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德 基 科 技

D&G TECHNOLOGY

D&G TECHNOLOGY HOLDING COMPANY LIMITED

<INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY>

STOCK CODE 1301



EcoChallenger 環保優秀企業
中銀香港 BOCHK
企業環保領先大獎2020
Corporate Environmental Leadership Awards



5 Years+ 環保先驅
EcoPioneer
中銀香港 BOCHK
企業環保領先大獎2020
Corporate Environmental Leadership Awards



Environmental Leadership
and Reputation
Research Based Excellence Award
Hong Kong Green Awards 2021



5 years+ 商界風尚
caring company
Awarded by The Hong Kong Council of Social Service
香港社會服務界協會



綠標獎
香港環保獎
發行和編印
證書編號: GC 4719



6 years+
香港綠色企業大獎 2021
Hong Kong Green Awards

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1 Chairman's Statement

On behalf of the board of directors of D&G Technology Holding Company Limited (the "Company") and its subsidiaries (hereafter collectively referred to as the "D&G" or the "Group"), I am pleased to present the Group's 2021 ESG report, which describes our effort in sustainability throughout 2021.

2021 was a year which presented many challenges. Against the backdrop of the unstable economic and political environment in Hong Kong and worldwide, the COVID-19 halted economies across the globe. Amid the challenging environment, the Group focused on maintaining business resilience through its continuous commitment to sustainability.

Sustainability is about identifying and responding to the needs of our stakeholders. We take a proactive approach in initiating low-carbon emission targets. We plan to establish a cooperative burner enterprise with Tsinghua University and promote a new generation of low-nitrogen burner products. In addition, we also join the Greater Bay Area Carbon Neutrality Association to integrate sustainability targets into business operations.

The theme of the report is "Creating a healthy community, achieving a sustainable future". We have demonstrated superior business resilience in spite of the challenging environment. On behalf of the Group, I would like to express my gratitude and appreciation to our team for their endless effort in contributing to sustainable development.

Choi Hung Nang
Chairman
30 May 2022

2 About this Report

Reporting Period and Scope

This is the seventh annual sustainability report published by the Group (Stock Code: 1301). The report covers the Group's sustainability performance of the financial reporting period from 1 January 2021 to 31 December 2021 (the "reporting year"). The scope of the report has no significant change, covering D&G's offices in Hong Kong, Beijing, Shanghai, Guangzhou, 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 Reporting Guide (the "ESG Guide") issued by The Stock Exchange of Hong Kong Limited (the "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.

Reporting Principles

The Group adheres to following reporting principles of when preparing this report:

Reporting Principles	The Group's Reporting Practices
Materiality	Identify material environmental and social issues through stakeholder engagement and report to the Board. This report discloses the identified material topics and relevant information.
Quantitative	The Group records and discloses material performance indicators in a quantitative way where appropriate.
Balance	This report discloses information objectively to provide an unbiased overview of the Group's ESG performance.
Consistency	The Group adopts consistent calculation methodologies to ensure data is comparable year-on-year unless stated otherwise.

The Board of Directors ("the Board") sincerely thanks the management and staff for their contribution to this report and the Group's ESG performance in 2021.

Contact Details

We welcome 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:

Email: info@dgtechnology.com

3 Sustainability Goals and Highlights

In response to the carbon peaking and neutralisation goals proposed by the government of the People's Republic of China ("PRC") and responding to the national call, the Group will take low-carbon and environmental protection as the core direction of technology and product research and development, and formulate various low-carbon emission reduction goals and specific measures for the period from 2022 to 2025. Improvement projects and measures for 2022 include:



In the face of a pandemic, the Group continues to elevate its sustainability strategy and performance through environmentally-friendly asphalt mixing plant to promote a healthy and sustainable society.

Despite many challenges, the Group participated in various environmental protection initiatives. These include Earth Hour 2021, visiting EcoPark, joining the Green Council, becoming the founding signatory of Sustainable Procurement Charter, co-founding the Greater Bay Area Carbon Neutrality Association, integrating sustainability targets into business operations, implementing sustainable procurement practice, and strengthening stakeholder engagement. The Group will seek continual improvement in its sustainable development.

The theme of the report is “Creating a healthy community, achieving a sustainable future”. From responsible governance to green operation, the report exhibits the Group’s sustainability performance to demonstrate its commitment to corporate social responsibility in stakeholder engagement, and to spread positivity during the pandemic.

The sustainability performance is highlighted as follows:

Safe Production



- ISO 45001:2018 Occupational Health and Safety Management certification
- Zero work fatality rate for 7 consecutive years

Innovative and Green Manufacturing



- Application of geothermal heat pumps in the Research and Development Centre
- Upgrade water efficiency equipment to prevent water leakage
- Install new hazardous waste treatment facilities to improve hazardous waste management
- Monitor environmental performance by deploying industrial robots, smart meters, and computer numerical control
- Conduct energy efficiency upgrades

Staff Training



- 170 topics — 93 hours on safety and security, 432.5 hours on professional knowledge, 182 hours on management and operation

Patents and Copyrights



- 172 registered patents — 4 invention patents, 2 design patents and 166 utility model patents
- 27 software patents

Environmental Performance



- 10.61 tCO₂e/RMB’M revenue
- 85% of waste recycled
- 18.65 MWh energy consumption/RMB’M revenue

Recognition and Awards



- 5 Years+ Caring Company
- EcoChallenger 2020
- 5 Years+ EcoPioneer
- InnoESG Care Prize 2021
- China Mixing Plant Sustainable Product Award 2021
- Hong Kong Green Awards 2021 – Corporate Green Governance Award

United Nations Sustainable Development Goals (“SDGs”)

Through the establishment of 17 SDGs, United Nations calls on all countries while facilitating economic development, to solve social problems and protect the Earth. These goals include: eradicating poverty, solving famine, achieving equity, and combating climate change. As a corporation that has incorporated sustainable development into our business direction, D&G is eager to contribute to the realisation of these SDGs. Therefore, the Group has preliminarily mapped its core business and actions with five SDGs, and considers formulating different strategies and actions in the future for more detailed disclosures.






4 Business Review

Headquartered in Hong Kong, D&G is a leading manufacturer and service provider of medium and large asphalt mixing plants in China. D&G prioritises innovation and environmentally friendly production, and is committed to providing customers with efficient, reliable, safe and environmentally friendly conventional hot-mix asphalt mixing plants (“conventional plants”) and hot-mix asphalt mixture recycling plants (“recycling plants”). Our asphalt mixing technology benefits highways construction and maintenance, catering for various scales. In addition, the Group provides customer services for asphalt mixing equipment, including sales of spare parts and components, provision of equipment modification services and operating leases of asphalt mixing plants.

There are four categories of D&G’s asphalt mixing plants:

CONVENTIONAL

Categories	Description	Properties
 <p>Standard Series</p>	Traditional and robust asphalt mixing plant	<ul style="list-style-type: none"> • 100-400 tonnes/hour • Easy to operate • Reliable • Easy for maintenance
 <p>Compact Series</p>	Customers can save transportation costs with the Compact Series. These asphalt mixing plants are designed with precise selection of individual elements and professional configuration on the exterior hull of shipping containers	<ul style="list-style-type: none"> • 100-240 tonnes/hour • Lower shipping costs • Suitable for long-distance transportation • No production capacity compromised
 <p>Mobile Series</p>	Customers with mobile needs can use the Mobile Series asphalt mixing plant for quick and efficient work	<ul style="list-style-type: none"> • 100-120 tonnes/hour • Fast transit • Easy installation • Suitable for maintenance

RECYCLING

Categories	Description	Properties
 <p>Recycling Series</p>	As one of the first manufacturers in China to develop recycling plants and export the products to advanced countries such as Australia, D&G takes pride in its recycling series in promoting a more environmentally friendly approach to asphalt production	<ul style="list-style-type: none"> • 100-400 tonnes/hour • 10-60% reclaimed asphalt pavement • Cost reduction • Environmentally friendly • Efficient production <p>Environmental benefits:</p> <ul style="list-style-type: none"> • 10-35% fuel reduction • Less emissions (compared with conventional plants) <ul style="list-style-type: none"> ▪ Carbon dioxide – 60% ▪ Sulfur dioxide – 70% ▪ Volatile organic compounds – 50% ▪ Carbon monoxide – 10-30% ▪ Nitrogen oxides – 60-70% ▪ Particulate matter – 20-25%

4 Business Review

In the face of the uncertainties such as the global epidemic and climate change crisis, the Group is more aware of the importance of sustainable development in combating risks, and the needs to improve the resilience of overall operations. To further promote environmental protection, the Group has integrated the concept of circular economy into its business, and is devoted to improving the environmental performance of our recycling plants. This series uses construction waste such as used and broken asphalt mixtures as raw materials for the production of recycled asphalt pavement. Compared with conventional plants, the recycling plants significantly reduce air pollution emissions and attain resource-efficient and environmentally friendly production. With the tightening of environmental requirements for operations and the global concern on environmental issues, the Group expects the market demand for such products will continue to increase.

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 align with the market's requirements for technology, providing customers with more convenient and considerate services while enhancing the market competitiveness of D&G.

To strengthen D&G's leading position over the years in the industry, the Group endeavours to strengthen product research and development ("R&D"). D&G has established a R&D centre in December 2017, to proactively facilitate knowledge exchange, effectively develop different research projects, 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 a 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.



4 Business Review

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:



4 Business Review

Hinging on continuous efforts, the market coverage of D&G's practice has reached across the globe. Since the beginning of the practice, the Group's business operation has expanded to more than 30 countries in the below map. The total number of employees of the Group reached 381. They are distributed in business locations in six 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.

(Operation Locations)



For the financial performance of the Group during the reporting year, please refer to the Group's 2021 Annual Report.

5 Stakeholder Engagement

In order to understand the expectations and needs of stakeholders, and listen to their valuable opinions, D&G has established communication channels with stakeholders to assist the Group in business planning. During the reporting year, D&G maintained connection with stakeholders through various methods, including WeChat official account, official website and other network communication platforms.

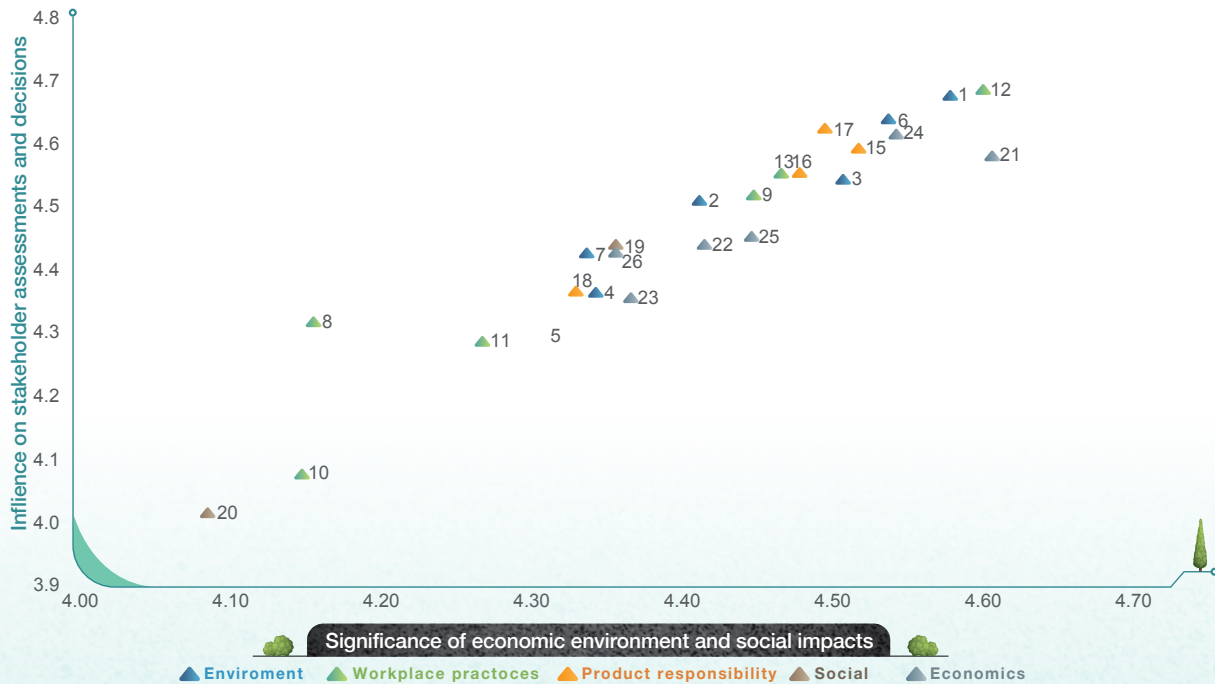
Communication Channels

Stakeholder Groups	Participants	Topics	Engagement Methods	Engagement Time
 <p>Employees</p>	<ul style="list-style-type: none"> Management Employees New employees 	<ul style="list-style-type: none"> Quality management Environmental management Occupational health and safety management 	<ul style="list-style-type: none"> Quality/environmental/occupational health and safety management system trainings Quality/environmental/occupational health and safety management system three aspects audit Employee meeting/satisfaction questionnaire On-the-job training and physical examination 	<ul style="list-style-type: none"> Three-system trainings: Whole year Three-system audit: September Staff meeting: January, April, July, October Employee satisfaction questionnaire: December On-the-job training and physical examination: Whole year
 <p>Customers</p>	<ul style="list-style-type: none"> Road construction companies Road construction machinery distributors 	<ul style="list-style-type: none"> Discuss on cooperation 	<ul style="list-style-type: none"> Satisfaction questionnaire Factory inspection Site visit 	<ul style="list-style-type: none"> Satisfaction questionnaire: January, July Site visit: Several times
 <p>Suppliers</p>	<ul style="list-style-type: none"> Material suppliers Subcontractors 	<ul style="list-style-type: none"> Trainings and technical exchange Assessment and capability survey 	<ul style="list-style-type: none"> Study visit Product technical standards exchange forum Supplier capability survey Supplier assessment 	<ul style="list-style-type: none"> Study visit: December Exchange forum: Several times Supplier capability survey: Several times Supplier assessment: May
 <p>Educational and research partners</p>	<ul style="list-style-type: none"> Construction machinery association road machine chapter China Highway and Transportation Society Institute of Tsinghua University, Hebei Research Institute of Highway Ministry of Transport 	<ul style="list-style-type: none"> Technical exchange 	<ul style="list-style-type: none"> Daily communication exchange (Associations/research centres) The 12th China Asphalt Mixing Plant Industry Summit (Construction Machinery Association Road Machine Chapter) Teaching and technical sharing and exchange forum (Research Institute of Highway Ministry of Transport) 	<ul style="list-style-type: none"> Communication exchange: Several times Industry summit: December Technical sharing and exchange forum: November
 <p>Government and other public bodies</p>	<ul style="list-style-type: none"> Provincial and municipal local governments County Party Committee and County Government 	<ul style="list-style-type: none"> Inspection 	<ul style="list-style-type: none"> Inspection Factory exchange interviews 	<ul style="list-style-type: none"> Provincial: March, April, September Municipal: January, May, September, October, November, December County: Several times
 <p>Business partners</p>	<ul style="list-style-type: none"> Distributors Exclusive dealers Joint venture partners 	<ul style="list-style-type: none"> Introduction of product performance Product knowledge training and discussion 	<ul style="list-style-type: none"> Seminars Training sessions Meetings and discussions 	<ul style="list-style-type: none"> March, May, September
 <p>Media</p>	<ul style="list-style-type: none"> Industry magazine Industry network platform Television Network 	<ul style="list-style-type: none"> Information promotion 	<ul style="list-style-type: none"> Collaboration and cooperation Advertising and promotion Interviews 	<ul style="list-style-type: none"> Several times in a year

5 Stakeholder Engagement

Materiality Assessment

The Group has hired a consulting firm to conduct stakeholder engagement in the previous reporting year, using a quantitative approach to identify the material topics for the Group. Stakeholder engagement is conducted by questionnaire surveys, collecting opinions from a total of 70 external stakeholders, which are the opinions of the customers. With the assistance of the consulting firm, the senior management had selected 26 economic, environmental and social issues for participants to rate the issues anonymously in the questionnaire (1 is least important, 5 is the most important). Based on the scoring of these issues, the Group has identified a total of 13 important issues, which are disclosed in detail in the report to respond to the stakeholders.



The Group wishes to invite more stakeholder groups to express their opinions in the coming year, to further increase the reference value of materiality assessment. The following are the economic, environmental and social issues that the Group has voluntarily disclosed.

Aspects	Number	Sustainability Issues	Material Issues
Environment	1	Air quality 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 labelling	✓
	16	Customer privacy	✓
	17	Customer health and safety	✓
Social	18	Supplier environmental and social assessment	
	19	Stakeholder engagement	
Economic	20	Community involvement	
	21	Economic performance	✓
	22	Indirect economic performance	
	23	Procurement practices	
	24	Compliance	✓
	25	Anti-corruption	✓
	26	Anti-competitive behaviour	

The Group's material topics and management approach will be disclosed in the following sections.

6 Sustainable Value Chain

A sustainable value chain has a vital impact on the stability of D&G's business operations. As such, D&G attaches great importance to several factors of sustainable value chain, including concrete objectives, risk management, business integrity and transparency, procurement and quality assurance practice, understanding of industry and market trends, and maintaining long-term cooperation with customers and business partners, to achieve business success.

Corporate and Sustainability Governance

The Group regards good corporate governance as the key to maintaining a sustainable value chain. With a top-down management approach, D&G formulates a comprehensive policy and supervision mechanism to develop a well-defined structure and division of labour among departments. First, the senior management, composed of the Board and the Chief Financial Officer, are responsible for reviewing the effectiveness of internal control systems and risk management methods, determining strategic business objectives, and identifying its operating departments, including sales and marketing, production, finance, engineering and customer service. Among the 12 senior management members, six of them are independent and non-executive directors (the "INED") and non-executive directors (the "NED"). They give advice on 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 has established a sustainable development working group to assist in the implementing relevant measures.

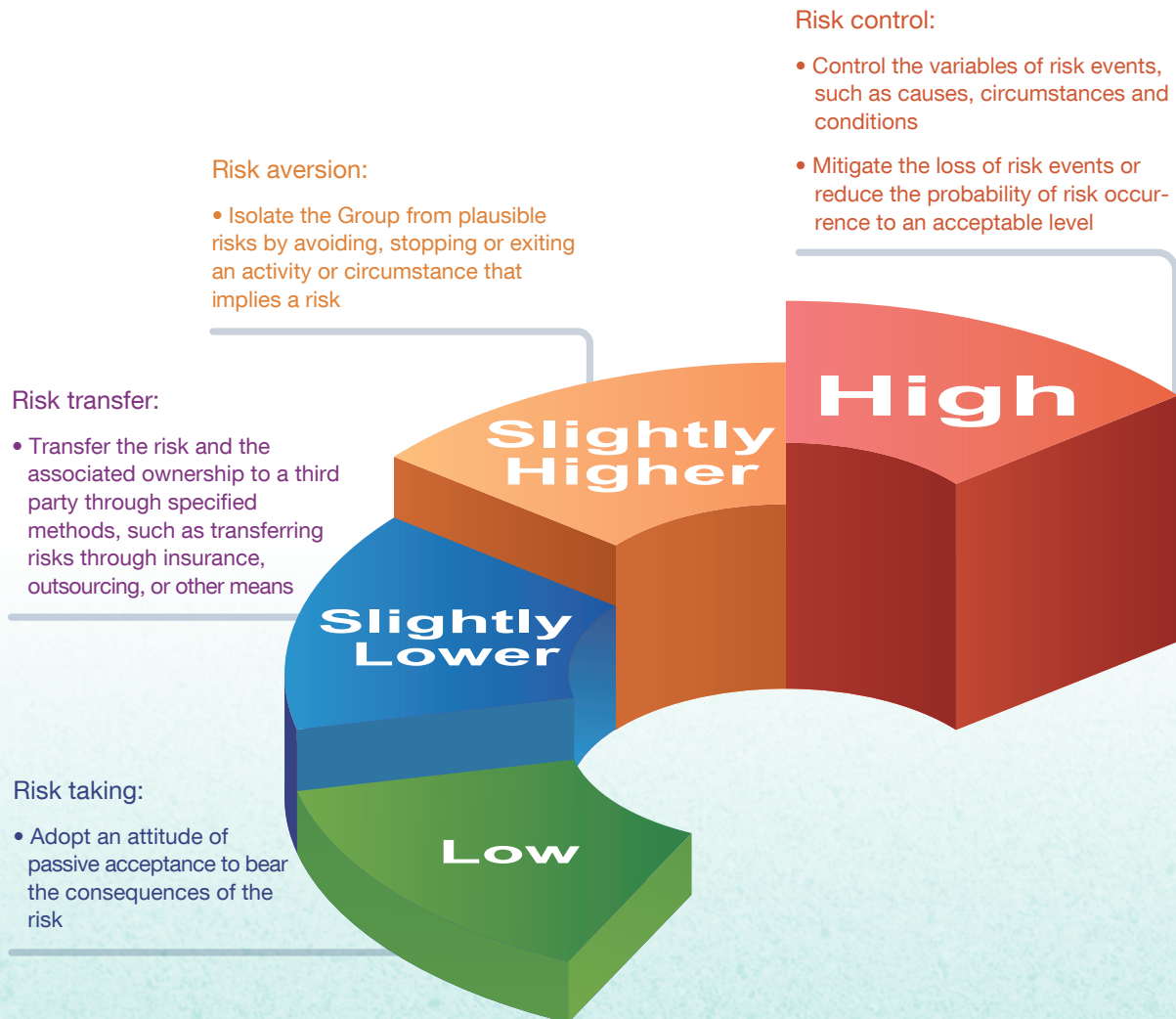
Risk Management

Any uncertainty that threatens or affects business development and goals are defined as risks by D&G, while risk management is one of the areas that the Group emphasises on. The Group has formulated internal risk management policies and measures to prevent and control the identified significant risks, such as resource supply sustainability, overseas markets management, financial credit reliability, and environmental compliance.

In order to avoid and reduce the business operation risks, the Group considers operational, environmental and social factors when making business decisions, to ensure its sustainability. In face of the risks of different nature, the Group uses its internal risk management system to conduct corresponding risk assessments. Based on the results of confirmed analysis, the Group determines the risk level of the project (divided into high, medium and low), and classifies the project in the risk database, which will be considered a risk-and-opportunity factor when making business decisions.

6 Sustainable Value Chain

If a project is regarded as high-risk under risk assessment, the Quality Management Department (the “QM 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.



Ethics and Integrity

Good integrity and ethics are part of the core values of the Group. D&G encourages employees to be self-disciplined, with reward and punishment mechanisms and establishment of relevant management standards. Employees are required to attend regular training to understand the importance of occupational ethics to the Group. With the assistance of the Legal and Compliance Department (the “L&C Department”), the Group has formulated policies to eliminate anti-competitive or monopolistic behaviour, and ensure that the Group’s operations comply with relevant laws and regulations. During the reporting year, the Group has complied with the regulations related to anti-competitive behaviour, anti-trust and monopoly practices.

On top of internal management, the Group also communicates the standards with external stakeholders, such as suppliers and business partners.

6 Sustainable Value Chain

D&G attaches great importance to the integrity management between the corporate and customers. Having noticed long-term arrears affairs, the Group has reviewed current customer credit policies and collection arrangements, as well as strengthened 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:

Acceptable Payment Rules

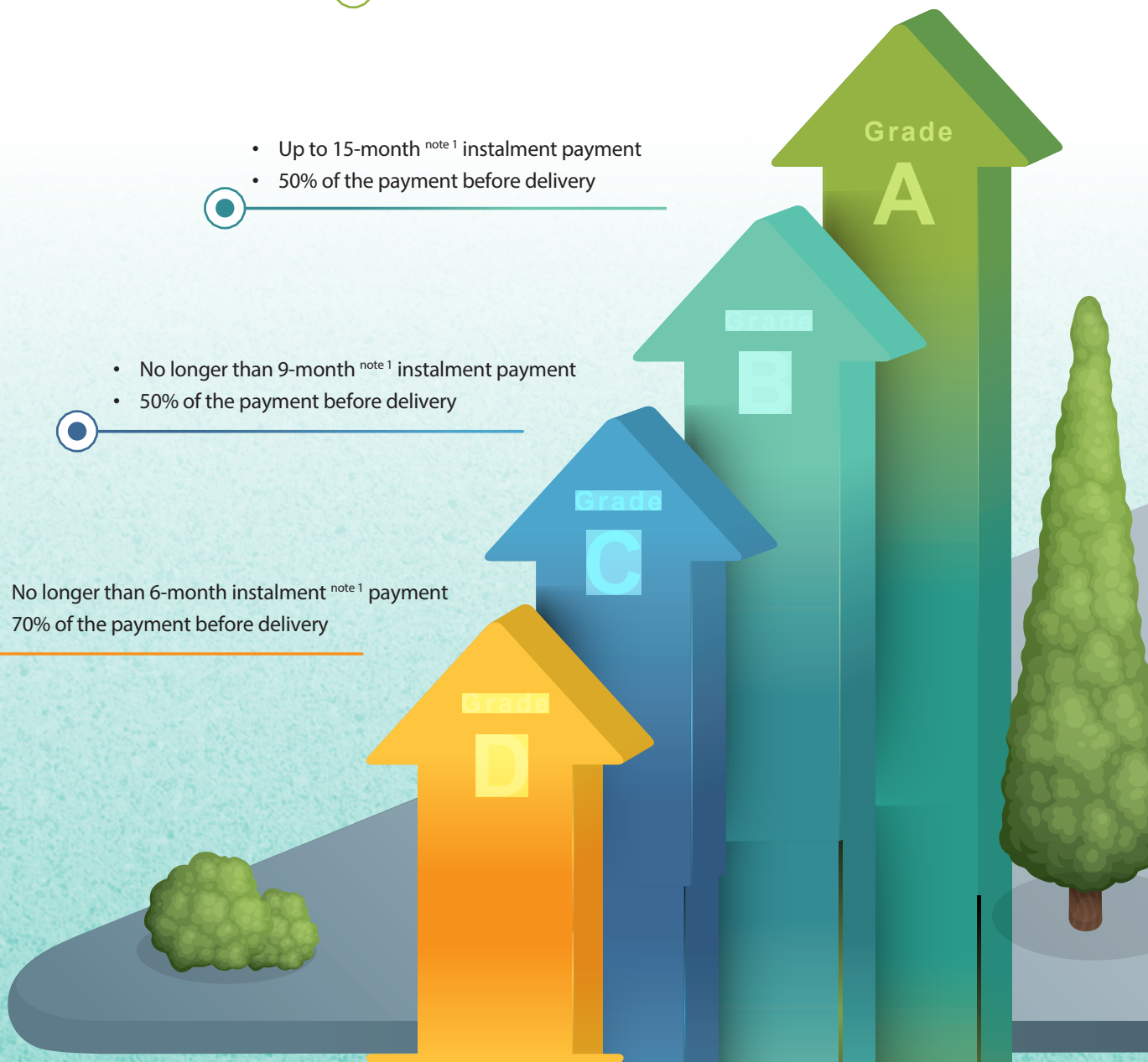
Customer Credit Rating

- Up to 18-month^{note 1} instalment payment
- 30% of the payment before delivery

- Up to 15-month^{note 1} instalment payment
- 50% of the payment before delivery

- No longer than 9-month^{note 1} instalment payment
- 50% of the payment before delivery

- No longer than 6-month instalment^{note 1} payment
- 70% of the payment before delivery



Note 1: From the date of contract signing

6 Sustainable Value Chain

The Group also attaches great importance to integrity and anti-corruption. The Group encourages the employees to report any suspected misbehaviours anonymously or in person, through the established whistle-blowing channels such as mailbox, mailing address, telephone (fax) or email. In case of reported misconduct, the L&C Department would conduct an investigation and contact the complainant and the parties involved. Meanwhile, it also ensures the confidentiality of sources in order to protect whistle-blowers. 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 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 the 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.

Operational Compliance

As a socially responsible company, the Group implements innovative and compliant operations. D&G establishes stringent management control departments, processes and policies, where the compliance in economic, social, and environmental is regulated by the L&C Department. Among them, the Safety and Environmental Protection Department (the "S&E Department") is responsible for supervising the environmental and safety performance, to support the compliance in environmental aspects, and response to the related updates by the government. 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.

The Group emphasises the product safety and usage are consistent with those described at the time of sales. In order to ensure that customers are able to safely use the product and understand the characteristics of the product, the Group provides sufficient and correct relevant information regarding the product's safety. This includes technical data, drawings and safety operation manuals, where detailed installation instructions or technical indicators are provided as well, to increase the convenience of customers when installing equipment. During the reporting year, the Group did not violate the regulations regarding health and safety, information, and logos and marketing of product and service. In addition, D&G 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, D&G had no recorded case that was resolved by the dispute mechanism.

6 Sustainable Value Chain

Quality Assurance

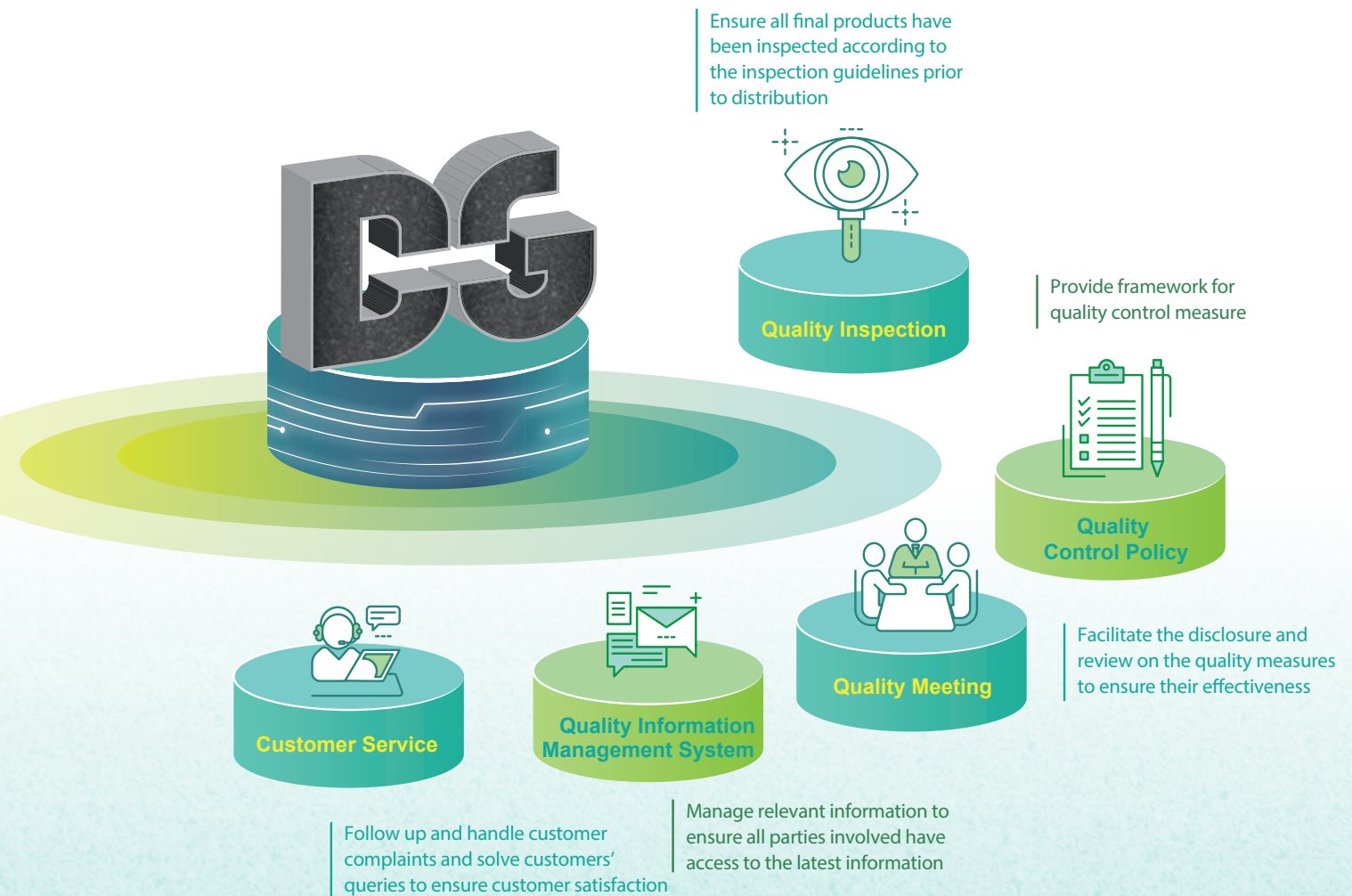
Product quality and performance are the cores of the Group's business. Through the practice of the circular economy concept, D&G invests in new technologies to improve product skills and performance, maintains stringent production supervision, improve resource efficiency and provide optimal quality. The Group has successfully obtained multiple international standard certifications, in recognition of its efforts in productivity efficiency and stable quality:



D&G attaches high importance to product safety and adheres to safety requirements. We make sure the products are able to operate properly in that country or region. 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. To secure the health and safety of the customers, D&G carries out quality inspections on all products in accordance with the CE and EAC certification standards. In the reporting year, D&G had no recalled sales or shipped products due to safety and health concerns.

6 Sustainable Value Chain

In order to ensure the stability of product quality, the Group has formulated quality assurance procedures and measures in accordance with the international standard ISO 9001:2015 Quality Management System:



The Group has appointed the Process Management Department to standardise the quality testing process. This includes preparing procedures and instructions for employees to carry out works in accordance with relevant instructions, where mass production can only take place after confirmation by the factory supervisor or inspector.

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 Process Management Department when necessary. The equipment must be regularly maintained and repaired to prevent the production efficiency from being affected due to its failure. If the QM 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.

6 Sustainable Value Chain

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

Protecting Data Privacy and Intellectual Property Rights

In respect for intellectual property rights, the Group bans the use 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 172 registered patents and 27 software copyrights.

The Group focuses on protecting customer privacy. When the Group signs a contract with a customer, it must also attach a confidentiality agreement to prevent leakage of customer data. 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.

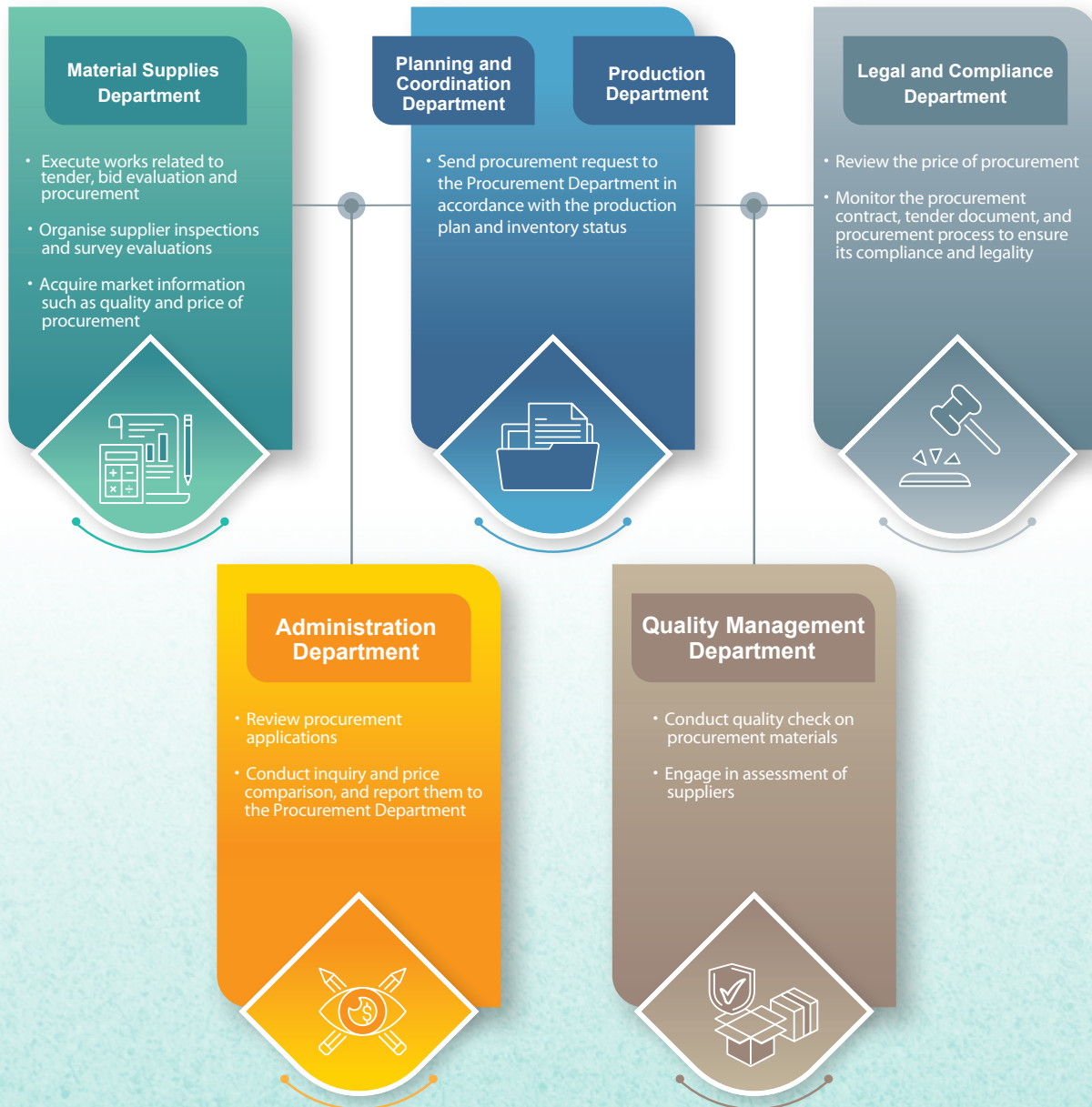
Sustainable Procurement

The Group has consistently developed new technologies and products in the R&D Centre established in December 2017. The building assists in specifying the quality monitoring process, formulated technical standards for purchased materials, and provided technical data required for outsourcing. Part of the building has been opened to the public, to strengthen the public’s understanding of mixing plants produced by the Group. For instance, the building is equipped with virtual reality tools to allow visitors to experience the production process of asphalt mixing plants.

D&G prioritises domestic and local suppliers to support the local economy and reduce the environmental footprint generated in transporting materials. D&G added a sustainable development procurement charter into its “Supplier Management Measures” in 2019, and in 2020, it increased the proportion of supplier management assessment’s environment, occupational health and safety (“EHS”) to 10%. To ensure our suppliers share our sustainability vision, we regularly interview them to make sure their services meet our expectations for sustainable development. In terms of logistics of merchandise, D&G is devoted to gradually extending the coverage of our customer base, and improving the domestic and international freight logistics systems. The Group also regularly evaluates the performance of logistics companies that are currently cooperating with and bidding, including their overall loading capabilities and integrated service levels. During the reporting year, the Group has already added 14 suppliers. Among a total of 154 suppliers, only 4 of them were overseas suppliers.

6 Sustainable Value Chain

In order to ensure the materials' quality and supply chain stability, the Group implements sustainable supply chain management through stringent control systems and policies. The Group has also allocated different departments to undergo risk and performance assessments:



D&G has adopted the sustainable procurement charter, which requires suppliers to consider factors such as the environment, social compliance and ethics. In terms of basic requirements, the Material Supplies Department will consider the procurement standard and production requirement, and compare several factors, including materials quality, price, delivery date, packaging, after-sale service and technological support. The Material Supplies Department selects several qualified suppliers for comparison.

Apart from basic requirements such as quality, price and delivering capacity of the supplier's products, D&G evaluates the environmental, EHS performance as well as the financial status of the suppliers in the procurement process. The Group has stepped forward to tighten the EHS requirements for suppliers, where they have to submit relevant documentary proof. For example, suppliers have to provide relevant qualifications and test reports to prove that a comprehensive EHS management system is in place to control the sources of pollution and hazards on-site effectively.

6 Sustainable Value Chain

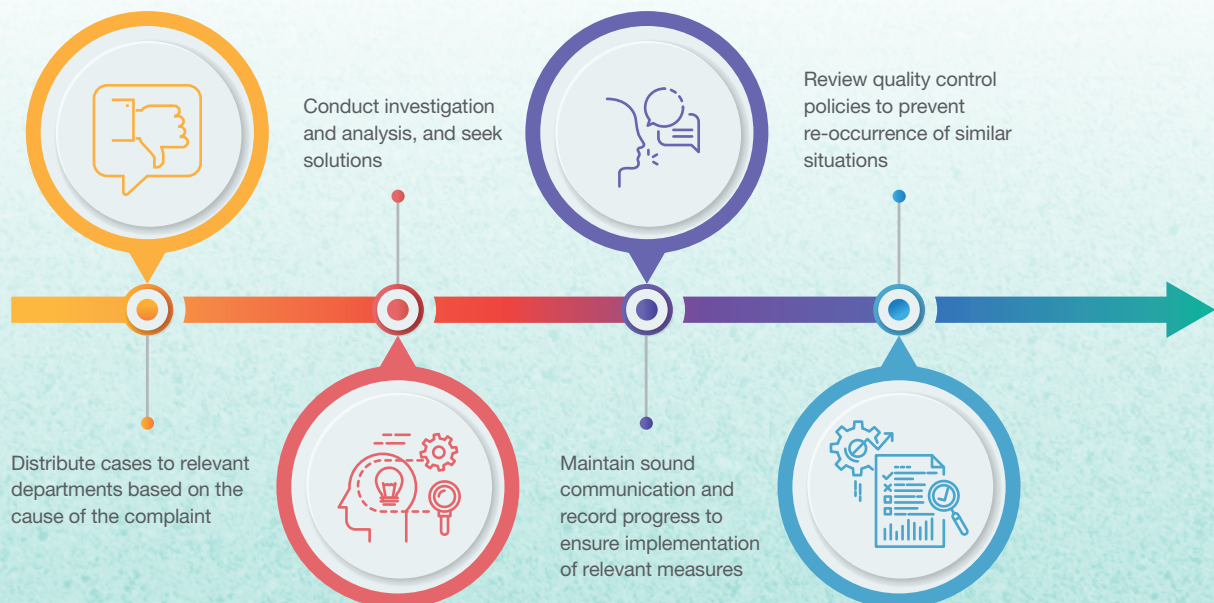
Suppliers with higher scores are regarded as the major suppliers and are offered larger orders, whereas other suppliers are classified as low-priority and alternative. In order to ensure the sound performance of the major suppliers and give opportunities to the low-priority and alternative ones to improve, 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.

Apart from the Material Supplies Department, the QM Department is also responsible for the quality control of the procured materials. If there is a major quality issue when conducting inspection, measurement, observation and process verification, the QM Department shall issue a “non-conformity report”, and hand 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 Material Supplies 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.

During the reporting year, the Group has made paint barrel liners a standard requirement to prevent staining the paint barrels and reduce hazardous waste.

Customer Service

For the Group, customer feedback is 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:



To ensure continuous improvement of product quality and EHS issues, the Group has developed an assessment mechanism to review the job performance of the QM Department and the S&E Department. 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, while the QM Department shall monitor the progress and effectiveness of various measures.

6 Sustainable Value Chain

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 QM Department. The QM 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.

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

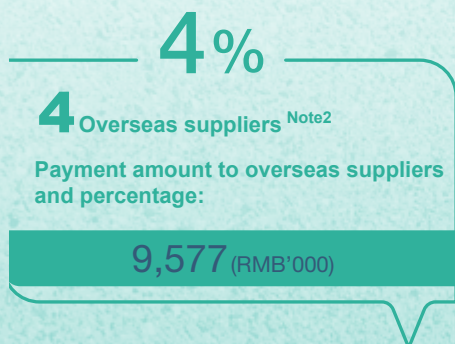
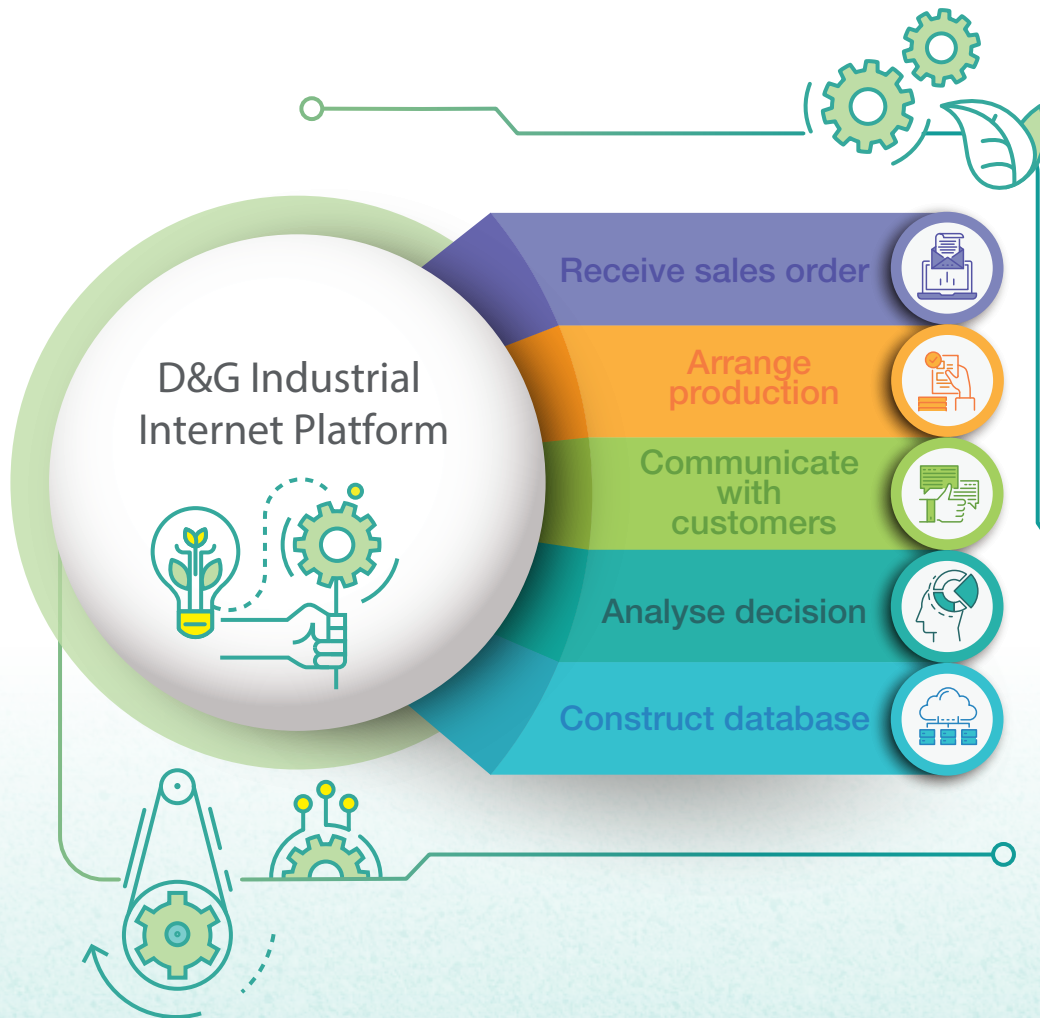
Type	Description	No. of Case Received in 2021
General complaints	Customer complaints that can be easily resolved through communication	867
Crisis complaints	Customer complaints that have a major impact on the Company's image and brand	0
Major complaints	Customer complaints that have a potential impact on the Company's image and brand	5
Invalid complaints	Customer complaints that are caused by misunderstandings	6

During the reporting year, the Group received product and service complaints relating 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. All relevant departments involved have also formulated preventive and corrective measures to prevent similar problems from recurring.

In view of the drastic increase in demand for customised service, 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 a self-built industrial Internet cloud platform for enterprises, mainly providing services of asphalt mixture production, sales, data statistics, decision analysis and information communication. The Group expects that the industrial Internet platform will create direct service revenue of more than RMB5 million for D&G, and indirectly promote the growth in the sales of spare parts revenue of more than RMB7 million, and can improve equipment availability for customers by more than 10%. Moreover, the material loss is expected to save 3% to 5%, if calculated based on the output of each equipment of 200,000 to 400,000 tons/year, which can save 2 to 3 million tons of raw materials and save RMB240 million of material loss. The initiative helps to promote effective coordination of all stages during the production process, and to reduce material loss and assure product quality.

6 Sustainable Value Chain

D&G industrial Internet platform:



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

Industrial Partnership

D&G has been working hard to maintain sound industry partnerships, cooperate with different professional scientific research institutions, and join members of different professional associations and institutions. This enables D&G to share the sustainable development operation model of its business, keep track of the industrial trend, and strive to promote the green development of the industry:

- Founding member of the Greater Bay Area Carbon Neutrality Association
- 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
- Corporate member of the Green Council
- Council member of the SME Service Committee of China Construction Machinery Association (CCMA)
- Member of Equipment and Materials Procurement Branch of China Association of International Engineering Consultants (CAIEC)
- Corporate member of Hebei Machinery Industry Association
- Corporate member of Langfang Publicly Listed Company Association
- Corporate member of Guangdong Province Asphalt Concrete Supply Chain Association

6 Sustainable Value Chain

Partner Organisations



Partnership Projects



6 Sustainable Value Chain

Policy	Objective of 2021	Target of 2021	Progress of 2021	Strategy of 2022	Objective of 2022	Target of 2022
<ul style="list-style-type: none"> Strive to implement sustainable measures by considering ESG factors 	<ul style="list-style-type: none"> Conserve raw materials 	<ul style="list-style-type: none"> Redesign the hot mix storage bin of DG4000/5000 series to save at least 5 tonnes per set of steel consumption 	<ul style="list-style-type: none"> Redesign the hot mix storage bin of DG4000/5000 series to save 10.6 tonnes per set of steel consumption 	<ul style="list-style-type: none"> Incorporate sustainability when designing and purchasing product raw materials Saves steel by using leftovers during the production process 	<ul style="list-style-type: none"> Using leftovers during the production process 	<ul style="list-style-type: none"> Redesign the hot mix storage bin of DG3000 series to save 10 tonnes per set of steel consumption Usage of left over bits and pieces \geq 15 tonnes in 2022
<ul style="list-style-type: none"> Strive to reduce the consumption of natural resources 	<ul style="list-style-type: none"> Optimise warehouse layout 	<ul style="list-style-type: none"> Reduce the distance of material transportation in the factory \geq 1000km 	<ul style="list-style-type: none"> Reduce the distance of material transportation in the factory \geq 1200km 	<ul style="list-style-type: none"> Save electricity by replacing energy-saving lamps 	<ul style="list-style-type: none"> Replace gantry crane lighting by LED Lights 	<ul style="list-style-type: none"> Save 8000 kWh of electricity annually
<ul style="list-style-type: none"> Strive to reduce factor pollutant emissions 	<ul style="list-style-type: none"> Purchase filter cotton and install filter cotton in fixed spray booths to reduce hazardous waste discharge 	<ul style="list-style-type: none"> Reduce emissions of hazardous waste by 10 tonnes in 2021 	<ul style="list-style-type: none"> Reduce emissions of hazardous waste by 9.5 tonnes in 2021 	<ul style="list-style-type: none"> Implementation of PV system 	<ul style="list-style-type: none"> Grid-connected photovoltaic power generation 	<ul style="list-style-type: none"> Annual emission reduction for the country: 970.4 tons of carbon dioxide; 389.32 tons of standard coal; 264.76 tons of smoke and dust; 29.2 tons of sulfur dioxide; 14.6 tons of nitrogen compounds
<ul style="list-style-type: none"> Strive to enhance suppliers' awareness of sustainable development 	<ul style="list-style-type: none"> Encourage suppliers to adopt sustainable procurement practices 	<ul style="list-style-type: none"> Increase to 20 large-scale suppliers in 2021 to implement sustainable procurement policies 	<ul style="list-style-type: none"> 20 large-scale suppliers in 2021 to implement sustainable procurement policies 	<ul style="list-style-type: none"> Encourage suppliers to procure sustainably 	<ul style="list-style-type: none"> Further enhance suppliers' awareness of sustainable development, Understanding Carbon Peak and Carbon Neutral 	<ul style="list-style-type: none"> 2022 training to enhance knowledge on sustainable procurement, "Carbon Peak and Carbon Neutral", plan to involve more than 50% of suppliers
<ul style="list-style-type: none"> Strive to minimise the sustainability risks and impacts of our products and services 	<ul style="list-style-type: none"> Apply risk management tool in procurement process Add EHS requirements to the contract signed with the supplier 	<ul style="list-style-type: none"> Continue to operate the "Risk Identification, Evaluation and Response Measures" 90% of the contract adds EHS requirements, that is, "Party B shall strictly abide by the country and our company's environmental and safety requirements during the supply process, take care of protection, reduce environmental pollution, and strictly control the occurrence of safety accidents." 	<ul style="list-style-type: none"> Continue to operate the "Risk Identification, Evaluation and Response Measures" 90% of the contract adds EHS requirements 	<ul style="list-style-type: none"> Apply risk management tools in the procurement process 	<ul style="list-style-type: none"> Continue to operate the "Risk Identification, Evaluation and Response Measures", minimise procurement sustainability risks and impacts 	<ul style="list-style-type: none"> Continue to operate the "Risk Identification, Evaluation and Response Measures"

6 Sustainable Value Chain

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.

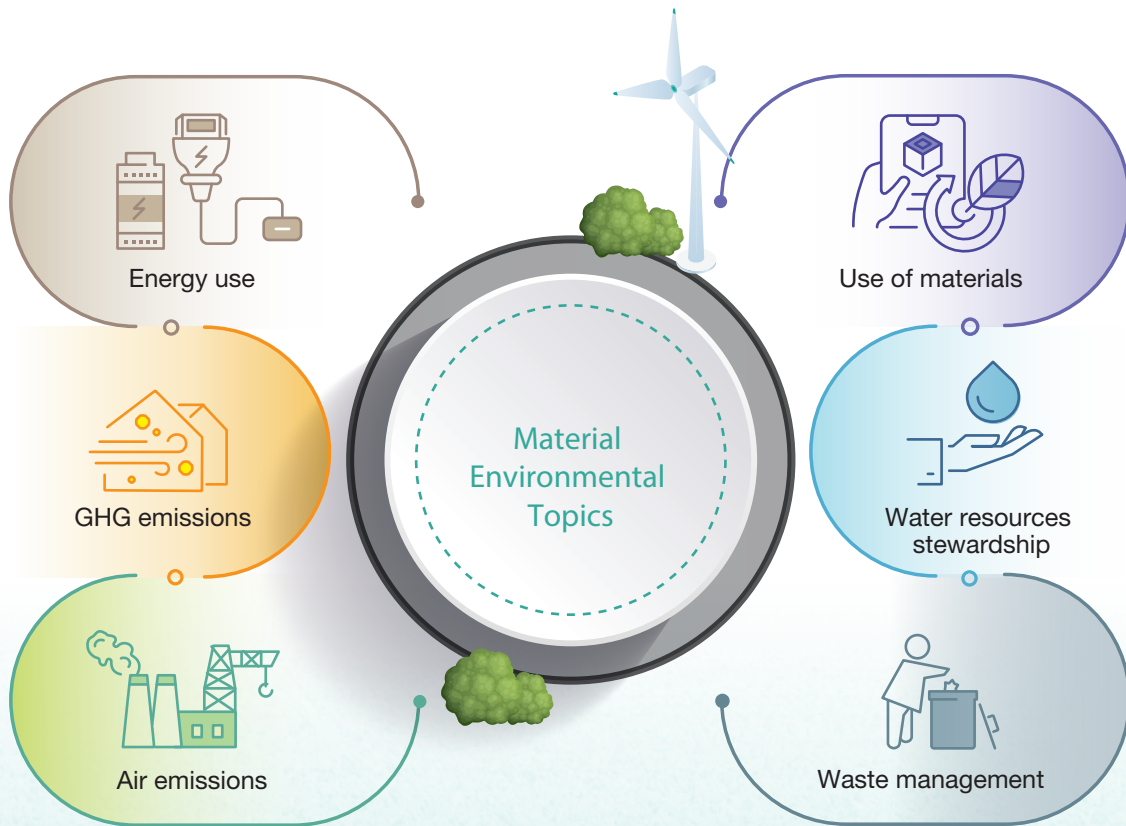
In this reporting year, the Group's efforts have been recognised by various institutions and obtained relevant certifications awards:

Month	Award	Organiser/Organisation
3	5 Years+ Caring Company	The Hong Kong Council of Social Service
5	Enterprise credit rating certificate	People's Bank of China
5	Enterprise credit rating certificate	People's Bank of China
5	HB20S1010 Factory Approval Certificate	China Classification Society
5	Container sample box approval certificate	China Classification Society
6	Hebei Province Digital Economy Innovation and Development Growth Enterprise	Hebei Network Security and Informatisation Committee of the Communist Party of China
8	EcoChallenger	Federation of Hong Kong Industries, BOCHK
8	5 Years+ EcoPioneer	Federation of Hong Kong Industries, BOCHK
9	Industry Gives Love and Care Certificate 2021	Federation of Hong Kong Industries
10	Three system confirmation certificate	Fangyuan Logo Certification Group
11	2021 D&G Machinery Top 10 Road Equipment Manufacturers in China Market	Global Construction Machinery Top 50 Summit Organising Committee
11	2021 D&G Machinery T50 Construction Machinery Application Case	Global Construction Machinery Top 50 Summit Organising Committee
11	2021 D&G Machinery China Mixing Equipment Market Performance Expansion Award	Global Construction Machinery Top 50 Summit Organising Committee
11	China Mixing Plant Sustainable Product Award	Global Construction Machinery Top 50 Summit Organising Committee
12	InnoESG Care Prize 2021	SocietyNext Foundation
12	2021 Corporate Green Governance Award (Environmental Monitoring and Reporting)	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 an excellent governance system, shouldering the corporate mission of sustainable development.

7 Environmental Management

To build a sustainable society, the Group strives to incorporate the concept of sustainable development into business decisions and operations. In addition to compliance with environmental laws and regulations, the Group will integrate sustainability at every level to formulate and implement management strategies.



Green Operation

As a responsible manufacturer of asphalt mixing plant, D&G has strictly complied with the national laws, regulations and standards in relation to air pollution, waste water discharge and waste.

In order to lead the asphalt road construction in practicing green production, the Group has strengthened its environmental management approach through ISO 14001:2015 Environmental Management System. The Group regularly reviews the effectiveness of current policies and implements relevant improvement measures, with continuous monitoring of environmental performances. With the aim to raise the environmental awareness in the Langfang factory, the Group has established the following environmental manuals clearly for the employees:



7 Environmental Management

To build a sustainable society, the Group strives to incorporate sustainability into business decisions and operations. Apart from compliance with applicable laws and regulations, the Group advocates good environmental management to cultivate employees' green working culture, share information and strengthen internal and external communication. The Hong Kong headquarters office has implemented a green office policy to encourage 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



- 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



Reduce the use of glue and other stationery with toxic substances



Plant green plants in the office

Meanwhile, the Group has added natural elements to the work environment, introduced green plants to facilitate the physical and mental health of employees. The green area in Langfang factory is approximately 7,545 m².

Besides, the Group has set clear environmental management 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 0 days.

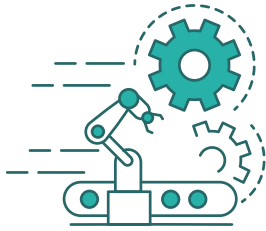
Energy Consumption

D&G's daily energy consumption include the municipally supplied electricity for production, and the natural gas for factory boiler operation, heating and cooking in the staff canteen kitchen. In terms of GHG emissions, natural gas consumption and the Group's vehicles result in direct GHG emissions (Scope 1), while electricity consumption causes indirect GHG emissions (Scope 2).

7 Environmental Management

Recognising the urgency of the climate change issue, the Group has published the “Energy Conservation and Consumption Reduction Management Guidelines” to manage its energy consumption in order to enhance energy efficiency and mitigate climate change. The guidelines require employees of all departments to consider the environmental impacts when selecting the energy type, and encourages them to prioritise energy-saving products. To achieve low carbon energy management, the Group has taken the following measures:

Manufacturing operations



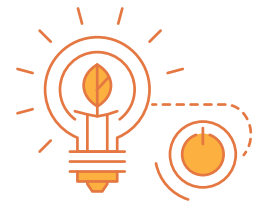
- Adopt smart meters for real-time energy management such as issuing alarm signal if abnormal use is detected
- Apply industrial robots and computer control to improve operational efficiency and reduce energy consumption
- Use ground source heat pumps in research centers, utilising geothermal resources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

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
- Reduce the usage frequency of 37 welding machines
- Reduce the usage frequency of 17 welding dust collectors
- Conduct frequency conversions for 2 shot blasting machines in paint booths
- Conduct frequency conversion for No. 6 spray booth exhaust fans in paint booths







Lighting



- Use sunlight panels in some buildings to make use of daylight and reduce the power consumption of the lighting system
- 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
- Replace all lighting of 108 staff dormitories with LED

The Group has appointed the S&E Department to collect and assess monthly energy conservation performance of each production unit and department, supervising the actual effectiveness of their energy saving measures. During the reporting year, the Production Department established several energy saving measures to lower electricity consumption. These include reducing the usage frequency of 37 welding machines and 17 welding dust collectors, conducting frequency conversion for 2 shot blasting machines and No. 6 spray booth exhaust fans in paint booth, saving about 6,188 kWh of electricity every month and reduce exhaust fumes by approximately 6.09 million m³.

7 Environmental Management

Energy Consumption	Unit	2021	2020
Electricity consumption 	MWh	3,995	3,345
	GJ	14,382	12,043
Electricity intensity 	MWh/RMB'M Revenue ^{Note 4}	9.31	8.83
Natural gas consumption 	m ³	367,441	285,378
	MWh	4,005	3,111
	GJ	14,305	11,110
Natural gas intensity 	MWh/RMB'M Revenue ^{Note 4}	9.34	8.21
Total energy consumption 	GJ	28,687	23,153
Total energy intensity 	MWh/RMB'M Revenue ^{Note 4}	18.65	17.04

GHG Emissions	Unit	2021	2020
Scope 1: Direct emissions ^{Note 5}	tCO ₂ e (tonnes of CO ₂ equivalent)	796	618
Scope 2: Indirect emissions	tCO ₂ e	3,756	3,231
Total GHG emissions ^{Note 6}	tCO ₂ e	4,552	3,849
Total GHG emissions intensity	tCO ₂ e/RMB'M Revenue ^{Note 4}	10.61	10.16

Note 4: The Group's revenues for the years ended 31 December 2021 and 31 December 2020 were RMB 429 million and RMB 379 million, respectively.

Note 5: The Group's GHG emission 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 regular basis to enhance disclosure for future reports.



Note 6: The Group's total GHG emissions did not include other indirect GHG emissions (Scope 3) because they are insignificant to the Group's operations.

7 Environmental Management

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


In order to reduce air pollution and create an ideal and healthy working environment for employees, the Group strictly controls the air emissions from its machinery manufacturing process, and implements clean production. The air emissions discharged by the Group are mainly derived from production activities of the Langfang plant, including nitrogen oxides (“NO_x”), sulfur oxides (“SO_x”) and particulate matter (“PM”). 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.

Types of Air Emissions	Air Emission Management	Monitoring and Auditing
<p>Air emissions from stationary sources (such as production equipment and natural gas boilers)</p> 	<ul style="list-style-type: none"> • Air emissions must be treated properly prior to the discharge • Install Welding smoke dust removal purification devices, paint spray water curtain and activated carbon adsorption devices to filter air emissions • Post relevant signs about emission restrictions at the chimney • Regularly maintenance and repairment of air emission and purification facilities are conducted to ensure their normal operation 	<ul style="list-style-type: none"> • Third-party qualified environmental monitoring organisations are routinely appointed to measure exhaust emission levels according to emission standards
<p>Air emissions from mobile sources (such as automobiles)</p> 	<ul style="list-style-type: none"> • Air emissions of the factories' vehicles are monitored in accordance with the “Guidelines of Prevention and Control of Motor Vehicle Exhaust Pollution” 	<ul style="list-style-type: none"> • Tests are carried out by inspection agencies of the local government as stated by relevant emission standards

Based on the above management requirements, the S&E Department sets out relevant air emission policies that are applicable to the factories, and to monitor air emission management of each department and manufacturing unit. The S&E Department also appoints qualified third-party environmental monitoring organisations to carry out sophisticated assessment of air pollutants emission levels to ensure the emission standard is met. If illegal emissions occurred, the S&E Department would record the incident and propose improvement solutions promptly.

7 Environmental Management

To encourage employees in each workshop or department to raise awareness of different air emission sources and corresponding pollutants and reduce air emissions, the Group is committed to adopting the following targeted mitigation measures:

	Source of Air Emissions	Mitigation and Management Measures
	Welding fumes	Extracted by exhaust fan and treated by purifier
	Particulates generated from grinding wheel and shot blasting	Removed by pulse bag dust collector
	Metal dusts	Removed by central dust collector and reused
	VOC gas emitted from paint spraying	Treated by water curtain and carbon adsorption
	Cooking fumes from cafeteria	Removed by fume purifier

Air Emissions	Unit	2021	2020
NO _x	tonnes	0.30	0.31
SO ₂	tonnes	0.02	0.00
PM	tonnes	1.47	0.77

During the reporting year, the Group ensured that the emission of air pollutants from the Langfang base complies with legal requirements. During this reporting year, PM and SO₂ emissions increased, because the epidemic has eased during this reporting year and the production tasks increased. In addition, there was improvement in the way the Group collected air pollutant emissions data, more data can be collected during production. PM emissions from electric welding dust removal equipment and cutting machines were included in this reporting year, the data of PM emissions have been increased accordingly. The running time for these machines were estimated by the production department. Actual operating records will be available from the next reporting year.

The Group strives to achieve the goal of zero environmental hazard. The Production Department, for example, takes independent emission reduction measures when a heavy pollution alert is issued. The Group will continue to work to improve the emission system and contribute to the improvement of air quality and employee's health.

Water Consumption and Wastewater Management

The Group recognised the importance of water resources. Thus, the Group has made extensive efforts to implement water saving measures, to reduce water consumption at source in operation sites, and educate all departments to opt for environmentally-friendly water equipment and products as far as possible. For instance, in some green areas, sprinkler irrigation replaces flood irrigation in a bid to enhance water use efficiency. According to the "Energy Conservation and Consumption Reduction Management Guidelines", 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. The Group does not consume a significant amount of water resources in daily operational and manufacturing activities, except the factory staff dormitory in Langfang has a relatively high demand for water. Since the water is sourced from the municipal water supply services, there are no material issues in sourcing water.

Water Consumption	Unit	2021	2020
Water Consumption	m ³	20,211	20,051
Water Intensity	m ³ /employee	53.0	49.9

During the reporting year, due to the easing of the epidemic and the increase of production tasks, the water consumption and water intensity also increased accordingly. The Group will observe the water consumption status of newly added workshops and green areas and re-formulate appropriate water saving measures.

7 Environmental Management

In terms of wastewater, the Group strictly follows the national “Integrated Wastewater Discharge Standard”, requires all sewage discharge departments to ensure the sewage flows into designated equipment or discharged through proper pipelines to avoid pollution of the neighbouring ecosystem.

In order to strengthen the management of wastewater discharge, the Group does not discharge the wastewater used for the cleaning system in the painting workshop outside the factory directly. Instead, it would be recovered, treated and recycled. The Group also strictly manages the wastewater in accordance with the operating procedures. In order to ensure that there is no leakage in the sewage treatment and collection system, the Group appointed the Administration Department to regularly monitor the operation of the sewage treatment equipment.

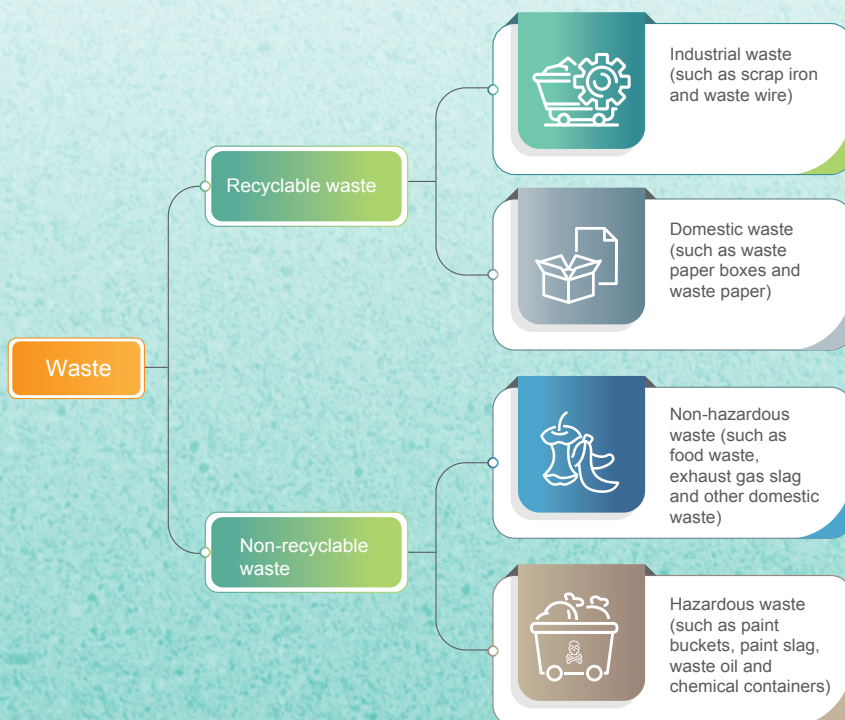
In addition, in order to further improve the management of sewage discharge, the S&E Department will arrange qualified third-party testing agencies to conduct annual inspections at integrated sewage outlet of the factory, the analyse the monitoring report, and identify the areas for improvement. During the reporting year, the Group’s sewage discharge complied with the national emission standards.

Waste Management

D&G places high importance on sustainable waste management, and practices the spirit of ‘Use Less, Waste Less’ to improve resource efficiency. The Group uses the “4R” waste management approach, which refers to reduce, reuse, recycle and replace, for the implementation of waste management. D&G emphasises on resource efficiency, recycling and reusing steel, cable materials, packaging wood and carton in the operation process as far as possible. The Production Department and S&E Department monitor and evaluate the effectiveness and safety of waste separation, and make recommendations to all departments accordingly. With the zero environmental hazard commitment, the Group achieved a 100% satisfactory rate in waste separation and required all hazardous waste to be handled by the S&E Department. The Group will provide regular training on hazardous waste disposal to raise employee awareness. The Production Department and S&E Department carry out daily monitoring. In case of violations, prompt actions will be taken.

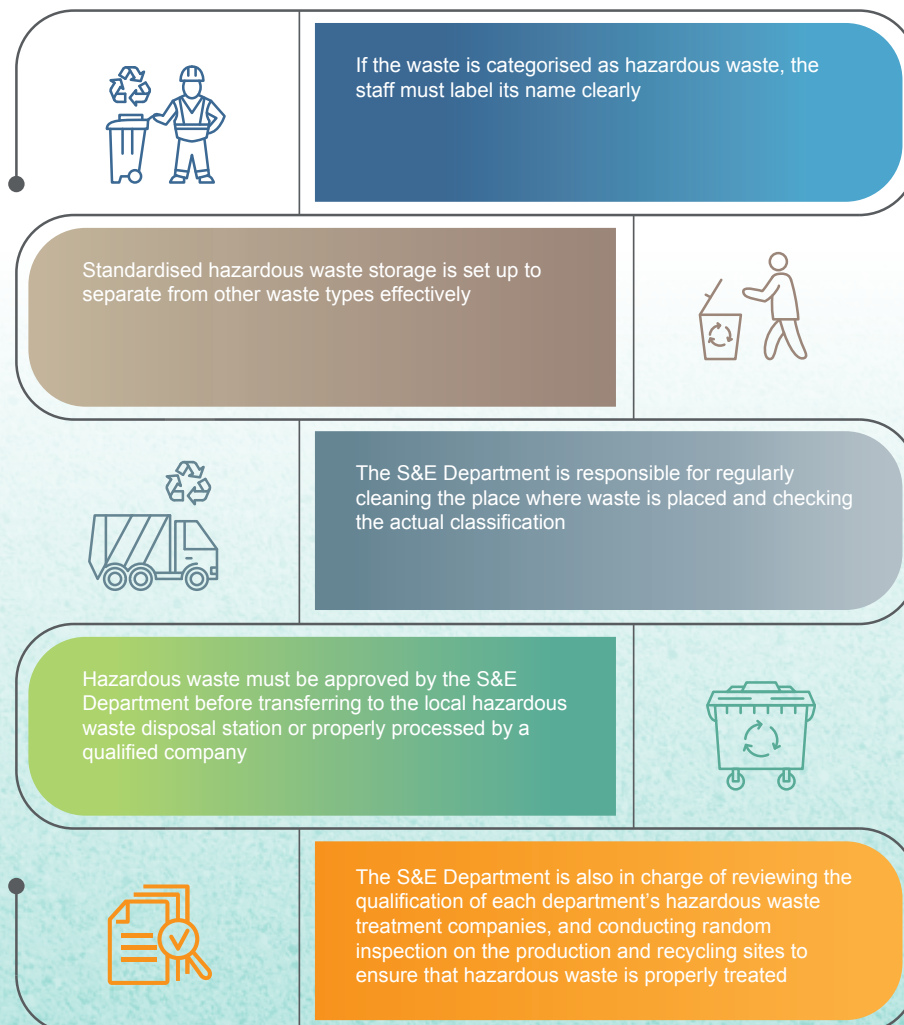
The Group formulated the internal “Waste Management Guidelines” in order to provide employees with standardised procedures and guidelines regarding waste handling and thus facilitate sound waste management. The Guidelines aim at avoiding potential waste disposal risks to the Group and local communities, while ensuring that production activities comply with national laws and regulations related to waste disposal. Each department shall assign a dedicated person to collect the waste generated by that department.

Waste generated are generally divided into two main categories, namely recyclable and non-recyclable waste:



7 Environmental Management

Hazardous waste is a material environmental issue identified by the Group. Due to the nature of hazardous wastes that can cause work safety risks and affect the health of employees, the Group pays special attention to its proper disposal. Centralised storage and management of other non-recyclable waste was responsible by the Administration Department. Meanwhile, 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 barrels to save storage space. During the reporting year, the Group added a new weighing spreader for waste oil drums in hazardous waste warehouses, which can accurately weigh hazardous waste when entering the warehouse, avoid the weight errors during transfer, and improve hazardous waste management. The Group also lays filter cotton in the pit of the painting workshop for pre-filtration to avoid the generation of large amounts of hazardous waste. Besides, in this reporting year, the Group has made paint barrel liners a standard requirement to prevent staining the paint barrels and reduce hazardous waste. During the reporting year, all hazardous wastes were properly classified, transported and disposed of locally.



7 Environmental Management

Waste	Unit	2021	2020
Total amount of hazardous waste	tonnes	80	92
Recycled steel	tonnes	208	480
Recycled paper	tonnes	12	11
Recycled wood	tonnes	54	43
Other recycled waste ^{Note 7}	tonnes	1	0
Total waste recycled	tonnes	275	534

Note 7: Other recycled waste refers to scrap iron foam and rust ash from the sandblasting workshop.

		Amount (tonnes)	Percentage
Recycled waste	Wood	54	19.6
	Steel	208	75.6
	Paper	12	4.4
	Others	1	0.4

Hazardous waste generation decreased during the reporting year as the Group promotes more environmentally friendly asphalt production methods with its eco-friendly recycling range. The amount of waste generated is greatly reduced, so the total amount of waste recycled is reduced accordingly. In addition, the amount of recycled waste paper and wood increased because the Group implemented efficient waste management, the Production Department and the Safety and Environmental Protection Department strengthened the supervision and inspection of each department. The Group will continue to strive to reduce the generation and recycling of waste, to reduce its environmental footprints.

Material Use

In order to reduce the carbon footprint caused by material transportation and support the local economy, the Group prioritises local procurement, and uses recycled materials to make fire-fighting sandboxes, dormitory water heater bases and brackets for CNC cutting machines. This makes daily operations more environmentally friendly and economically efficient, and reduce the need to purchase new raw materials. On top of green procurement strategy, the Group has been focusing on the operating concept of circular economy. Through reducing the use of resources, promoting product recycling and reusing resources, resources are effectively used and waste generation is minimised.

Reducing waste at source is one of the Group's concepts on material usage. For manufacturing asphalt mixing plant, steel is a crucial raw material. Therefore, D&G uses renewable steel to minimise the environmental footprint from the use of steel. On the other hand, the Group uses an average of approximately 1.53 tonnes of gear oil annually, and thus recycle the remaining gear oil. 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.

7 Environmental Management

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. The Group would also optimise the 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
A	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	Percentages of varieties and cost are approximately equal	Regularly audit inventory, comparatively less frequent than type A materials
C	Large variety and small amount of funds needed	Regularly audit inventory, comparatively less frequent than type B materials
D	Stagnant materials ^{Note 8}	Intermittently conduct audit as compared to other types of materials

Note 8: Stagnant materials are defined as materials with little consumption and low inventory turnover

Use of Materials	Unit	2021	2020
Total weight of material consumption	tonnes	1,648	1,973
Weight of non-renewable materials used	tonnes	55	25
Weight of renewable materials used	tonnes	1,593	1,948

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 plant, its consumption accounts for a large proportion of the overall material usage. In addition, due to the ease of the epidemic during the reporting year, the volume of production tasks has increased, so the consumption of steel has increased. The Group will actively continue to study the solutions to reduce steel consumption, fulfilling its promise of green operation and optimising the overall resource efficiency.

Climate Change

The Group identified physical and transitional risks related to climate change. Physical climate risks include more frequent and acute extreme water and sea level rise. Transitional climate risks refer to the changes in regulations, technology and market prospects in response to climate action. The Group will take these risk factors into consideration when planning and designing new projects, and will incorporate natural climate risks into business continuity planning.

7 Environmental Management

Environmental Initiatives

In order to raise employees' environmental awareness, D&G promotes environmental protection in production bases and the workplace. The Group expects employees to understand that everyone should contribute to building a sustainable society, and cultivate positive environmental values. Therefore, the Group takes an active leading role to participate in various environmental protection initiatives, to build a green living and working environment together.

Earth Hour



On 27th March, the Langfang production base and office participated in "Earth Hour 2021". From 20:30 to 21:30, the company switched off all the non-essential lighting at owned properties, factories, offices and employee's homes for one hour.

This was the 9th consecutive year that D&G has participated in the event, in which we demonstrated our support for environmental protection with concrete actions. Many of our employees heeded the call to support the Earth Hour initiative to promote environmental awareness.

The 18th Environmental Protection Carnival

Organised by the Green Council, the 18th Green Carnival was held online from 29th March to 11th April 2021. D&G has been the event sponsor for 5 consecutive years. For the first time, the Group had an online booth on the event website to showcase our environmental protection initiatives and measures. Apart from online booths, the Green Carnival featured online tutorials, prize quizzes, and a quiz challenge, etc., to raise public awareness of environmental protection.



Hong Kong Green Day and World Environment Day



5th June is both the United Nations' World Environment Day and Hong Kong Green Day. D&G has been the event sponsor for 6 consecutive years. Due to the pandemic, the kick-off ceremony of Hong Kong Green Day did not take place on site. Nevertheless D&G actively supported the event. We signed the Green Pledge to undertake creating a green office environment. We also promoted the Green Pledge in our Langfang production base, including posters and exhibition panels. We asked our employees to sign the pledge and dress in green to encourage them to support environmental protection with actions.

7 Environmental Management

Green Run 2021



To further demonstrate D&G's dedication to environmental protection and charity, the Group participated in Green Run 2021 organised by the Green Council from 16th October to 30th November 2021. This was the third time D&G participated in charity walk events, where participating employees would have to complete the race within a specific time.

Due to the pandemic, Green Run this year moved online. The event aimed at raising public awareness of climate change and carbon emissions. D&G fully supported the event to encourage employees and the public to lead a green life.

Volunteer Service

Hong Kong employees volunteered at Dignity Kitchen, a sustainable social enterprise based in Singapore. Dignity Kitchen provides formal F&B training for people who are physically challenged and disadvantaged. The training includes food preparation, cooking skills, food safety and hygienic and customer service. Some trainees would stay in Dignity Kitchen, while others would get job placement to encourage self-reliance and contribute to society. In addition, Dignity Kitchen provides lunch for the elderly and other social activities.

This volunteer experience included baking cookies, understanding Dignity Kitchen's operation, assisting in making bento boxes, and distributing the bento boxes to those in need. Through this activity, employees were able to give back to the community and support disadvantaged and marginalised groups.



D&G’s employees and their operation sites play an important role in the sustainable development of the Group. Thanks to the support of different aspects of the community, together with the outstanding performance of every employee behind it, this helps drive the vigorous development of the Group. As a responsible company, the Group adheres to the people-oriented management policy to fulfil its corporate citizenship responsibilities, and starts with the following important social issues, and strives to give back to the society.



Our Employees

Health and Safety

In the past year, COVID-19 presented profound uncertainties for companies across the globe. The Group heeded local governments’ COVID preventive measures to provide a healthy and safe working environment for employees.

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. Meanwhile, the Group has obtained ISO 45001:2018 Occupational Health and Safety Management Certification. 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 (concurrent) safety production management personnel who is responsible for conducting employee education regarding safety production, and implementation of safety production supervision and inspection.

As part of the manufacturing industry, D&G pays specific attention to production safety in the Langfang factory, where production has been identified as the main occupation risk. Therefore, the Group strives to develop a safety culture in the production sites, in which the Group arranges regular safety training for the employees, including fire drills and relevant courses, explaining the occupational hazards and safety practices in detail. To eliminate occupational hazards, the Group allocates relevant equipment and provides personal protective equipment and labour protection products for staff, such as fire extinguishing equipment, goggles and gloves.

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 of D&G cooperates with one another, comprehensively manage occupational health and safety, and thereby implement and oversee relevant measures effectively:

8 Health of the Community and Wellness of the People



SLG

- Manage daily production safety work, such as conducting safety inspection and monitoring
- Research and develop safe production technology and labour protection plan
- Investigate and handle work-related incidents
- Implement safe production emergency plans
- Review safe production planning and annual plan to set production safety targets
- Update all departments on national laws and regulations related to occupational health and safety



Human Resources Department ("HR Department")

- Organise safety education activities such as safety training and fire evacuation drill
- Report incidents to respective departments promptly and conduct follow-up investigations
- Establish communication with the Labour Administration Department of the local government



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



Engineers and Technical Staff

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



S&E Department

- Standardise occupational risk identification and control processes
- Formulate safe risk management solutions or control plans
- Carry out regular safety inspection in the factory
- Confirm and implement relevant safety measures to comply with the relevant laws and regulations
- Update relevant policies in respect of business as well as the relevant laws and regulations
- Organise consultation and maintain communication with external organisations on safe production matters
- Implement occupational health check plans for employees



Production Department

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



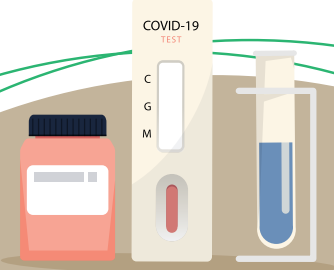
Administration Department

- 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

The Group recognises that it is possible for employees to develop occupational diseases at work, including pneumoconiosis, eye, ear, nose and throat diseases, and chemical poisoning. Therefore, to protect employee health and safety, the Group arranges annual body checks for employees before, during and after discharging their job duties. The S&E Department is responsible for distributing the results to the person in charge or employees themselves, forming occupational health summaries 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.

COVID-19 Measures

With the outbreak of COVID-19 during the reporting year, the Group has quickly adopted several mitigation measures to ensure the safety and health of employees, and to ensure that the impact on business operations is minimised. Measures in response to COVID-19 include:

- 
- Establish a leading working group for the prevention and control of COVID-19;
 - Develop a pandemic prevention and control system and work plan;
 - Maintain normal business execution through online communication;
 - Provide anti-epidemic supplies include: work clothes, anti-smashing shoes, gloves, goggles, earplugs, masks, alcohol-based hand disinfectants, according to the different positions of the employees;
 - Implement working from home for the employees;
 - Disinfect and ventilate the company's office, production and living places twice a day with disinfectant;
 - The production workshop is ventilated every day to maintain air circulation
 - Suspend visits by customers in medium and high risk areas during the epidemic;
 - Allow only factory entry after checking the health code and itinerary code and measuring the body temperature at the doorman office of visiting customers in low-risk areas;
 - Require visitors to wear masks all the way into the factory, and the vehicles of visitors need to be disinfected before entering the factory;
 - Implement prevention and control in areas such as canteens and dormitories to prevent crowds from gathering, maintain social distance and personal hygiene;
 - Strengthen the health monitoring of employees before returning to work. Employees and family members can apply to return to the factory only if they have no fever for 14 consecutive days;
 - For those who are suspected of COVID-19 and have close contacts, if they cannot arrange quarantine on their own for 14 days, the company will uniformly arrange quarantine in designated areas and formulate a management control system.



Talent Recruitment and Retention

D&G believes employees are our greatest asset, and they play a key role in our business success. The Group's human resources ("HR") management is rigorous, which includes recruitment, promotion, transfer, salary and benefits, and training development. D&G has formulated an internal employment policy and fully protects the rights and interests of employees. At the same time, the Group is also eager to attract, cultivate, and retain outstanding talents that are consistent with the company's development philosophy, and grow together with D&G. To this end, D&G established the "Youth Employment and Training Fund" to reimburse or subsidize the tuition fees of employees who actively study to obtain academic qualifications, obtain professional titles or improve business-related professional knowledge and skills.

Talent Attraction

D&G strives to create a diverse and inclusive working environment to unlock employees' potentials. The Group adheres to the principle of "openness, equality, competition and basis of merits", to formulate equal opportunity and anti-discrimination employment policy to promote diversity in the workplace. Throughout the hiring process, the Group prohibits any forms of discrimination based on gender, disability, marital status, race, religion, age, nationality and sexual orientation etc.

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 addition, the Group respects human rights. We promptly address human rights issues and provide solutions to prevent human rights violations. During the hiring process, the HR Department verifies candidates' valid identification documents, age and work permit to avoid forced or child labour. If child labour is discovered, the Group will immediately terminate the labour contract and support the individual to return to 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 the contract is terminated, the Group will arrange medical treatment for him/her at qualified medical institutions, and promise that all medical and living expenses 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

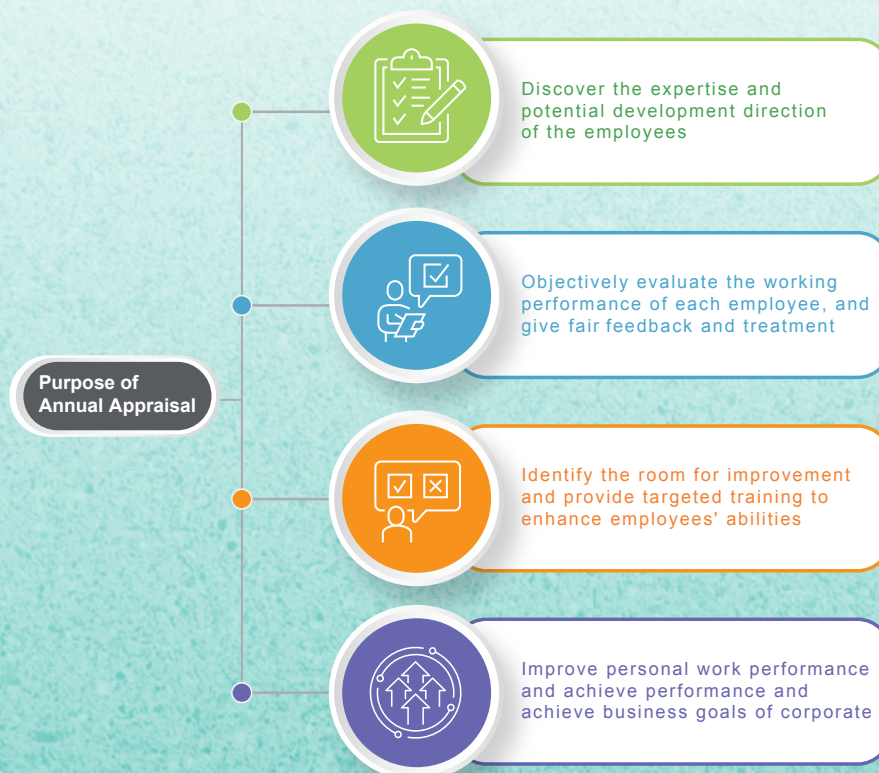
During the reporting year, D&G strictly complied with relevant labour laws and regulations, and was not aware of any discrimination, child labour or forced labour cases.

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:

Recruitment Process

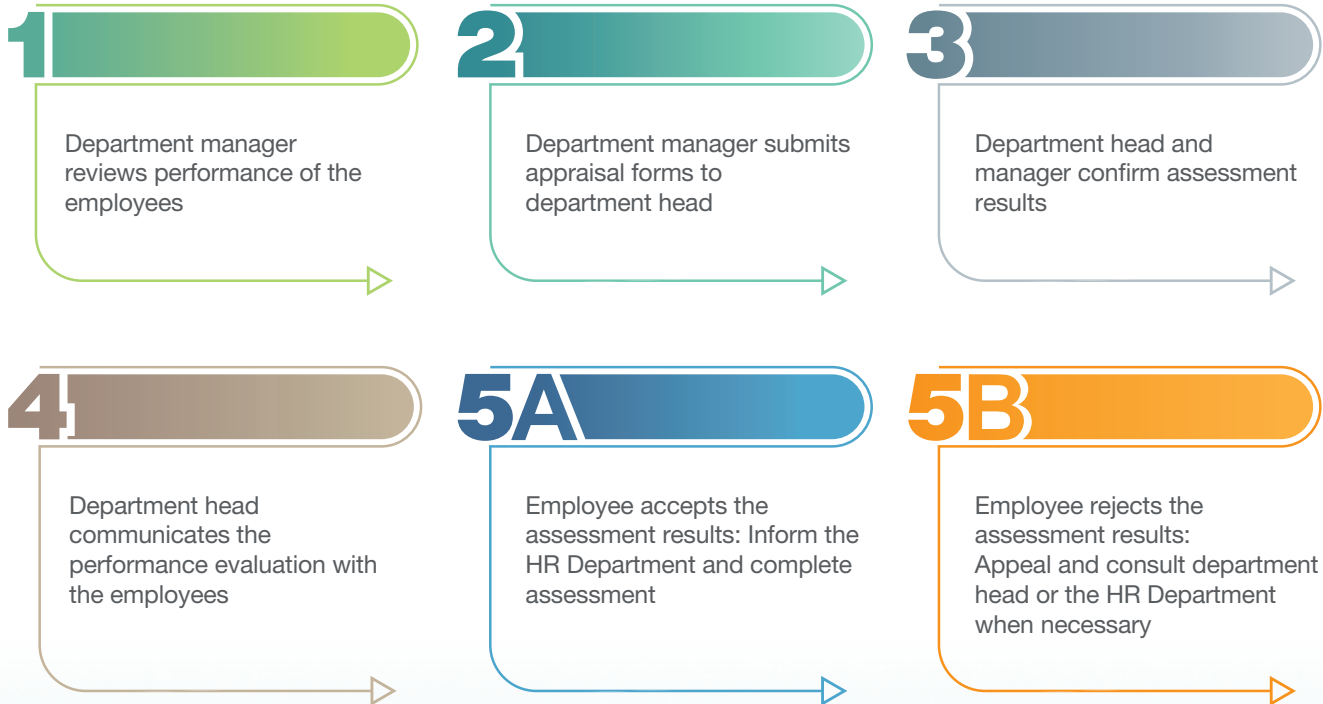


Supervisors of various departments conduct appraisals of existing employees to objectively evaluate their work performance in the past year, including work efficiency, coordination with the team, and work attitude. The Group will make corresponding salary adjustments based on the results of the review, and consider granting promotion opportunities.



8 Health of the Community and Wellness of the People

Procedures of Annual Appraisal



Employee Benefits

The Group strives to create a harmonious and friendly working environment. In accordance with local government requirements, the Group has ensured that employees receive due benefits, reasonable remuneration packages and other comprehensive protections. 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:



- Offer social insurance and housing provident fund for employees
- Provide dormitory or shuttle bus for employees in factory
- Set up staff canteen and supermarket in the factory
- Offer presents or cash prize to employees as festival celebration
- Enjoy national rest days and statutory holidays
- Organise birthday party and offer shopping vouchers for employees
- Give gifts to employees for marriage, childbirth, etc.

- Provide communication subsidies to employees who need external communication
- Provide cooling snacks and drinks that help prevent heat stroke to employees
- Provide medical support to sick employees
- Offer solatium to employees whose relatives passed away
- Offer service award to employees who served the Company for more than 10 years
- Set up various sports venues and sports equipment in the factory



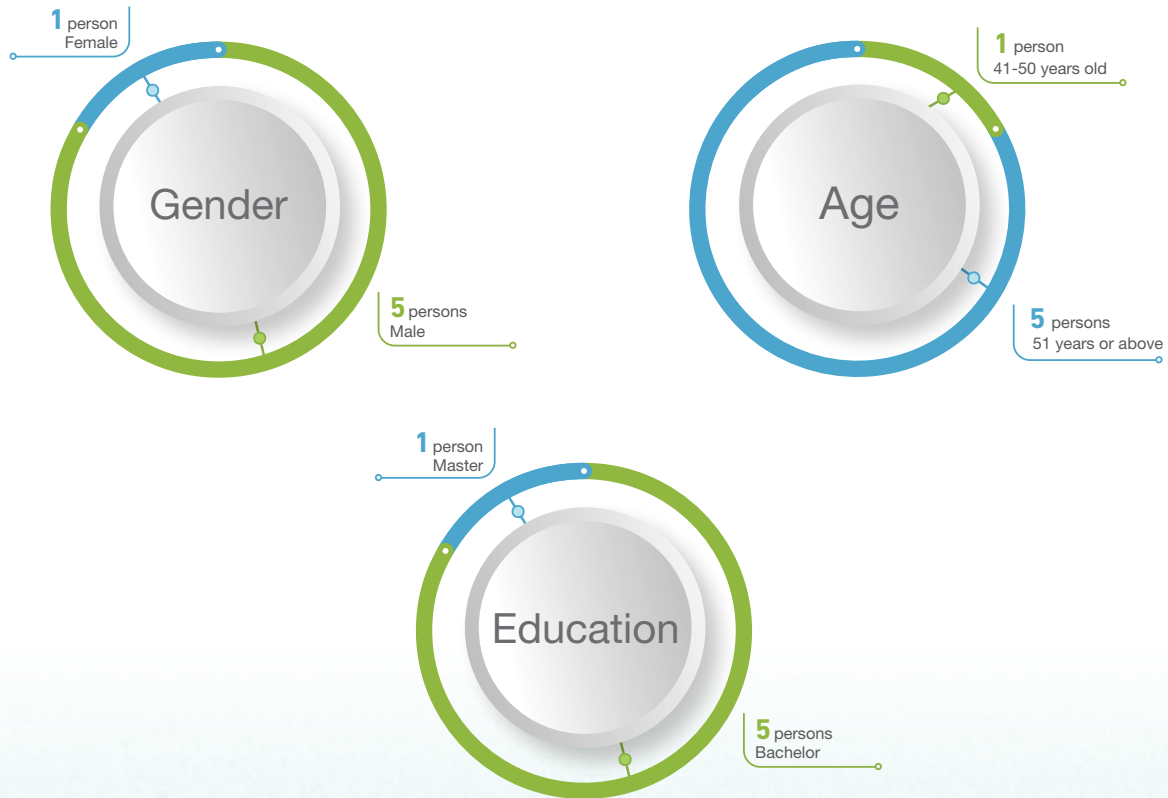
In terms of remuneration packages, the Group provides reasonable remuneration to employees. The salary level of employees is formulated according to their job responsibilities, required qualifications and skills, labour and market factors, and following the principles of economy, legitimacy, comparability, and competitiveness. The Group also implements an overtime pay policy. All employees must first notify the manager and gain approval before working overtime, and obtain overtime payments according to the number of working hours extended. In addition, employees who have worked for more than a year can enjoy an annual bonus on a monthly basis, which commends and encourages employees for their dedication to D&G.

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. To minimise the impacts on operational efficiency, the HR Department to consistently monitor turnover data and evaluate the reasons behind so as to ensure effective turnover management.

Employee details



Senior Management Note 10



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

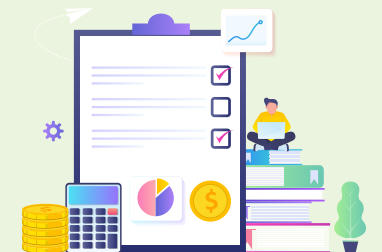
Note 10: Senior Management refers to the Group's Executive Directors and Chief Financial Officer.

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

In addition, the Group conducts employee satisfaction surveys for all employees every year to understand their opinions and ideas on the company and work arrangements. As one of the stakeholders that understand the Group's business operations best, the valuable opinions of employees are an important factor in pushing D&G forward. After collecting the questionnaire results, the HR department would integrate the data and summarise the results, and submit suggestions to the management for careful consideration. If necessary, the Group will notify each department of the implementation of relevant policies and measures, cooperating with the implementation within a specified time.

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



8 Health of the Community and Wellness of the People

Employee Cohesion

The Group also attaches importance to the physical and mental health of its employees, and strives to help them to achieve work-life balance with rest. D&G focuses on establishing team spirit and tacit understanding between employees, provides them with a healthy and harmonious working environment, and enhances their sense of belonging. Meanwhile, the Group is also committed to providing employees with nutritious and balanced meals in the staff canteen set up in the factory. The Group's Corporate Culture Team organised a number of employee activities during the reporting year to promote healthy living:

Earth Hour



During the "Earth Hour" event in 2021, various program planning and all personnel of the D&G Machinery Culture Working Group participated in the relevant preparations and successfully completed this year's event. Under the leadership of the company, with the active efforts of employees, we will jointly speak for the earth and protect the environment. D&G is in action!

On the evening of 27th March (Saturday), the members of the D&G Machinery Culture Working Group actively participated in the WeChat call for every employee to come to the event, and every D&G person responded to the "Earth Hour" activity at home. Acting as a base person, it is also a watch for us as parents, relatives and friends.

"The Most Beautiful Spring" Photo Contest

At the beginning of April, the corporate culture team drafted the planning book for this competition. The competition was promoted through the posters on the bulletin board, the announcement of the large group of D&G Homes, and the active mobilisation of each center on 14th April. "The Most Beautiful Spring" photo contest kicked off on 15th April. We have received 158 photos from four Centers, 56 staff participated in this competition. The review process is divided into three parts: the primary selection based on the theme of "spring", the members of the corporate culture team conduct the first round of screening; the second round consists of 9 professional reviewers, three aspects including the theme connotation, creative idea, visual effect are considered; in the third round, joint voting was conducted, each member have 5 votes. In this competition, we have 1 first prize, 3 second prizes, 6 third prizes and 5 special prizes.



The 3rd Table Tennis and Badminton Competition



In May 2021, the third table tennis and badminton competition of D&G Machinery was held. Based on the purpose of "happy exercise and happy work", we created an atmosphere of national fitness and fight against the new crown, and at the same time to cultivate employees' self-confidence and team cohesion, to create a sunny, confident, vibrant and unyielding team. Throughout the competition, the players actively trained and worked hard, and the staff communicated and cooperated with each other. Although we also encountered a lot of troubles in the process, all the problems were solved by everyone's tacit cooperation. After a period of more than a month, the third table tennis and badminton competition came to a successful conclusion.

8 Health of the Community and Wellness of the People

5th June Environment Day



On the morning of 4th June, D&G Machinery held the 5th June Environment Day theme publicity and signature activity in the lobby of the complex building. The staff of the corporate culture working group introduced the origin of the Environment Day to the employees and called on the employees to save energy, conserve water, and improve resources. Use, reuse, recycling and green travel and other environmental protection actions to create a green office, guide employees to sign on posters, etc., aiming to promote the green concept to all employees of the company, guide employees to respect nature and protect the environment, practice green production and lifestyle, and promote sustainable business and environmental development.

Visit the Eco Park

In order to give employees a better understanding of waste disposal methods and environmental protection facilities in Hong Kong, the company arranged for Hong Kong employees to visit the EcoPark Visitor Center in Tuen Mun. The EcoPark is affiliated to the Environmental Protection Department. It is the first facility in Hong Kong specially built for the development of the recycling industry. It provides 14 hectares of land for the environmental protection industry to lease. The visitor center of EcoPark is the first large-scale waste-themed resource education center in Hong Kong. The employees visited various exhibition areas, including waste corridor, three-dimensional landfill model, plastic recycling education center, etc., and got to know Hong Kong's waste. The severity of the problem and current waste disposal methods. The company hopes to increase employees' awareness of environmental protection through this visit, so as to encourage them to start with their daily life, actively reduce waste, and further feel the importance of environmental protection.



The First "Leader Cup" Employee Knowledge Contest



In order to promote the construction of a learning organisation, lead everyone to improve and enrich their own knowledge structure, enhance the professionalism of employees, cultivate the spirit of teamwork and positive attitude, and enrich the majority of employees to enrich corporate culture activities, the corporate culture working group organised and held the first employee knowledge contest of "Leader Cup" of D&G Machinery. The content of this knowledge contest question bank covers all kinds of knowledge involved in work and life of D&G corporate culture, product knowledge, safety and environmental protection, finance and taxation, quality standards, and comprehensive knowledge. The competition was organised over two months, from mid-Jun to mid-Aug, and a total of 51 players from 17 representative teams participated in the competition.

8 Health of the Community and Wellness of the People

The 2nd “D&G” Carnival



To enrich employee entertainment activities, further strengthen active communication among employees, enhance team cohesion, and create a healthy and progressive corporate culture atmosphere. On 9th September 2021, the Group held a carnival with the theme of “Passionate D&G, Unlimited Communication” lamb roasting activity. The event includes warm-up games, staff talent shows and roasted lamb dining. Through this activity, the distance between leaders and employees was shortened, a platform for mutual communication was provided, the collective cohesion was strengthened, and the good corporate culture atmosphere of the Group was also displayed.

DG Reach Service Recitation

From 17th September 2021 to 28th September 2021, the corporate culture working group have organised and carry out DG Reach service publicity document recitation competition, which aims to further strengthen the employees’ memory and understanding of the DG Reach service publicity content, and in their daily work. The activity was divided into three stages. The ‘full-staff recitation’ stage ensured that all employees could recite the content of the DG Reach service publicity document accurately. In ‘center recitation’ stage, 3 players were selected to represent their center to participate in the company-level finals.

The success of the competition represented the ‘DG Reach Service’ commitment has been deeply rooted in the hearts of everyone. Let us implement the ‘DG Reach Service’ commitment with practical actions, ensure the efficient development of the company’s engineering services, and help the Group become the better.



Langfang Factory 15th Anniversary Party



On 28th December 2021, Langfang Factory celebrated its 15th birthday, the party came as scheduled with the theme of “The courage to take responsibility to write a new chapter, improve quality and efficiency and start a new journey”. In the lobby on the first floor of the complex building, all colleagues signed, took pictures, and shared a feast. The programs were carefully rehearsed by employees of each center, employee lucky draws, and dinner exchanges. The activities have further enhanced the cohesion of the Langfang factory staff.

Training and Development

D&G values the personal professional development of employees, encourages them to regularly enrich their knowledge and skills, to understand and keep up with changes in the industry. Therefore, the Group promises to provide employees with diversified and appropriate training opportunities and development plans, to stimulate their potential, improve the quality of employees, promote the steady development of business, and convey a sustainable corporate culture. To improve the overall professional level of employees, and formulate training strategies for the coming year, the HR Department is responsible for supervising, organising and implementing training plans. Besides, the Group would carry out an annual survey on employees' training needs based on the "Employee Training Management Guidebook", and evaluate the training plans provided by all departments to construct training strategy for the upcoming year. In order to ensure the effectiveness of the training, the HR Department assesses the employees' training outcomes and effectiveness through different assessment methods, such as written test or live demonstration. The HR Department also distributes questionnaires to participating employees after each training to collect feedback, and takes it as a reference for improvement of future training plans.

Based on the training needs of employees and their positions, the Group provides suitable, wide-ranging and diversified training programs

Value training:

Convey the Company's strategy, behavioural norms, occupational ethics and values, and increase employees' working motivation

Job skills training:

Provide standardised training corresponding to job duties and improve employees' skills in process and operation

Professional knowledge training:

Enhance professional knowledge and skills training related to employees' positions

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

In order to provide comprehensive training resources, the Group has formulated training strategies based on the following principles:



Focused:

Focus on meeting the needs of the Group's long-term development strategy and improving employees' business skills and comprehensive quality



Systematic:

Provide comprehensive and systematic training in line with the Company's overall development direction and employees' personal career development



Participative:

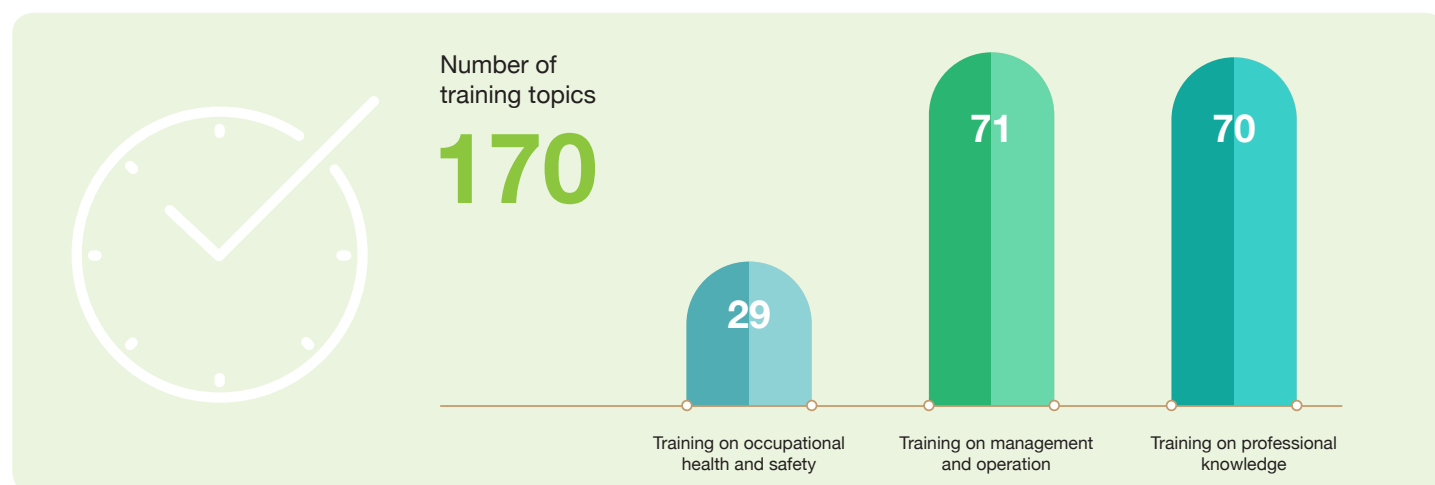
Encourage employees to participate in trainings



Applicable:

Emphasise the practicality of training and its added value to employees to ensure the effectiveness of training

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:



Average training hour of employee & percentage

	Average training hour (hr) ^{Note 13}	Percentage ^{Note 14}
Each employee	23.19	100
Male	23.73	85.92
Female	20.37	14.08
Senior management ^{Note 12}	35.33	3.73
Management ^{Note 11}	34.51	26.31
Frontline and general staff	20.24	69.96

Note 11: Senior Management refers to the Group’s Executive Directors and Chief Financial Officer.

Note 12: Management refers to employees ranked “Manager” apart from the Group’s Senior Management.

Note 13: The average number of training hours = the total annual training hours of this group of employee/the number of that group of employee

Note 14: Percentage = total annual training hours for this group of employee/total annual training hours

Our Community

D&G’s production business is inseparable from our community. Therefore, the Group is committed to taking social responsibility, actively extending care from the supply chain and working environment to the community. In addition to environmental protection work, the Group focuses its resources on young people and disadvantaged groups. During the reporting year, D&G donated a total of RMB 55,000. The Group will maintain active participation in community development and leverage its network and influence to carry out community investment projects as a fulfilment of its corporate social responsibility.

D&G continued the five years of “D&G Machinery Scholarship” with Yanshan University, Changan University and Hebei University of Science & Technology respectively, with an aim to reward students with excellent academic performance. ShanDong JiaoTong University was also added as a qualified university for the scholarship. In addition, the Group has also signed “Industry-University-Research Cooperation Agreements” with ShanDong JiaoTong University on top of other universities with the cooperation agreements, to jointly participate in the equipment appearance industrial design project. In addition, D&G provides an off-campus training base for Yanshan University, cooperates to build an industry-university-research demonstration base, and gives priority to accepting Yanshan University graduates for production training and employment, and recommends technical personnel and management backbones to Yanshan University as part-time teachers of Yanshan University.

9 Looking Forward

In the face of continuous challenges in the future, including the COVID-19 pandemic, political and economic turbulence, climate change crisis and other environmental issues, D&G will continue to conduct comprehensive risk assessment and business planning, to adapt to the ever-changing market, and increase resilience against risk exposures. The Group will also uphold sound governance, review relevant policies and management mechanisms to ensure effective and smooth operations. In terms of environmental management, the Group will continue to review the environmental requirements of suppliers, monitor their carbon emissions data, and strive to reduce the environmental footprint and business impact on the environment. Following the concept of circular economy, D&G expects to improve the working and living environment for employees and communities, create a more sustainable and valuable supply chain, and contribute to the SDGs.



10 Performance Table

Environmental Performance

Indicator	Unit	2021	2020	2019
Materials ^{Note 1}				
Total weight of material consumption	tonnes	1,648	1,973	4,138
Use of renewable materials	tonnes	1,593	1,948	4,108
Use of non-renewable materials	tonnes	55	25	30
Air Emissions ^{Note 2}				
PM	tonnes	1.47	0.77	0.38
SO ₂	tonnes	0.02	0.00	0.00
NO _x	tonnes	0.30	0.31	0.52
GHG Emissions ^{Note 3}				
Scope 1: Direct GHG emission ^{Note 4}	tCO ₂ e	796	618	731
Scope 2: Indirect GHG emission ^{Note 4}	tCO ₂ e	3,756	3,231	3,615
Total GHG emissions	tCO ₂ e	4,552	3,849	4,346
GHG emissions intensity	tCO ₂ e/RMB'M Revenue	10.61	10.16	9.74
Energy Consumption				
Electricity consumption	MWh	3,995	3,345	3,740
	GJ	14,382	12,043	13,465
Natural gas consumption	MWh	4,005	3,111	3,677
	GJ	14,305	11,110	13,134
Total energy consumption	MWh	8,000	6,456	7,417
	GJ	28,687	23,153	26,599
Energy Intensity	MWh/RMB'M Revenue	18.65	17.04	16.62
Water Consumption				
Total water consumption	m ³	20,211	20,051	32,483
Water intensity	m ³ /employee	53.0	49.9	74.5
Hazardous Waste				
Total hazardous waste	tonnes	80	92	87
Non-hazardous Waste ^{Note 5}				
Scrap steel	tonnes	0	0	0
Recycled materials	tonnes	275	534	493
Total non-hazardous waste	tonnes	0	0	0
Recycled non-hazardous waste	%	100	100	100

Note 1: 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 2: 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 3: 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 the 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 2020 Annual Report; for Singapore was referenced to the local Environment Bureau 2020 emission factor. The energy conversion factor for natural gas was calculated in accordance with China's CO₂ 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 4: The GHG emissions (Scope 2) from 2018 to 2019 had been adjusted in alignment with the calculation method adopted in 2020. 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 regular basis to enhance disclosure for future reports.

Note 5: 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 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.

10 | Performance Table

Social Performance

Indicator	Unit	2021	2020	2019
Workforce				
Total	No. of people	381	402	436
By Gender				
Male	No. of people	315	329	358
Female	No. of people	66	73	78
By Position				
Senior management ^{Note 6}	No. of people	6	6	6
Management ^{Note 7}	No. of people	72	73	67
Frontline and general staff	No. of people	303	323	363
By Age				
18-30	No. of people	54	66	89
31-40	No. of people	162	168	171
41-50	No. of people	91	99	108
51 or above	No. of people	74	69	68
By Working Location				
Hong Kong	No. of people	14	14	14
Langfang	No. of people	295	315	330
Beijing	No. of people	27	29	45
Shanghai	No. of people	16	17	18
Guangzhou	No. of people	22	18	20
Shanxi	No. of people	1	2	1
Xi'an	No. of people	2	1	0
Chengdu	No. of people	4	5	2
Pakistan	No. of people	0	0	1
India	No. of people	0	0	4
Thailand	No. of people	0	1	1

10 | Performance Table

Indicator	Unit	2021	2020	2019
Senior Management Breakdown				
By Gender				
Male	No. of people	5	5	5
Female	No. of people	1	1	1
By Age				
31-40	No. of people	0	0	1
41-50	No. of people	1	2	2
51 or above	No. of people	5	4	3
By Educational Level				
Bachelor	No. of people	5	5	5
Master	No. of people	1	1	1
New Employee Hire Breakdown ^{Note 8}				
Total	No. of people	33	18	38
By Gender				
Male	No. of people	29	16	33
Female	No. of people	4	2	5
By Age				
18-30	No. of people	13	8	7
31-40	No. of people	16	8	17
41-50	No. of people	4	1	11
51 or above	No. of people	0	1	3
By Working Location				
Hong Kong	No. of people	0	1	0
Langfang	No. of people	31	16	35
Shanghai	No. of people	0	0	1
Guangzhou	No. of people	2	0	0
Chengdu	No. of people	0	1	0
Xi'an	No. of people	0	0	1
Thailand	No. of people	0	0	1
Employees Turnover Rate ^{Note 9}				
Overall	No. of people	54	52	59
	%	13.8	12.4	13.3
By Gender				
Male	No. of people	43	45	45
	%	13.4	13.1	12.5
Female	No. of people	11	7	14
	%	15.8	9.3	16.7

10 Performance Table

Indicator	Unit	2021	2020	2019
By Age				
18-30	No. of people	17	12	4
	%	28.6	15.5	3.8
31-40	No. of people	14	19	32
	%	8.5	11.2	19.4
41-50	No. of people	14	9	19
	%	14.8	8.7	3.7
51 or above	No. of people	9	12	4
	%	12.6	17.5	6.1
By Working Location				
Hong Kong	No. of people	0	1	2
	%	0	7.1	13.8
Langfang	No. of people	48	42	46
	%	15.7	13.0	13.8
Beijing	No. of people	5	3	3
	%	17.9	8.1	6.4
Shanghai	No. of people	0	1	1
	%	0	5.7	5.6
Guangzhou	No. of people	0	1	0
	%	0	5.3	0
Xi'an	No. of people	0	0	1
	%	0	0	200
Singapore	No. of people	0	0	2
	%	0	0	200
Pakistan	No. of people	0	0	4
	%	0	0	133
India	No. of people	0	4	0
	%	0	200	0
Thailand	No. of people	1	0	0
	%	200	0	0

10 | Performance Table

Indicator	Unit	2021	2020	2019
Occupational Health and Safety				
Total number of work-related fatalities	No. of incident(s)	0	0	0
Total number of injuries	No. of incident(s)	5	7	8
Injury rate per 1,000 employees	-	12.8	16.7	18.0
Lost day(s)	Day(s)	250	150	112
Lost time incident rate (LTIR) ^{Note 10}	-	1.3	1.7	1.8
Training and Education ^{Note 11}				
Topics	No.	170	137	80
By Types of Topics				
Occupational health and safety	Hours	93	50.7	11
Management and operation	Hours	182	110	28.5
Professional knowledge	Hours	432.5	97.5	265
Environmental protection	Hours	0	0	0
All types	Hours	707.5	258.2	304.5
Average Training Hours and Percentage of Employees ^{Note 12}				
By Gender				
Male	Hours	23.7	26.5	9.6
	%	86	83	-
Female	Hours	20.4	32.0	2.5
	%	14	17	-
By Position				
Senior management	Hours	35.3	51.7	8.8
	%	4	1	-
Management	Hours	34.5	22.2	4.0
	%	26	19	-
Frontline and general staff	Hours	20.2	28.3	9.1
	%	70	80	-
Geographical Location of Suppliers				
China ^{Note 13}	No.	154	151	176
	%	97.5	98.1	98.9
Overseas ^{Note 14}	No.	4	3	2
	%	2.5	1.9	1.1
Community investment	RMB	18,000	55,654	72,000

10 | Performance Table

Note 6: Senior Management refers to the Group's Executive Directors and Chief Financial Officer.

Note 7: Management refers to employees ranked "Manager" apart from the Group's Senior Management.

Note 8: The Group has disclosed the breakdown of new employee hire since 2019.

Note 9: The number of employee turnover and employee turnover rate are only applicable to full-time employees. The turnover rate is calculated as follows:

Turnover rate = $L/E * 100\%$

L = Number of employee turnover in the reporting year

E = (Number of employee at the beginning of the year + number of employee at the end of the year)/2

Note 10: 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 11: 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.

Note 12: The Group has collected and analysed the average number of hours of training for employees by position since 2020.

Note 13: Local suppliers refer to suppliers located in Mainland China.

Note 14: Overseas suppliers refer to suppliers located outside of Mainland China.

11 Content Index

Disclosure of the GRI Standard		General Disclosure ("GD") and Key Performance Indicator ("KPI") of the HKEx ESG Guide	Section/Statement
102:General Disclosures			
Organisational Profile			
102-1	Name of organisation		4. Business Review
102-2	Activities, brands, products, and services		4. Business Review
102-3	Location of headquarters		4. Business Review
102-4	Location of operations		2.1 Reporting Period and Scope
102-5	Ownership and legal form		4. Business Review
102-6	Markets serve		4. Business Review
102-7	Scale of the organisation	KPI B1.1	4. Business Review Please review the Group's 2021 Annual Report
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	6.7 Sustainable Procurement
102-10	Significant changes to the organisation and its supply chain		6.7 Sustainable Procurement
102-11	Precautionary Principle or approach	GD A4 KPI A4.1	6.2 Risk Management 7.7 Climate Change
102-12	External initiatives		6.9 Industrial Partnership 7.8 Environmental Initiatives 8.2 Our Community
102-13	Membership of associations		6.9 Industrial Partnership
Strategy			
102-14	Statement from senior decision-maker		1. Chairman's Statement
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviour		6.1 Corporate and Sustainability Governance
Governance			
102-18	Governance structure		6.1 Corporate and Sustainability Governance
Stakeholder engagement			
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 97% 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

11 Content Index

Disclosure of the GRI Standard		General Disclosure ("GD") and Key Performance Indicator ("KPI") of the HKEx ESG Guide	Section/Statement
102:General Disclosures			
Reporting Practice			
102-45	Entities included in the consolidated financial statements		Please refer to the Group's 2021 Annual Report
102-46	Defining report content and topic Boundaries		2. 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		2. About this Report 5.2 Materiality Assessment
102-50	Reporting period		2. About this Report
102-51	Date of most recent report		2. About this Report
102-52	Reporting cycle		2. About this Report
102-53	Contact point for questions regarding the report		2. About this Report
102-54	Claims of reporting in accordance with the GRI Standards		2. About this Report
102-55	GRI content index		11. Content Index
102-56	External assurance		12. Verification Statement
200:Economic			
201:Economic Performance			
201-1	Direct economic value generated and distributed		Please refer to the Group's 2021 Annual Report
204:Procurement Practices			
103	Management approach	GD B5 KPI B5.2 KPI B5.3 KPI B5.4	6.7 Sustainable Procurement
204-1	Proportion of spending on local suppliers	KPI B5.1	6.7 Sustainable Procurement 10. Performance Table
205:Anti-corruption			
103	Management approach	GD B7 KPI B7.2 KPI B7.3	6.3 Ethics and Integrity
205-3	Confirmed incidents of corruption and actions taken	KPI B7.1	6.3 Ethics and Integrity
206:Anti-competitive Behaviour			
103	Management approach		6.3 Ethics and Integrity
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices		6.3 Ethics and Integrity

11 Content Index

Disclosure of the GRI Standard		General Disclosure ("GD") and Key Performance Indicator ("KPI") of the HKEx ESG Guide	Section/Statement
300:Environmental			
301:Materials			
103	Management approach	GD A2	7.6 Material Use 10. Performance Table
301-1	Materials used by weight or volume	KPI A2.5	7.6 Material Use 10. Performance Table The Group did not have any direct consumption of packaging material and thus, the relevant data were not disclosed.
302:Energy			
103	Management approach	GD A2 GD A3	7.2 Energy Consumption
302-1	Energy consumption within the organisation within the organisation	KPI A2.1	7.2 Energy Consumption 10. Performance Table
302-3	Energy intensity	KPI A2.1	7.2 Energy Consumption 10. Performance Table
302-4	Reduction of energy consumption	KPI A2.3	7.2 Energy Consumption 10. Performance Table
303:Water and Effluents			
103	Management approach	GD A2 GD A3	7.4 Water Consumption and Wastewater Management
303-1	Interactions with water as a shared resource	KPI A2.2 KPI A2.4	7.4 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	7.4 Water Consumption and Wastewater Management
303-3	Water withdrawal	KPI A2.4	Based on China Water Risk publications, our Hebei factory is in an at-risk area. This means 90% of the Group's water supply is affected by water pressure. All our withdrawn water is freshwater, in which the total dissolved solids is equal to or lower than 1,000 mg/L.

11 Content Index

Disclosure of the GRI Standard		General Disclosure ("GD") and Key Performance Indicator ("KPI") of the HKEx ESG Guide	Section/Statement
300:Environmental			
305:Emissions			
103	Management approach	GD A1 GD A3 KPI A3.1	7.7 Climate Change 7.2 Energy Consumption 7.3 Air Emissions
305-1	Direct (Scope 1) GHG emissions	KPI A1.1 KPI A1.2	7.7 Climate Change 7.2 Energy Consumption 10. Performance Table
305-2	Energy indirect (Scope 2) GHG emissions	KPI A1.1 KPI A1.2	7.7 Climate Change 7.2 Energy Consumption 10. Performance Table
305-4	GHG emissions intensity	KPI A1.2	7.7 Climate Change 7.2 Energy Consumption 10. Performance Table
305-5	Reduction of GHG emissions	KPI A1.5	10. Performance Table
305-7	NO _x , SO _x , and other significant air emissions	KPI A1.1	7.3 Air Emissions 10. Performance Table
306:Effluents and Waste			
103	Management approach	GD A1 GD A3	7.5 Waste Management
306-1	Waste generation and significant waste-related impacts		7.5 Waste Management
306-2	Management of significant waste-related impacts	KPI A1.3 KPI A1.4 KPI A1.6	7.5 Waste Management 10. Performance Table
306-3	Waste generated	KPI A1.6	7.5 Waste Management 10. Performance Table
307:Environmental Compliance			
103	Management approach	GD A1	7.1 Green Operation
307-1	Non-compliance with environmental laws and regulations	GD A1	7.1 Green Operation
400:Social			
401:Employment			
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 Table
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		8.1 Our Employees

11 Content Index

Disclosure of the GRI Standard		General Disclosure ("GD") and Key Performance Indicator ("KPI") of the HKEx ESG Guide	Section/Statement
400:Social			
403:Occupational Health and Safety			
103	Management approach	GD B2 KPI B2.3	8.1 Our Employees
403-1	Occupational health and safety management system		8.1 Our Employees
403-2	Hazard identification, risk assessment, and incident investigation	KPI B2.1 KPI B2.2	8.1 Our Employees 10. Performance Table
403-3	Occupational health services		8.1 Our Employees
403-4	Worker participation, consultation, and communication on occupational health and safety		8.1 Our Employees
403-5	Worker training on occupational health and safety		8.1 Our Employees
403-6	Promotion of worker health		8.1 Our Employees
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		8.1 Our Employees
403-8	Workers covered by an occupational health and safety management system		8.1 Our Employees
404:Training and Education			
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 Table Data on the percentage of employees trained was not disclosed, but the Group plans to disclose the information in the future
405:Diversity and Equal Opportunity			
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 Table
406:Non-discrimination			
103	Management approach	GD B1	8.1 Our Employees
406-1	Incidents of discrimination and corrective actions taken	GD B1	8.1 Our Employees
408:Child Labour			
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

11 Content Index

Disclosure of the GRI Standard		General Disclosure ("GD") and Key Performance Indicator ("KPI") of the HKEx ESG Guide	Section/Statement
400:Social			
409:Forced or Compulsory Labour			
103	Management approach	GD B4	8.1 Our Employees
409-1	Forced or Compulsory Labour Operations and suppliers at significant risk for incidents of forced or compulsory labour	KPI B4.1 KPI B4.2	8.1 Our Employees
413:Local Communities			
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
414:Supplier Social Assessment			
103	Management approach	GD B5	6.7 Sustainable Procurement
414-1	New suppliers that were screened using social criteria	KPI B5.2	6.7 Sustainable Procurement
416: Customer Health and Safety			
103	Management approach	GD B6	6.5 Quality Assurance
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	KPI B6.1 KPI B6.4	6.5 Quality Assurance
417:Marketing and Labeling			
103	Management approach	GD B6	6.5 Quality Assurance
417-2	Incidents of non-compliance concerning product and service information and labeling	KPI B6.2 KPI B6.3	6.5 Quality Assurance
418:Customer Privacy			
103	Management approach	GD B6	6.5 Quality Assurance
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	KPI B6.5	6.5 Quality Assurance
419:Socioeconomic Compliance			
103	Management approach		6.2 Risk Management
419-1	Non-compliance with laws and regulations in the social and economic area		6.4 Operational Compliance

12 Verification Statement

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”) 2021 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, Pakistan, and main manufacturing plant and adjacent employees’ dormitory located in Langfang, Hebei from 1 January 2021 to 31 December 2021 (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.

Ms. Kwok May Han Grace

Chairman and Managing Director of Allied Environmental Consultants Limited
Hong Kong
30 May 2022