kong Industries
6	Attained the title of "Langfang Industrial Design Innovation Center"	Industry and Information Technology Department of Langfang Municipal
7	Obtained the plaque of "Changan University Summer Social Practice Base"	Changan University
	Obtained "Yanshan University Scholarship Donation Certificate"	Yanshan University
8	Industrial Design Achievement Transformation Award, funded by the Hebei Province	Industry and Information Technology Department of Hebei Province
	D&G Machinery DGRE4000D Bitumen Mixing Building won the title of "Major Technical Equipment in the first Hebei Province's Project"	Industry and Information Technology Department of Hebei Province



Month	Award	Organiser/ Organisation
9	Ranked among the top 100 global construction machinery manufacturers for three consecutive years	China Construction Machinery Association
	The General Manager of D&G Machinery, Qunli Cai, once again ranked as the "100 influential people in the industry" of China's construction machinery industry in 2019	T50 Summit of World Construction Machinery Industry
	Acquired "Digitalisation and Industrialisation Integrated Management System Assessment Certificate"	Industry and Information Technology Department of Hebei Province
	Obtained the certificate of "Celebration of 70th Anniversary for the Most Influential Enterprise in the Engineering and Mechanical Industry in China"	China Construction Machinery Association
	Obtained the title of "China Top Ten Bitumen Mixing Equipment User Brand in 2018"	China Road Machinery Network
	Listed in "Hebei Province Industrial Design" and "Cultivating Enterprises and Products"	Industry and Information Technology Department of Hebei Province
	Industrial contribution and care certificate 2019	Federation of Hong Kong Industries
10	"Industrial Design Transformation award", funded by the Langfang City	Langfang Municipal Bureau of Industry and Credit Bureau
	Obtained "Quality Management System Certification"	China Quality Mark Certification Group
	Obtained "Occupational health and safety management system certificate"	China Quality Mark Certification Group
	Obtained "Authentication of information security management system certificate"	China Quality Mark Certification Group
	Titled as "Innovative and leading enterprise" in Hebei Province	Industry and Information Technology Department of Hebei Province
	Titled as "Hebei Industrial Design Center"	Industry and Information Technology Department of Hebei Province
12	Titled as "Industrial Product Green Design Demonstration Enterprise"	Ministry of Industry and Information Technology of the People's Republic of China
	Received "Donation Certificate" from the Hebei University of Technology	Hebei University of Technology
	Received "Scholarship Donation Certificate" from the Changan University	Changan University
	Corporate Green Governance Award 2019 (Management System)	Green Council

The above awards have marked the success of D&G in promoting green development of the industry. The Group will continue its active participation in relevant activities, and execute excellent governance system, shouldering the corporate mission of sustainable development.

# 7 ENVIRONMENTAL MANAGEMENT

D&G believes that strengthening resources management, minimising operational environmental impacts and promoting the Group’s overall sustainable development are not only about reducing operational costs, but aiming to utilise natural resources, and promising to shape a green living environment for the next generation. In view of this, the Group has recognised material environmental issues related to the business, thereby thriving to establish targeted management strategies, and integrating the concept of sustainable development into each stage of its operation.



## Environmental Policy

As a responsible manufacturer of asphalt mixture mixing equipment, D&G emphasises the compliance with all applicable environmental law and regulations, while actively managing and reducing the environmental footprint of business operation in order to further improve the efficiency of resources usage.

In order to drive all employees to adopt environmental management, the Group has set clear goals – 100% pass rate for environmental monitoring; 100% hazardous waste disposal rate; limit the number of violations of paint spraying facilities and welding dust equipment to less than 1; limit the number of production days affected by environmental or safety issues due to internal reasons to less than 15 days.

Under the framework of ISO14001:2015 Environmental Management System, the Group has strengthened its environmental management approach to lead the asphalt road construction industry in practicing green production. Through continuous monitoring of environmental performances, the Group regularly reviews the effectiveness of current policies and implements relevant improvement measures. With an aim to raise the environmental awareness in the Langfang factory, the Group has established the following environmental manuals clearly for the employees:



## Green Operation

Throughout every operational process, D&G focuses on advocating an ideal and green working environment. In this regard, the Group has planted vegetation with a green area of approximately 7,500 m<sup>2</sup> in the Langfang factory, adding the natural element into the workplace and facilitating employees' mental and physical health.

On the other hand, the Hong Kong headquarters office has also implemented a green office policy. Through internal and external communication and information sharing, the Group aspires to cultivate employees' green working culture, and adopt good environmental management together. The policy encourages employees to practice the following environmental commitments:

- Turn off air-conditioning, lights and electrical appliances when leaving a room
- Set indoor temperature between 24 and 26 degree Celsius, and regularly clean air conditioners
- Reduce the use of glue and other stationery with toxic substances
- Plant green plants in the office
- Promote paperless office in OA system
- Print annual reports, envelopes and cards on paper that is certified by Forest Stewardship Council
- Reuse envelopes, recycle papers, print on double-sided papers and use e-cards as far as practicable
- Encourage employees to bring their own drinking cups and cutlery to reduce the use of single-use ones
- Reuse Christmas and New Year decorations

To strengthen environmental governance, D&G established the Committee in the previous reporting year. The Committee is mainly responsible for assisting the Group to update environmental and other sustainability strategies accordingly. These include monitoring relevant policies and strategies, regularly reporting the situation and improvement suggestions to the Board. It also fosters the communication among stakeholders such as the Board, employees, customers and investors.

Through enhancing environmental efficiency in daily operations and incorporating the philosophy of sustainability into the working environment, the Group has strictly complied with the national laws, regulations and standards in relation to air pollution, waste water discharge and waste during the reporting year, outlining D&G's determination to protect the environment.

## Material Use

D&G highly values the sustainable use of resources and actively promotes green procurement strategies to shoulder the responsibility as a corporate and a global citizen. Meanwhile, the Group always emphasises the eco-friendly operational concept of circular economy, that refers to utilising resources and effectively avoiding waste generation through reduction of resource consumption and promotion of product recycling and reuse of resources.

Steel is a crucial raw material for manufacturing asphalt mixing equipment. Therefore, in order to minimise the environmental footprint from the use of steel, D&G uses renewable steel. In addition, the Group also selects reusable or recycled cartons and wood such as pallets and boxes in the production base, and packs them in batches as much as possible, which increases the number of items in each package to reduce the use of packaging materials.




The process of manufacturing machinery also requires the consumption of gear oil. The Group uses an average of approximately 1.53 tonnes of gear oil annually, while recycling the remaining gear oil. By establishing a more accurate fixed-rate picking system, the Group strives to control the material use for each equipment to achieve the goals of saving RMB 11,000 in single production costs and reasonably using materials in stock for more than half a year.

In addition to reducing the material use at source, good material management also includes optimal use of all warehouse space and proper storage of materials so as to ensure quality and safety of the materials. The Procurement Department and Finance Departments are responsible for the classification and management of the purchased materials, which are divided into four categories according to demand:

Material Types	Definition	Management Methods
<b>A</b>	Small variety and large amount of funds needed	Frequently audit inventory and accurately calculate the actual demand of materials to avoid excessive amount or waste
<b>B</b>	Percentages of varieties and cost are approximately equal	Regularly audit inventory, comparatively less frequent than type A materials
<b>C</b>	Large variety and small amount of funds needed	Regularly audit inventory, comparatively less frequent than type B materials
<b>D</b>	Stagnant materials <sup>Note 4</sup>	Intermittently conduct audit as compared to other types of materials

Note 4: Stagnant materials are defined as materials with little consumption and low inventory turnover

To minimise the demand for purchasing new raw materials and reduce the carbon footprint generated during transportation, the Group prioritises the use of recycled materials for making fire sandbox, dormitory water heater base and computer numerical control cutting machine bracket, and local procurement, which enables higher economic and environmental efficiency in daily operations and also boosts local economy.

Use of Materials		Unit	2019	2018
Total weight of material consumption		tonnes	4,138	3,782
Weight of renewable materials used		tonnes	30	54
Weight of non-renewable materials used		tonnes	4,108	3,728

During the reporting year, the renewable materials purchased by the Group included wood and cartons, while the non-renewable materials referred to steel. Since steel is one of the crucial raw materials for manufacturing the Group's asphalt mixing equipment, its consumption accounts for a large proportion of the overall material usage. In fulfilling its promise of green operation and optimising the overall resource efficiency, the Group will actively seek to reduce its steel consumption.

## Energy Consumption and GHG Emissions

In daily operation, the major energy consumption of D&G is from the municipally supplied electricity for production, and the natural gas for factory boiler operation, heating and cooking in the staff canteen kitchen. The Group is aware that the electricity consumption causes indirect GHG emissions (Scope 2) while natural gas consumption and the Group's vehicles result in the direct GHG emissions (Scope 1). Since the sustainable use of energy can help mitigate climate change, the Group strives to increase the efficiency and reduce emission through a series of measures in order to strike a balance between operational development and environmental protection.

In order to manage its energy use more effectively and orderly, the Group has set up the "Energy Conservation and Consumption Reduction Management Guidelines", requiring employees of all departments to consider the environmental impacts when selecting the energy type. It also encourages them to prioritise more energy-saving products. In accordance with its energy-saving and low-carbon energy management principles, the Group has taken the following measures to lead all the employees to alleviate climate change which is a globally concerned and urgent issue:

### Manufacturing Operations

- Adopt smart meters for real-time energy management such as issuing alarm signal if abnormal use is detected
- Use ground source heat pumps in research centers, utilising geothermal resources for heating and cooling purposes
- Apply industrial robots and computer control to improve operational efficiency and reduce energy consumption





### Manufacturing Facilities

- Install variable frequency control for water circulation equipment in the factory
- Continuously replace more energy-efficient production equipment
- Use electromagnetic induction for preheating before welding

### Lighting

- Replace traditional lamps in the factory with more energy-saving and durable LED lighting system
- Install lighting switch system in different zones for each department to control and manage the lights as needed
- Install voice command switch for some of the corridor lighting
- Use sunlight panels in some buildings to make use of daylight and reduce the power consumption of the lighting system

To increase D&G's contribution to energy saving and emission reduction, the Group has appointed the S&E Department to develop clear energy saving targets based on the current situation of energy usage. The S&E Department communicates closely with the Langfang factory and other departments, collects and assesses monthly energy conservation performance of each production unit and department, hence supervising the actual effectiveness of their energy saving measures. During the reporting year, the Group respectively replaced 48 of the 400-watt metal halide lamps and 15 of the 120-watt normal bulb with 200-watt LED lightings, saving approximately 15,275 kWh of electricity yearly.

ENERGY CONSUMPTION		Unit	2019	2018
Electricity consumption		MWh	3,740	4,379
		GJ	13,465	15,763
Electricity intensity		MWh/ RMB'M Revenue <sup>Note 5</sup>	8.38	13.34
Natural gas consumption		m <sup>3</sup>	337,362	333,233
		MWh	3,677	3,632
		GJ	13,134	12,973
Natural gas intensity		MWh/ RMB'M Revenue	8.24	11.07
Total energy consumption		GJ	26,599	28,736
Total energy intensity		MWh/ RMB'M Revenue	16.62	24.41
GHG EMISSIONS		Unit	2019	2018
Scope 1: Direct emissions <sup>Note 6</sup>		tonnes of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	731	722
Scope 2: Indirect emissions		tCO <sub>2</sub> e	2,668	3,121
Total GHG emissions <sup>Note 7</sup>		tCO <sub>2</sub> e	3,399	3,843
Total GHG emissions intensity		tCO <sub>2</sub> e/RMB'M Revenue	7.62	11.71

Note 5: The Group's revenue for the year ended 31 December 2019 and year ended 31 December 2018 were RMB 446 million and RMB 328 million, respectively.

Note 6: The GHG emissions (Scope 1) from 2015 to 2018 had been adjusted in alignment with the calculation method adopted in 2019. Although the Group's GHG emission currently does not include those arising from its vehicles as it is relatively not material, D&G shall review the GHG emission scope on a regularly basis to enhance disclosure for future reports.

Note 7: The Group's total GHG emissions did not include other indirect GHG emissions (Scope 3) because they are insignificant to the Group's operations.

The decrease in electricity intensity and natural gas intensity during the reporting year is mainly due to the following reasons:

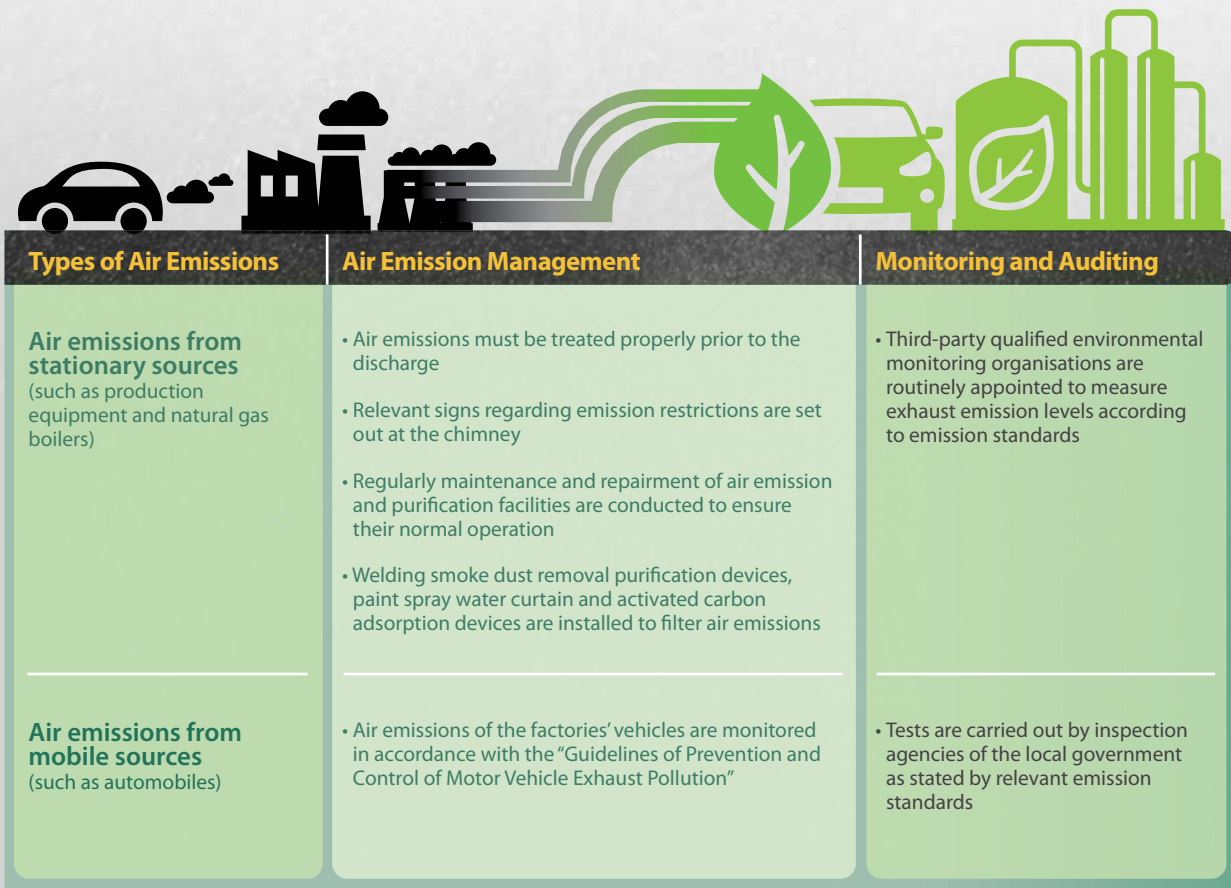
- In response to production suspension arrangements, the number of production days has decreased compared to the previous reporting year
- Part of the painting and assembly process was transferred to the outsourcing factory and products were sent directly to sites after completion, so the electricity and natural gas consumption for sanding, painting and assembly work were reduced

In respect of this, the Group plans to conduct energy management analysis by district, and identify abnormal or high energy sources to monitor and formulate corresponding energy conservation measures.

## Air Emissions

Employees’ health and environmental protection are the cornerstone of the Group’s successful operation. Thus, the Group is committed to clean production, strict management of air pollutant emissions during the machinery production. Apart from ensuring the emission level is far below emission standards as stipulated in relevant laws and regulations, the Group also aims to create an ideal working environment for the employees. The air emissions discharged by the Group, including nitrogen oxides (“NO<sub>x</sub>”), sulfur oxides (“SO<sub>x</sub>”) and particulate matter (“PM”), are mainly derived from production activities of the Langfang plant.

According to the local laws, standards and relevant requirements, the Group has set out “Air Emissions Management Guidelines” to facilitate the classification and management of air pollutants incurred by the manufacturing activities, and to provide guidelines for accurate monitoring of air emission concentration levels.





The Group has appointed the S&E Department to set out relevant air emission policies that are applicable to the factories based on the above management requirements, and to monitor air emission management of each department and manufacturing unit. If illegal emissions occurred, the S&E Department would record the incident and propose improvement solutions promptly. To review the effectiveness of relevant measures periodically, the S&E Department is also required to appoint qualified third-party environmental monitoring organisations to carry out sophisticated assessment of air pollutants emission levels to ensure the emission standard is met.

The Group values the employees' awareness enhancement regarding different air emission sources and corresponding pollutants, and thus is committed to adopting the following targeted mitigation measures:



During the reporting year, the Group newly installed a total of five mobile welding fume purifiers and five welding fume removal facilities to enhance the dust removal efficiency and reduce overall air emissions to improve air quality.

AIR EMISSIONS		Unit	2019	2018
NO <sub>x</sub>		tonnes	0.52	0.54
SO <sub>x</sub>		tonnes	0.00	0.00
PM		tonnes	0.38	0.61


As a result of the Group's efforts and resources in emission reduction, the Group ensured the air emissions of the Langfang met the requirements of the relevant regulations during the reporting year, while the emissions of both NO<sub>x</sub> and PM recorded a decrease, which respectively dropped by 4% and 38%, as compared with the previous reporting year. The Group will continue to improve its emissions system and put green production into practice.

## Water Consumption and Wastewater Management

The Group's operational and manufacturing processes do not consume a significant amount of water resources, but the water demand from the staff dormitory of the Langfang factory is relatively high. Since the water is sourced from the municipal water supply services, there are no material issues in sourcing water. Despite this, D&G still manages its valuable water resources seriously to save water and improve efficiency in the operation.

The Group has made extensive efforts to implement water saving measures. In addition to educating all departments to opt for environmentally-friendly water equipment and products as far as possible, D&G also reduces water consumption in operation site at source. For instance, in some green areas, sprinkler irrigation replaces flood irrigation in a bid to enhance water use efficiency. The Group states in its "Energy Conservation and Consumption Reduction Management Guidelines" that each department should use and install water equipment configuration according to actual conditions and needs, and carry out regular check-up, maintenance and replacement of the faucets and other water equipment to avoid water wastage.

Apart from encouraging all manufacturing units and departments to recycle cooling water from boilers, D&G also installed paint slag separator to treat circulating water in the water curtain during the reporting year in order to increase water efficiency.

WATER CONSUMPTION		Unit	2019	2018
Water consumption		m <sup>3</sup>	32,483	31,386
Water intensity		m <sup>3</sup> /employee	74.5	69.3

As the Group has set up a 1,000 m<sup>2</sup> green area in the newly built factory with rising water use for irrigation, the water intensity in the reporting year has increased by 7.5% compared with the previous reporting year. The Group plans to replace water-saving irrigation equipment next year to improve water efficiency. In addition, the Group will observe the water consumption of the new production line and green landscape area, and reestablish applicable water saving measures.

On the other hand, the Group endeavours to strengthen wastewater management to avoid its adverse impacts of its production activities on the surrounding environment and staff's health. For instance, the Group recycled the sewage from the water cleaning system in the painting line, which was then treated and reused, instead of being directly discharged from the factory. The operators shall manage wastewater stringently in compliance with the operational procedures provided by the Group.

In order to follow the national "Integrated Wastewater Discharge Standard", the Group requires all sewage discharge departments to ensure the sewage flows into designated equipment or discharged through proper pipelines to avoid pollution of the neighboring ecosystem. The Administration Department is responsible for regularly monitoring the effectiveness of the operation of sewage treatment equipment and guaranteeing that the wastewater treatment and collection systems do not leak.

In addition, the S&E Department is in charge of arranging qualified third-party testing agencies to conduct annual inspections at integrated sewage outlet of the factory, and summarise and analyse the assessment reports to identify the room for improvement, in a bid to further reinforce the sewage discharge management. During the reporting year, the Group's sewage discharge has complied with the national emission standards.

## Waste Management

Sustainable waste management is one of the key elements of green operation. Adhering to the “4R” waste management approach, which refers to reduce, reuse, recycle and replace, D&G commits to increase the resources efficiency and practice the spirit of “Use Less, Waste Less”.

The Group formulates the internal “Waste Management Guidelines” in order to provide employees with standardised procedures and guidelines regarding waste handling and thus facilitate sound waste management. Each department shall assign specific staff to collect the waste generated from that department, which are generally divided into two main categories, namely recyclable and non-recyclable waste:

### Recyclable waste

- **Industrial waste:** scrap iron and waste wire
- **Domestic waste:** waste paper boxes and waste paper

### Non-recyclable waste

- **Non-hazardous waste:** food waste, exhaust gas slag and other domestic waste
- **Hazardous waste:** paint buckets, paint slag, waste oil and chemical containers

According to the above classification, the “Waste Management Guidelines” have specified the methods of proper storage, transportation and disposal for various types of wastes. This not only aims to ensure the daily operation complies with relevant national laws and regulations relating to waste management, but also aspires to avoid potential risks of inappropriate waste treatment to the Group and the local community.






In view of the nature of hazardous waste that would lead to work safety risk, the Group particularly focuses on its proper treatment so as to secure the safety of employees. During the reporting year, all hazardous wastes were properly classified, and transported and disposed of locally.



- If the waste is categorised as hazardous waste, the staff must label its name clearly
- A standardised hazardous waste storage is set up to separate from other waste types effectively
- The S&E Department is responsible for regularly cleaning the place where waste is placed and checking the actual classification
- Hazardous waste must be approved by the S&E Department before transferring to the local hazardous waste disposal station or properly processed by a qualified company
- The S&E Department is also in charge of reviewing the qualification of each department’s hazardous waste treatment companies, and conducting random inspection on the production and recycling sites to ensure that hazardous waste is properly treated

On the other hand, the Administration Department takes the responsibility of centralised storage and management of other non-recyclable waste. Each department must reuse or recycle the waste generated from manufacturing as far as possible. For instance, the Group utilises the paint bucket flattening machine to flatten waste paint barrel to save storage space. During the reporting year, the Group added a paint slag separator to reduce the amount of hazardous waste generated. Meanwhile, D&G also focuses on resource efficiency, recycling and reusing steel, cable materials, packaging wood and carton in the operation process as far as possible. In order to assess the effectiveness and safety of waste classification, the S&E Department spectates the management status of wastes irregularly, and proposes relevant improvement suggestions to all departments.

WASTE	Unit	2019	2018
<b>Total disposal of hazardous waste</b>	tonnes	<b>87</b>	<b>47</b>
<b>Recycled steel</b>	tonnes	<b>405</b>	<b>372</b>
<b>Recycled paper</b>	tonnes	<b>17</b>	<b>6</b>
<b>Recycled wood</b>	tonnes	<b>37</b>	<b>44</b>
<b>Other recycled waste</b> <sup>Note 8</sup>	tonnes	<b>34</b>	<b>9</b>
<b>Total waste recycled</b>	tonnes	<b>493</b>	<b>431</b>

		Quantity	Overall Percentage
 <b>Recycled waste</b>	 <b>Wood</b>	<b>37 tonnes</b>	<b>8%</b>
	 <b>Steel</b>	<b>405 tonnes</b>	<b>82%</b>
	 <b>Paper</b>	<b>17 tonnes</b>	<b>3%</b>
	 <b>Other materials</b>	<b>34 tonnes</b>	<b>7%</b>

Note 8: Other recycled waste refers to scrap iron foam and scrap iron ash generated in the sanding workshop.

The amount of hazardous waste generated during the reporting year has increased as the Production Department cleaned up the workshop in early 2019, which gave rise to about 45 tonnes of paint slag during the process. Through the improvement of waste management made during the reporting year, the Group has developed countermeasures to recycle all the scrap steel generated in the production, which has greatly improved the recovery rate. The Group will continue striving to minimise the generation and to recycle waste as much as possible, hence lowering its environmental footprints.

## Environmental Initiatives

In addition to promoting information concerning environmental protection in the manufacturing sites, the Group also sets a good example, leading the employees to actively participate in various environmental protection initiatives and raising their awareness in creating a green working and living environment together.

### World Environment Day



Echoing with the theme of World Environment Day 2019 – “Air Pollution”, the Langfang factory of D&G had advocated air pollution control internally and sent simple living suggestions to the local community in the hope of promoting the concept of environmentally friendly living to employees and the public.



### Green Run 2019



To show support for environmental protection and charity, the Group teamed up to participate in a charity long-distance race called "Green Run 2019". This is the second year D&G participated in green charity activity. The participating employees dressed in green or decorations to promote environmental protection by themselves.



## Green Carnival



This is the fourth consecutive year that D&G has sponsored and participated in the Green Carnival organised by Green Council. Besides awarding environmental protection model design competition awards, the event also had stage performances and booth games to encourage citizens to reduce resource wastage, thereby reducing GHG emissions and protecting the environment.



## Earth Hour



In response to global climate change, D&G has entered its seventh year to fully support the "Earth Hour", organised by WWF. This is an international energy-saving activity that turns off the lights for an hour. The Group hopes to strengthen the staff's awareness of energy conservation and shape a green working environment through this environmental protection event.



Through joining the above environmental protection experience initiatives, the Group hopes to instill positive environmental awareness to the employees, hence everyone understands that they have the power to help develop a sustainable society.

During the journey of achieving sustainable development goals, D&G is inseparable from its employees and the operating site's community. Hinging on the outstanding performance of every employee, together with the support from the community, the Group is enabled to flourish. With a grateful heart, the Group is committed to adhering to the people-oriented operation approach, and starts with the following material social issues to fulfil corporate citizenship while giving back to the society.



## Our Employees

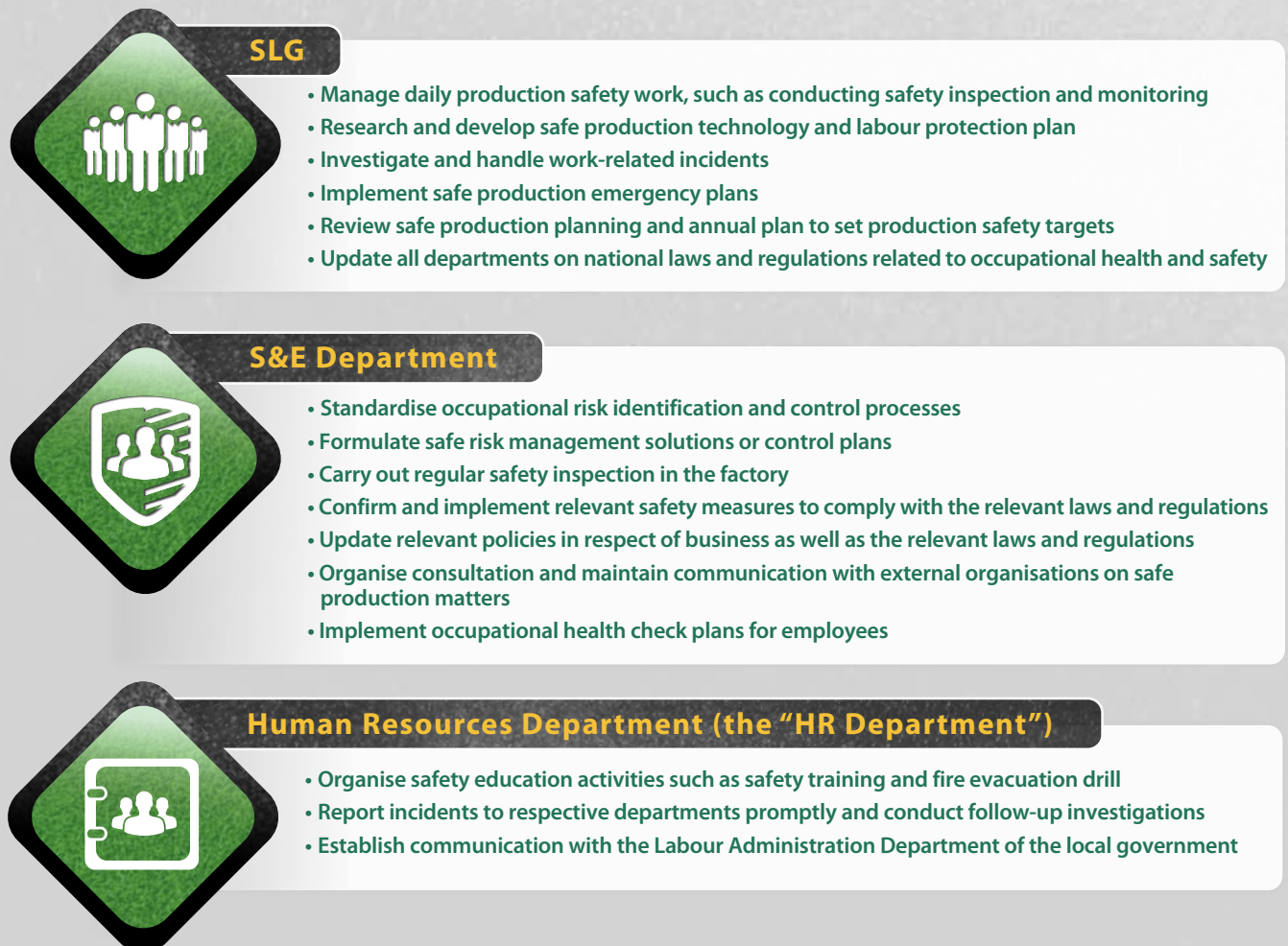
### Health and Safety

D&G endeavours to provide a healthy and safe working environment for employees, and has embedded this commitment into its daily operation. The Group has obtained OHSAS 18001:2007 Occupational Health and Safety Management Certification.

In addition, as part of the manufacturing industry, D&G has identified the main occupational risk as production, thus paying more attention to the production safety in the Langfang factory. Through adopting the safety management approach of "Safety First, Focus of Prevention, Integrated Governance", the Group has established safety production policies and measures, hence enhancing the safety awareness in the workplace.

In order to closely monitor the actual implementation and effectiveness of relevant policies and measure, the Group has internally established the Safety Leading Group (the "SLG"), which comprises of the President, production manager and relevant department heads. The Production Department shall be equipped with a full-time (part-time) safety production management personnel who is responsible for conducting employee education regarding safety production, and implementation of safety production supervision and inspection. The SLG helps to eliminate potential work hazards through measures such as risk identification, hidden trouble investigation and governance, and also ensures compliance with relevant laws and regulations.

The Group has set safety production goals – zero major accidents of fire, explosion and chemical leakage; zero occupational diseases; 100% validity of the certificate for special operations personnel; limiting production days affected by environmental protection or safety issues due to internal reasons to less than 15 days. Under the safety management framework, each department cooperates with one another, enabling D&G to comprehensively manage occupational health and safety, and thereby implement and oversee relevant measures effectively:





### Production Department



- Provide safe production training to employees
- Implement on-site supervision of safe production
- Execute various safety instructions of SLG

### Equipment Department



- Manage ancillary security facilities of various buildings and building measures of the Group
- Employ and communicate with qualified construction contractors
- Inspect various buildings and ancillary security facilities daily to ensure their normal operation

### Administration Department



- Ensure the safety of the Group's drinking water and conduct water quality assessment from time to time
- Manage and repair air conditioning systems of offices and factories
- Formulate contingency plan for food poisoning

### Engineers and Technical Staffs



- Perform testing on safety technology and labour hygiene technology to ensure the safety, accuracy and stability
- Review and approve technical documents

D&G adheres to the people-centered operation approach and views protecting employees' health and safety as its own responsibility. According to the employee's job nature and the requirements of occupational health and safety management, the Group allocates relevant equipment and provides personal protective equipment and labour protection products for staff, such as fire extinguishing equipment, goggles and gloves, in order to eliminate occupational hazards. In addition, the Group also strives to develop a safety culture in the production sites. Thus, the Group arranges regular safety training for the employees, including fire drills and relevant courses, explaining the occupational hazards and safety practices in details.

The Group has considered that it is possible for employees to get occupational diseases at work, including pneumoconiosis, eye, ear, nose and throat diseases, and chemical poisoning. In order to ensure the employees' physical conditions are allowed to cope with the job position, and prevent the operational efficiency from disruption, the Group arranges body checks for employees before, during and after their discharge of job duties. The S&E Department is responsible for distributing the results to the person in charge or employees themselves, forming occupational health summary and keeping records. Without the approval of the management, the relevant information is not allowed to be borrowed or copied in a bid to protect the employees' privacy. During the reporting year, the Group has not noticed any record of health issues related to occupational hazards.

## Talent Recruitment and Retention

Employees are the major driver for D&G to achieve sustainable development. In view of this, the Group has been committed to rigorous human resource ("HR") management, including recruitment, promotion, transfer, compensation and benefits, and training development. As a result, D&G has formulated internal employment policies and fully protected rights and interests of the employees, with an aim to attract, retain and further cultivate outstanding talents that are consistent with the Company's development philosophy, facilitating their growth with D&G.

### Talent Attraction

With increasingly international development of D&G's business, the Group believes that a diverse and inclusive team can help stimulate innovative minds, and promote D&G's connection to the world. In this regard, the Group is committed to providing a harmonious working environment without discrimination for the employees. Regardless of the employees and candidates' gender, disability, marriage state, race, religion, age, nationality and sexual orientation etc., the Group applies the principle of "openness, equality, competition and basis of merits" to objectively select and recruit suitable talents based on their capabilities and seniority to ensure that they are all given equal employment opportunities.

According to the work development in the upcoming year, each department should draft the annual HR demand plan. The HR Department then develops an overall recruitment plan and submits to the General Manager for approval. The general recruitment process is shown in the diagram below:



Each new employee is assigned for a two- to three-month probation. The corresponding departments shall provide the employees with unbiased comments based on their work performance including skills, job adaptability and work effectiveness. The results of these assessments are submitted to the General Manager to confirm whether the employees officially become regular staff of D&G.

In personnel management, the Group holds high regards on human rights, and prohibits employment of child and forced labour. Also, the Group strongly demands that its suppliers and partners jointly oppose such behaviours. The HR Department is responsible for carefully verifying the valid identification documents, age and labour rights of new employees.

If the misuse of child labour is discovered, the Group will not only terminate the labour contract promptly, but will also help the individual to re-enroll in school. The Group accepts other adult family members as a replacement to work until the child is qualified in age in order to lessen the financial burden of his/her family. In addition, if the child is confirmed to be sick or injured when terminating the contract, the Group would arrange him/her to undertake treatment at qualified medical institutions, and promise that all medical and living expenses associated during the medical treatment period would be covered.

In order to avoid the use of forced labour, the Group has specified a number of regulations in the internal code to protect employees' rights:

- **No fees shall be charged to employees during recruitment process**
- **Employees' identification documents shall not be detained**
- **Overtime working is only on employees' voluntary basis**
- **Employees' human rights such as using restrooms and drinking water in the workplace shall not be exploited**
- **Violence and threats shall not be allowed to force employees to work**
- **The management departments shall immediately stop illegal activities, implement accountability measures, and make appropriate compensation to the employees in case of forced labour behaviours.**

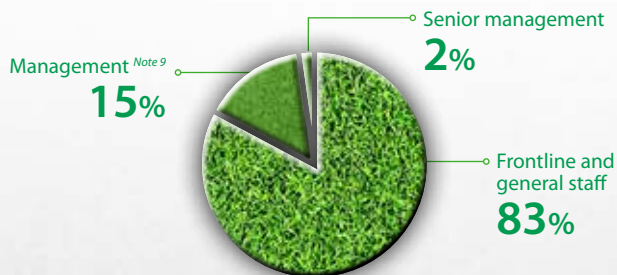
Through implementing ethical recruitment practices, D&G strictly complied with relevant labour laws and regulations, and was not aware of any discrimination, child labour or forced labour cases during the reporting year.

Employment Information

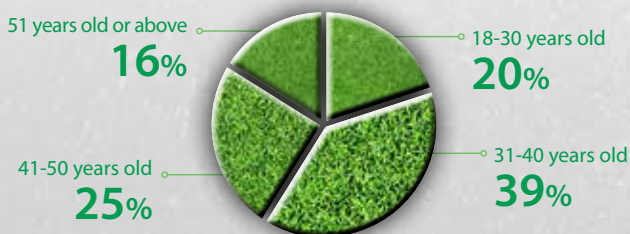
Gender



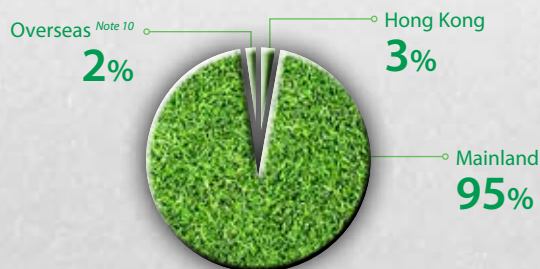
Employment position



Age

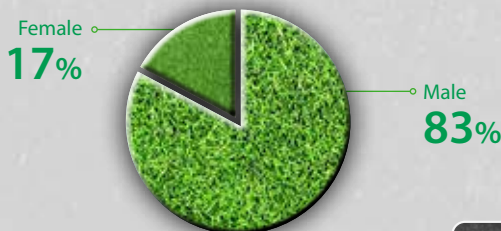


Working Location



Senior Management <sup>Note 11</sup>

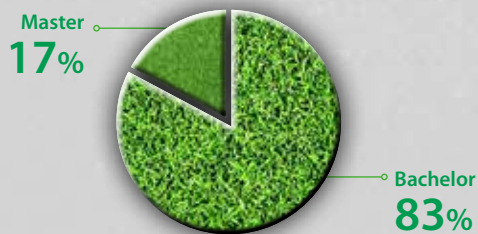
Gender



Age



Education



Note 9: Management refers to employees ranked "Manager" apart from the Group's Senior Management

Note 10: Overseas includes India, Pakistan and Thailand

Note 11: Senior Management refers to the Group's Directors and Chief Financial Officer

All employees in the reporting year were full-time and permanent.

8 WELLNESS OF THE PEOPLE AND COMMUNITY

The Group appoints managers in each department to carry out appraisals on existing employees yearly. According to their performance over the past year, including work efficiency, coordination with the team, and working attitude, the Group would adjust the salaries accordingly, and consider granting promotion opportunities:

Purpose of Annual Appraisal



Procedures of Annual Appraisal



### Employees Benefits

As a responsible corporate, the Group has pursued efforts to ensure employees receive due benefits, reasonable remuneration and comprehensive safety measures in accordance with the local government requirements. Since the Group's significant location of operation is the bases in China, its HR management is also mainly focused on these bases.

**The Group provides the following benefits to the employees:**



In addition, the Group also fulfils responsibilities of an employer and distributes reasonable remuneration and rewards to employees. Adhering to the principles such as economy, legitimacy, comparability and competitiveness, employees' salaries are determined based on their job responsibilities, qualifications and techniques required, labour intensiveness and marketing factors. Besides, in order to reward employees' contribution to the Company, employees who have worked for more than a year can enjoy an annual bonus on a monthly basis. The Group also implements overtime policy. All employees shall notify the manager and gain approval before working overtime, and obtain overtime payments according to the number of working hours extended.

In respect of recruitment, transfer, resignation, assessment, training and internal communication, the Group takes mutual respect and protection of employees' rights as its primary principles. It also assigns the HR Department to consistently monitor turnover data and evaluate the reasons behind so as to ensure effective turnover management and thus minimise the impacts on operational efficiency.

Employees are one of the stakeholders who know the business operations of the Group the most. Thus, with an aim to gauge employees' opinions and thoughts toward the corporate and work arrangement, the Group conducts an employee satisfaction survey among all employees every year. It helps D&G to continue to progress and maintain its competitiveness in the industry.

**Employee Satisfaction Survey**



**Assessment and salary adjustment**



**Division of labour and team coordination**



**Training and professional development**



**Internal communication and team spirit**



**Working environment and supporting facilities**

After collecting the questionnaire results, the HR Department would integrate the data and summarise the results, followed by submission to the management. The management would carefully consider the proposed suggestions. If necessary, the management would convey the arrangements and instructions, and respective departments must cooperate and implement the measures within a specified time.

### Employee Cohesion

To increase employees' sense of belonging to the Company, D&G places emphasis on providing an energetic and harmonious working environment for employees, and building teamwork and understanding between employees. Meanwhile, the Group values the employees' physical and mental health, and thus strives to assist them to achieve work-life balance.

In the factory's staff canteen, the Group commits to provide employees with nutritious meals, and cultivate a healthy diet culture. During the reporting year, the Group's Corporate Culture Team has organised a number of staff activities to promote healthy lifestyle:



### Home for Employees

In May 2019, the Group officially launched D&G's "Home for Employees". In addition to the facilities such as staff canteen, supermarket, table tennis court, badminton court, there are a medical office and additional recreational rooms like gym, chess room, and reading room, and even the recalibrated karaoke equipment. As the name implies, D&G expects "Home for Employees" to give staff the feeling of being home, so that they can relax and strengthen their physical fitness after hard work.

### Celebration for D&G's 20 Years

The reporting year marks the 20<sup>th</sup> anniversary of the establishment of D&G. Therefore, the Group held a grand celebration and invited employees to gather together. Some employees even celebrated D&G's anniversary by performing singing and dancing in the event, which made the event that night even more meaningful.

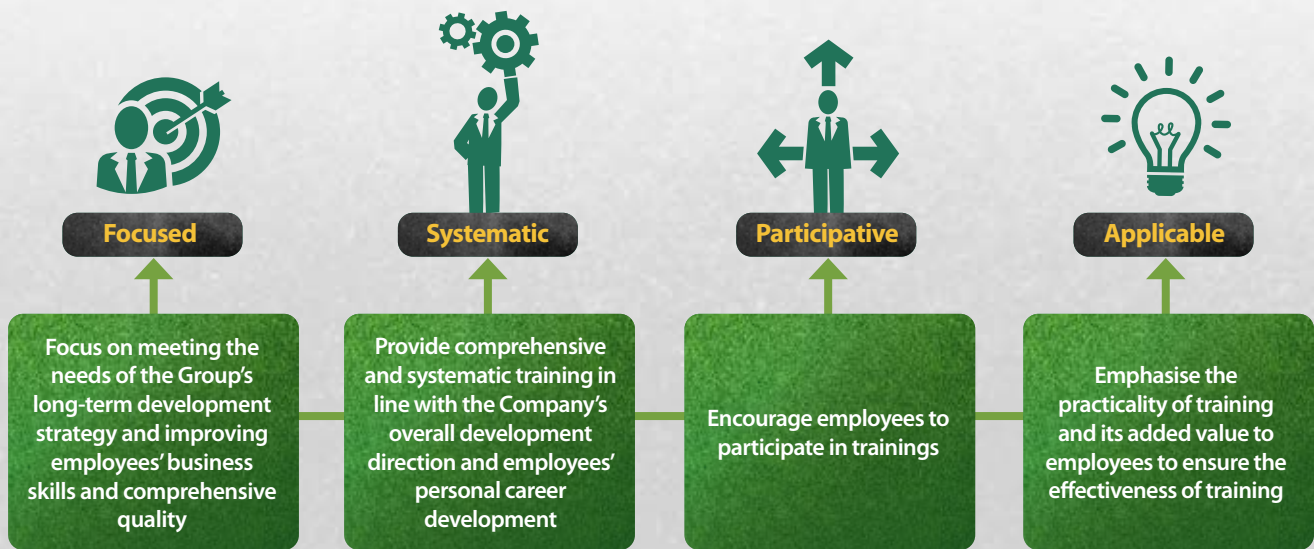




### Training and Development

In order to fully unleash the potential of employees and promote their growth with the Company, D&G is committed to providing employees with appropriate training and development plans. The Group encourages its employees to regularly enrich their knowledge and skills, and to keep abreast of changes in the industry. This is conducive to personal professional development and the Company's operational efficiency.

In view of this, the Group has formulated training strategies in accordance with the following principles in order to provide all employees with comprehensive training resources, thereby further enhancing the quality of employees.



Based on the training needs of employees and their positions, the Group provides suitable, extensive and diverse training programmes:

- Value training:**  
 Convey the Company's strategy, behavioural norms, occupational ethics and values, and increase employees' working motivation
- Professional knowledge training:**  
 Enhance professional knowledge and skills training related to employees' positions
- Job skills training:**  
 Provide standardised training corresponding to job duties and improve employees' skills in process and operation
- Management training:**  
 Provide management knowledge and idea training for the management and employees with management potential, enabling them to understand the Company's development goals and business strategies

D&G has formulated “Employee Training Management Guidebook”, which designates the HR Department to carry out an annual survey on employees’ training needs, and evaluates the training plans provided by all departments to construct training strategy for the upcoming year. The HR Department is also responsible for monitoring, organising and implementing the training plans, in an effort to consistently improve the overall professional level of the employees.

In order to ensure the effectiveness of the training, the HR Department distributes questionnaires to participating employees after each training to collect their feedbacks, and takes it as a reference for improvement of future training plans. The HR Department also assesses the employees’ training outcomes and effectiveness through written test or live demonstration.

D&G’s training plan is mainly classified into four categories, namely occupational health and safety, management and operation, professional knowledge and environmental protection. During the reporting year, D&G has arranged a series of training programmes covering these areas:



<b>Number of training topics</b>	<b>80</b>
<b>Training on occupation health and safety</b>	<b>11 hours</b>
<b>Training on management and operation</b>	<b>28.5 hours</b>
<b>Training on professional knowledge</b>	<b>265 hours</b>



<b>Average training hour of employee</b>					
<b>Each employee</b>	<b>Male</b>	<b>Female</b>	<b>Senior management</b> <small>Note 12</small>	<b>Management</b> <small>Note 13</small>	<b>Frontline and general staff</b>
<b>20 hours</b>	<b>9.6 hours</b>	<b>2.5 hours</b>	<b>8.8 hours</b>	<b>4 hours</b>	<b>9.1 hours</b>

Note 12: Senior Management refers to the Group’s Directors and Chief Financial Officer

Note 13: Management refers to employees ranked “Manager” apart from the Group’s Senior Management

By providing diversified and high-quality training opportunities, D&G pledges to continuously assist employees to develop their strengths and achieve their work ambitions, which drives steady business development and delivers a corporate culture of sustainability.

## Our Community

In order to actively shoulder social responsibilities, D&G is committed to extending care from the workplace and supply chain to the community. In addition to environmental protection, the Group utilises its resources that mainly focus on supporting youth development to nurture them to be citizens contributing to the society.

D&G established five years of "D&G Machinery Scholarship" at Yanshan University, Changan University and Hebei University of Science & Technology respectively, with an aim to reward students with excellent academic performance. In addition, the Group has also signed "Industry-University-Research Cooperation Agreements" and "Scholarship Donation Agreements" with these schools to arrange summer internship programmes for 14 students of Changan University, jointly creating a "university social practice base".

During the reporting year, D&G donated a total of RMB 72,000. The Group pledges to continue to participate enthusiastically in various public welfare activities in order to give back to the community, and spread love and care to various stakeholders.



## 9 LOOKING FORWARD

In view of the uncertainties over economies in the coming year, D&G will maintain sound governance practices to ensure effective operation of the Group and timely adaptation to changes in the market. Facing global challenges such as the China-United States trade war, coronavirus outbreak and climate change, the Group will continue to conduct comprehensive risk assessments for each business plan and decision. Through taking into consideration various local government policies to review relevant policies and management mechanism, the Group is enabled to ensure smooth operation and meet the market expectations and needs. In order to effectively reduce the relevant environmental footprint, the Group will continue to look closely into its carbon emissions data, and review relevant environmental requirements of suppliers, working together to reduce environmental burden associated with its business. D&G aspires to create a more valuable and sustainable supply chain, and improve the working and living environment for its employees and the community.



# 10 PERFORMANCE TABLES



## Environmental Performance <sup>Note 1</sup>

Indicator	Unit	2019	2018	2017	2016	2015
<b>Materials</b> <sup>Note 2</sup>						
Total weight of material consumption	tonnes	4,138	3,782	-	-	-
Weight of renewable materials used	tonnes	30	54	-	-	-
Weight of non-renewable materials used	tonnes	4,108	3,728	-	-	-
<b>Air Emissions</b> <sup>Note 3</sup>						
PM	tonnes	0.38	0.61	0.53	7.80	2.90
SO <sub>x</sub>	tonnes	0.00	0.00	0.00	0.00	0.09
NO <sub>x</sub>	tonnes	0.52	0.54	0.97	0.70	0.75
<b>GHG Emissions</b> <sup>Note 4</sup>						
Scope 1: Direct GHG emission <sup>Note 5</sup>	tCO <sub>2</sub> e	731	722	972	708	580
Scope 2: Indirect GHG emission	tCO <sub>2</sub> e	2,668	3,121	3,106	2,103	1,579
Total GHG emissions	tCO <sub>2</sub> e	3,399	3,843	4,078	2,812	2,159
GHG emissions intensity	tCO <sub>2</sub> e/RMB'M Revenue	7.62	11.71	9.10	8.76	5.53
<b>Energy Consumption</b>						
Electricity consumption	MWh	3,740	4,379	4,090	2,770	1,975
	GJ	13,465	15,763	14,723	9,971	7,111
Natural gas consumption	MWh	3,677	3,632	4,892	3,564	2,917
	GJ	13,134	12,973	17,470	12,730	10,417
Total energy consumption	MWh	7,417	8,011	8,981	6,334	4,892
	GJ	26,599	28,736	32,193	22,701	17,529
Energy intensity	MWh/RMB'M Revenue	16.62	24.41	20.05	19.73	12.54
<b>Water Consumption</b>						
Total water consumption	m <sup>3</sup>	32,483	31,386	25,772	24,963	20,134
Water intensity	m <sup>3</sup> /employee	74.5	69.3	57.9	57.8	45.4
<b>Hazardous Waste</b>						
Total disposal	tonnes	87	47	77	48	-
<b>Non-hazardous Waste</b> <sup>Note 6</sup>						
Scrap steel disposal	tonnes	0	0	438	191	-
Recycled materials	tonnes	493	431	55	12	-
Total disposal	tonnes	0	0	438	191	-
Percentage of recycled waste	%	100	100	11	6	-

Note 1: The 2015 environmental performance indicators represented the performance of Langfang site and Hong Kong office; Beijing, Shanghai, Guangzhou and Singapore operations have been included since 2016; Pakistan and India operations have been included since 2017.

Note 2: Material consumption data has been disclosed since 2018 in accordance with the GRI standards. The Group did not use any recycled input materials, so the relevant data was not disclosed.

Note 3: Air emissions were calculated based on monitored concentrations and emission rates, and were calculated using dry gas flow and annual operating hours, respectively. The Group's air emissions did not include emissions of persistent organic pollutants, volatile organic compounds and hazardous air pollutants, as they are not material to the operation of the Group.

Note 4: The Group reported in accordance with the principles and methods of local and international carbon accounting standards. The GHG emissions (Scope 1) include GHG emissions from natural gas combustion owned or managed by the Group and were calculated in accordance with GHG Protocol Tool for Energy Consumption in China (Version 2.1). The GHG emissions (Scope 2) include the electricity purchased by the Group, the emission factors for electricity used in China was referenced to the 2017 China Regional Grid Baseline Emission Factor; for Hong Kong was referenced to the Hong Kong Electric Power 2019 Annual Report; for Singapore was referenced to the local Environment Bureau 2019 emission factor. The energy conversion factor for natural gas was calculated in accordance with China's CO<sub>2</sub> emissions accounting and reporting guidelines. The Group's total GHG emissions did not include other indirect GHG emissions (Scope 3) because they are insignificant to the Group's operations.

Note 5: The GHG emissions (Scope 1) from 2015 to 2018 had been adjusted in alignment with the calculation method adopted in 2019. Although the Group's GHG emissions currently do not include those arising from its vehicles as it is relatively not material, D&G shall review the GHG emission scope on a regularly basis to enhance disclosure for future reports.

Note 6: Non-hazardous waste includes: scrap steel, wood and cardboard boxes. Since 2018, D&G has recycled all non-hazardous waste from the production process, so there is no data regarding the amount of non-hazardous waste disposal. Currently, the Group only discloses the amount of non-hazardous waste that is relatively material to the its production. The Group is progressively upgrading the waste collection and data management system to enhance the disclosure of non-hazardous waste in the future.

## Social Performance

Indicator	Unit	2019	2018	2017	2016	2015
<b>Workforce</b>						
Total	No. of people	436	453	445	438	444
<b>By Gender</b>						
Male	No. of people	358	363	356	358	365
Female	No. of people	78	90	89	80	79
<b>By Position</b>						
Senior management <sup>Note 7</sup>	No. of people	6	6	7	7	8
Management <sup>Note 8</sup>	No. of people	67	69	67	55	60
Frontline and general staff	No. of people	363	378	371	376	376
<b>By Age</b>						
18-30	No. of people	89	122	126	146	178
31-40	No. of people	171	159	147	128	112
41-50	No. of people	108	108	106	106	108
51 or above	No. of people	68	64	66	58	46
<b>By Working Location</b>						
Hong Kong	No. of people	14	15	14	13	12
Langfang	No. of people	330	335	331	334	334
Beijing	No. of people	45	49	52	53	64
Shanghai	No. of people	18	18	17	15	15
Guangzhou	No. of people	20	22	20	22	18
Shangxi	No. of people	1	0	0	0	0
Xi'an	No. of people	0	1	1	0	0
Chengdu	No. of people	2	2	2	0	0
Singapore	No. of people	0	2	3	1	1
Pakistan	No. of people	1	5	4	0	0
India	No. of people	4	4	1	0	0
Thailand	No. of people	1	-	-	-	-
<b>Senior Management Breakdown <sup>Note 9</sup></b>						
<b>By Gender</b>						
Male	No. of people	5	5	-	-	-
Female	No. of people	1	1	-	-	-
<b>By Age</b>						
31-40	No. of people	1	1	-	-	-
41-50	No. of people	2	3	-	-	-
51 or above	No. of people	3	2	-	-	-
<b>By Educational Level</b>						
Diploma	No. of people	0	1	-	-	-
Bachelor	No. of people	5	4	-	-	-
Master	No. of people	1	1	-	-	-

## Social Performance

Indicator	Unit	2019	2018	2017	2016	2015
<b>New Employee Hire Breakdown</b> <small>Note 10</small>						
Total	No. of people	38	-	-	-	-
<b>By Gender</b>						
Male	No. of people	33	-	-	-	-
Female	No. of people	5	-	-	-	-
<b>By Age</b>						
18-30	No. of people	7	-	-	-	-
31-40	No. of people	17	-	-	-	-
41-50	No. of people	11	-	-	-	-
51 or above	No. of people	3	-	-	-	-
<b>By Working Location</b>						
Langfang	No. of people	35	-	-	-	-
Shanghai	No. of people	1	-	-	-	-
Xi'an	No. of people	1	-	-	-	-
Thailand	No. of people	1	-	-	-	-
<b>Employees Turnover Rate</b>						
Overall	No. of people	59	51	43	73	28
	%	13.3	11.4	9.7	16.6	6.3
<b>By Gender</b>						
Male	No. of people	45	42	37	60	19
	%	12.5	11.7	10.4	16.6	5.3
Female	No. of people	14	9	6	13	9
	%	16.7	10.1	7.1	16.4	11.6
<b>By Age</b>						
18-30	No. of people	4	22	18	31	11
	%	3.8	17.7	13.2	41.2	6.3
31-40	No. of people	32	14	15	21	10
	%	19.4	9.2	10.9	17.5	8.7
41-50	No. of people	19	8	8	15	5
	%	3.7	7.5	7.5	14.0	4.6
51 or above	No. of people	4	7	2	6	5
	%	6.1	10.8	3.2	11.5	37.3
<b>By Working Location</b>						
Hong Kong	No. of people	2	0	0	1	0
	%	13.8	0	0	8	0
Langfang	No. of people	46	45	38	60	42
	%	13.8	13.5	11.4	18	12.5
Beijing	No. of people	3	4	4	8	8
	%	6.4	7.9	7.6	13.7	12.5
Shanghai	No. of people	1	2	1	2	1
	%	5.6	11.4	6.3	13.3	6.7
Guangzhou	No. of people	0	0	0	2	1
	%	0	0	0	10	5.6
Xi'an	No. of people	1	0	0	0	0
	%	200	0	0	0	0
Singapore	No. of people	2	0	0	0	0
	%	200	0	0	0	0
Pakistan	No. of people	4	0	0	0	0
	%	133	0	0	0	0

## Social Performance

Indicator	Unit	2019	2018	2017	2016	2015
<b>Occupational Health and Safety</b>						
Total number of work-related fatalities	No. of incident(s)	0	0	0	0	0
Total number of injuries	No. of incident(s)	8	6	3	6	6
Injury rate per 1,000 employees	-	18.0	14.0	6.8	13.7	13.5
Lost day(s)	Day(s)	112	207	32	237	28
Lost time incident rate (LTIR) <sup>Note 11</sup>	-	1.8	1.1	0.7	1.4	1.3
<b>Training and Education</b> <sup>Note 12</sup>						
Topics	No.	80	59	62	-	-
<b>By Types of Topics</b>						
Occupational health and safety	Hours	11	42	355	-	-
Management and operation	Hours	28.5	51	286	-	-
Professional knowledge	Hours	265	106.5	320	-	-
Environmental protection	Hours	0	25	6	-	-
All types	Hours	304.5	224.5	967.5	-	-
<b>Average Training Hours of Employees</b> <sup>Note 13</sup>						
<b>By Gender</b>						
Male	Hours	9.6	11.9	-	-	-
Female	Hours	2.5	11.0	-	-	-
<b>By Position</b>						
Senior management	Hours	8.8	7.7	-	-	-
Management	Hours	4.0	11.4	-	-	-
Frontline and general staff	Hours	9.1	11.8	-	-	-
<b>Geographical Location of Suppliers</b> <sup>Note 14</sup>						
China	No.	176	171	-	-	-
	%	98.9	99.0	-	-	-
Overseas <sup>Note 15</sup>	No.	2	2	-	-	-
	%	1.1	1.0	-	-	-
Community investment	RMB	72,000	5,302	7,952	-	-

Note 7: Senior Management refers to the Group's Directors and Chief Financial Officer.

Note 8: Management refers to employees ranked "Manager" apart from the Group's Senior Management.

Note 9: The Group has disclosed the breakdown of senior management since 2018.

Note 10: The Group has disclosed the breakdown of new employee hire since 2019.

Note 11: Lost Time Injury Rate (LTIR) - the ratio is the number of all fatal and lost working hours incidents multiplied by 200,000 working hours (equivalent to approximately 100 working hours per year) divided by working total hours.

Note 12: In order to reflect the resources and efforts put into the overall development of employees, the Group has revised the strategy for employee training disclosure. Therefore, the data before 2017 was not disclosed.

Note 13: The Group has collected and analysed the average number of hours of training for employees by gender and position since 2018.

Note 14: The Group has provided data on the number and geographical location of suppliers since 2018.

Note 15: Overseas suppliers refer to suppliers located outside of Mainland China.



Disclosure of the GRI Standard		General Disclosure (“GD”) and Key Performance Indicator (“KPI”) of the HKEx ESG Guide	Section/Statement
<b>102: General Disclosures</b>			
<b>Organisational profile</b>			
102-1	Name of organisation	-	2. Business Review
102-2	Activities, brands, products, and services	-	2. Business Review
102-3	Location of headquarters	-	2. Business Review
102-4	Location of operations	-	1.1 Reporting Period and Scope
102-5	Ownership and legal form	-	2. Business Review
102-6	Markets served	-	2. Business Review
102-7	Scale of the organisation	-	2. Business Review
102-8	Information on employees and other workers	KPI B1.1	All employees in the reporting year were full-time and permanent. For detailed information about employees, please refer to the Performance Tables.
102-9	Supply chain	KPI B5.1	6.5 Sustainable Procurement
102-10	Significant changes to the organisation and its supply chain	-	6.5 Sustainable Procurement
102-11	Precautionary Principle or approach	-	6.2 Risk Management
102-12	External initiatives	-	6.8 Industrial Partnership 7.8 Environmental Initiatives 8.2 Our Community
102-13	Membership of associations	-	6.8 Industrial Partnership
<b>Strategy</b>			
102-14	Statement from senior decision-maker	-	4. Chairman’s Statement
<b>Ethics and Integrity</b>			
102-16	Values, principles, standards, and norms of behaviour	KPI B7.2	6.1 Corporate and Sustainability Governance
<b>Governance</b>			
102-18	Governance structure	-	6.1 Corporate and Sustainability Governance
<b>Stakeholder Engagement</b>			
102-40	List of stakeholder groups	-	5.1 Communication Channels
102-41	Collective bargaining agreements	-	Percentage of total employees covered by collective bargaining agreements (that is union) was 96% in the reporting year.
102-42	Identifying and selecting stakeholders	-	5.1 Communication Channels
102-43	Approach to stakeholder engagement	-	5.1 Communication Channels
102-44	Key topics and concerns raised	-	5.2 Materiality Assessment
<b>Reporting Practice</b>			
102-45	Entities included in the consolidated financial statements	-	Please refer to the Group’s 2019 Annual Report.
102-46	Defining report content and topic Boundaries	-	1. About this Report
102-47	List of material topics	-	5.2 Materiality Assessment
102-48	Restatements of information	-	The data calculation method of this report is consistent with last year.
102-49	Changes in reporting	-	1. About this Report 5.2 Materiality Assessment
102-50	Reporting period	-	1. About this Report
102-51	Date of most recent report	-	1. About this Report
102-52	Reporting cycle	-	1. About this Report
102-53	Contact point for questions regarding the report	-	1. About this Report
102-54	Claims of reporting in accordance with the GRI Standards	-	1. About this Report
102-55	GRI content index	-	11. Content Index
102-56	External assurance	-	12. Verification Statement

Disclosure of the GRI Standard		General Disclosure ("GD") and Key Performance Indicator ("KPI") of the HKEx ESG Guide	Section/Statement
<b>200: Economic</b>			
<b>201: Economic Performance</b>			
201-1	Direct economic value generated and distributed	-	Please refer to the Group's 2019 Annual Report.
<b>204: Procurement Practices</b>			
103	Management approach	GD B5 KPI B5.2	6.5 Sustainable Procurement
204-1	Proportion of spending on local suppliers	KPI B5.1	6.5 Sustainable Procurement
<b>205: Anti-corruption</b>			
103	Management approach	GD B7 KPI B7.2	6.4 Ethics and Integrity
205-3	Confirmed incidents of corruption and actions taken	KPI B7.1	6.4 Ethics and Integrity
<b>206: Anti-competitive Behaviour</b>			
103	Management approach	-	6.4 Ethics and Integrity
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	-	6.4 Ethics and Integrity
<b>300: Environmental</b>			
<b>301: Materials</b>			
103	Management approach	GD A2	7.3 Material Use 10. Performance Tables
301-1	Materials used by weight or volume	KPI A2.5	7.3 Material Use 10. Performance Tables The Group did not have any direct consumption of packaging material and thus, the relevant data were not disclosed.
<b>302: Energy</b>			
103	Management approach	GD A2 GD A3	7.4 Energy Consumption and GHG Emissions
302-1	Energy consumption within the organisation within the organisation	KPI A2.1	7.4 Energy Consumption and GHG Emissions 10. Performance Tables
302-3	Energy intensity	KPI A2.1	7.4 Energy Consumption and GHG Emissions 10. Performance Tables
302-4	Reduction of energy consumption	KPI A2.3	7.4 Energy Consumption and GHG Emissions 10. Performance Tables
<b>303: Water and Effluents</b>			
103	Management approach	GD A2 GD A3	7.6 Water Consumption and Wastewater Management
303-1	Interactions with water as a shared resource	KPI A2.2 KPI A2.4	7.6 Water Consumption and Wastewater Management Water sourcing is not material to operations.
303-2	Management of water discharge-related impacts	GD A3 KPI A3.1	7.6 Water Consumption and Wastewater Management

Disclosure of the GRI Standard		General Disclosure ("GD") and Key Performance Indicator ("KPI") of the HKEx ESG Guide	Section/Statement
<b>305: Emissions</b>			
103	Management approach	GD A1 GD A3 KPI A3.1	7.4 Energy Consumption and GHG Emissions 7.5 Air Pollutants Emissions
305-1	Direct (Scope 1) GHG emissions	KPI A1.1 KPI A1.2	7.4 Energy Consumption and GHG Emissions 10. Performance Tables
305-2	Energy indirect (Scope 2) GHG emissions	KPI A1.1 KPI A1.2	7.4 Energy Consumption and GHG Emissions 10. Performance Tables
305-4	GHG emissions intensity	KPI A1.2	7.4 Energy Consumption and GHG Emissions 10. Performance Tables
305-5	Reduction of GHG emissions	KPI A1.5	10. Performance Tables
305-7	NO <sub>x</sub> , SO <sub>x</sub> and other significant air emissions	KPI A1.1	7.5 Air Emissions 10. Performance Tables
<b>306: Effluents and Waste</b>			
103	Management approach	GD A1 GD A3	7.7 Waste Management
306-2	Waste by type and disposal method	KPI A1.3 KPI A1.4 KPI A1.6	7.7 Waste Management 10. Performance Tables
306-4	Transport of hazardous waste	KPI A1.6	7.7 Waste Management
<b>307: Environmental Compliance</b>			
103	Management approach	GD A1	7.2 Green Operation
307-1	Non-compliance with environmental laws and regulations	GD A1	7.2 Green Operation
<b>400: Social</b>			
<b>401: Employment</b>			
103	Management approach	GD B1	8.1 Our Employees
401-1	New employee hires and employee turnover	KPI B1.2	8.1 Our Employees 10. Performance Tables
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	-	8.1 Our Employees
<b>403: Occupational Health and Safety</b>			
103	Management approach	GD B2 KPI B2.3	8.1 Our Employees
403-9	Work-related injuries	KPI B2.1 KPI B2.2	8.1 Our Employees 10. Performance Tables
<b>404: Training and Education</b>			
103	Management approach	GD B3	8.1 Our Employees
404-1	Average hours of training per year per employee	KPI B3.1 KPI B3.2	8.1 Our Employees 10. Performance Tables Data on the percentage of employees trained was not disclosed, but the Group plans to disclose the information in the future.

Disclosure of the GRI Standard		General Disclosure (“GD”) and Key Performance Indicator (“KPI”) of the HKEx ESG Guide	Section/Statement
<b>405: Diversity and Equal Opportunity</b>			
103	Management approach	GD B1	8.1 Our Employees
405-1	Diversity of governance bodies and employees	KPI B1.1	8.1 Our Employees 10. Performance Tables
<b>406: Non-discrimination</b>			
103	Management approach	GD B1	8.1 Our Employees
406-1	Incidents of discrimination and corrective actions taken	GD B1	8.1 Our Employees
<b>408: Child Labour</b>			
103	Management approach	GD B4	8.1 Our Employees
408-1	Operations and suppliers at significant risk for incidents of child labour	KPI B4.1 KPI B4.2	8.1 Our Employees
<b>409: Forced or Compulsory Labour</b>			
103	Management approach	GD B4	8.1 Our Employees
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	KPI B4.1 KPI B4.2	8.1 Our Employees
<b>413: Local Communities</b>			
103	Management approach	GD B8	8.2 Our Community
413-1	Operations with local community engagement, impact assessments and development programmes	KPI B8.1 KPI B8.2	8.2 Our Community
<b>414: Supplier Social Assessment</b>			
103	Management approach	GD B5	6.5 Sustainable Procurement
414-1	New suppliers that were screened using social criteria	KPI B5.2	6.5 Sustainable Procurement
<b>416: Customer Health and Safety</b>			
103	Management approach	GD B6	6.6 Quality Assurance
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	KPI B6.1 KPI B6.4	6.6 Quality Assurance
<b>417: Marketing</b>			
103	Management approach	GD B6	6.6 Quality Assurance
417-2	Incidents of non-compliance concerning product and service information and labelling	KPI B6.2 KPI B6.3	6.6 Quality Assurance
<b>418: Customer Privacy</b>			
103	Management approach	GD B6	6.6 Quality Assurance
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	KPI B6.5	6.6 Quality Assurance
<b>419: Socioeconomic Compliance</b>			
103	Management approach	-	6.2 Risk Management
419-1	Non-compliance with laws and regulations in the social and economic area	-	6.3 Operational Compliance



## Verification Scope

Allied Environmental Consultants Limited (“AEC” or “the Company”) was commissioned to undertake an independent verification of D&G Technology Holding Company Limited (“D&G”) 2019 Sustainability Report (the “report”). The scope of verification covers the data and contents relating to D&G’s sustainability performance at offices in Hong Kong, Beijing, Shanghai, Guangzhou, Chengdu, Singapore, Pakistan and India, and main manufacturing plant and adjacent employees’ dormitory located in Langfang, Hebei from 1 January 2019 to 31 December 2019 (the “reporting year”).

## Verification Standards and Methodology

The report was verified with reference to International Standard on Assurance Engagement (“ISAE”) 3000 (Revised) (Assurance Engagements Other Than Audits or Reviews of Historical Financial Information). The verification included an evaluation of the report’s alignment with the “core” option of Global Reporting Initiative standards (the “GRI standards”), and Appendix 27 Environmental, Social and Governance Reporting Guide (the “ESG Guide”) set out in The Stock Exchange of Hong Kong (the “HKEx”).

In order to ensure the report adheres to the reporting principles and standards, our Company had designed and undertaken the following activities to gather evidence before drawing the conclusion:

- **Conduct review of material issues and assess the relevance of those to D&G’s business;**
- **Conduct meetings with staff that are involved in sustainability management, report preparation and provision of report information;**
- **Provide advice on stakeholder engagement activities with no direct contact with the external stakeholders;**
- **Conduct review of supporting evidence for claims made in the report; and**
- **Verify all calculated and disclosed data in the report.**

## Level of Assurance

As set out in ISAE 3000, our Company provided limited assurance in the review that is defined by the scope and methodology described in this statement.



## Conclusion

Based on the scope of work and assurance procedures performed, all material aspects, data and information in the report were prepared in accordance with the GRI Standards: Core Option, and in compliance with the HKEx ESG Guide.

Regarding the work undertaken during the assurance process, we are of the opinion that the information stated in the report provides a structured, balanced and reliable disclosure of D&G's sustainability performance during the reporting year. In addition, the report demonstrates the quality of accuracy, timeliness, comparability, clarity and reliability.

In conclusion, the report provides a comprehensive account of D&G's management approach and sustainability performance in a proactive, consistent, fair and truthful manner.

## Competency and independence

AEC is composed of sustainability and environmental consultants that are experienced in the industrial sector, and are trained and competent in a range of related standards and skills including but not limited to GRI Standards, Global Real Estate Sustainability Benchmark ("GRESB"), AA1000AS, the HKEx ESG Reporting Guide, Carbon Audit, ISO 9001 and ISO 14001.

In addition, AEC conducted the verification and assurance of sustainability data and reporting as an independent consultant. Upholding high ethical standards, it is claimed to have been no conflict of interest with D&G while performing the verification. Throughout the process, AEC has verified all disclosed data, content and compliance with the stated reporting standards.

A handwritten signature in black ink, appearing to read 'Grace Kwok', with a flourish at the end.

**Ms. Kwok May Han Grace**

*Chairman and Managing Director of Allied Environmental Consultants Limited*

*Hong Kong*

17 June, 2020



德基科技

D&G TECHNOLOGY

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