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德 基 科 技

D&G TECHNOLOGY

# 2015 SUSTAINABILITY REPORT 可持續發展報告

德基科技控股有限公司

D&G TECHNOLOGY HOLDING COMPANY LIMITED

<INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY>

STOCK CODE 1301



## 技術創新環保先行



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# SUSTAINABILITY STRATEGY

## Sustainability Highlights

Under the Belt and Road Initiative, vast opportunities arise for the development of infrastructural facilities. These facilities connect communities, promote economic progress, and cultivate ideas and cultural exchanges. In light of this spirit of connectivity, and seizing the opportunity to partake in the Belt and Road Initiative, we wish to connect our sustainable business model to our stakeholders.

The report follows the mandatory requirements for 2017 as set in the Environmental, Social and Governance ("ESG") Reporting Guide in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx Rules"). The Governance aspect follows Appendix 14 of the HKEx Rules, and can be referred to the Annual Report.

D&G's first sustainability report is a demonstration of the integration of environmental, social and governance considerations in D&G's business approach. We provide our sustainability performance for the year ended 31 December 2015, and set our sights and plan for the future.

Our innovative technology and sustainable products carry a strong message: **With every segment of road paved with asphalt from our mixing plant, we leave an imprint of sustainability.**



Remarks :

(1) D&G experiences 1.3 Lost Time Injuries for every 200,000 hours worked, which is equivalent to around 100 persons working for one year.

## ► Chairman's Statement



Production base in Langfang, Hebei

I am pleased to present our first sustainability report of D&G Technology Holding Company Limited (hereinafter referred to as "D&G", the "Company" or the "Group"). Through this sustainability report, we aim to demonstrate the Group's commitment in promoting technological innovation and engaging in environmental protection, to contribute to the nation's infrastructure construction and circular economy.

The Group adheres to its **core values of "integrity, innovation, cooperation and win-win"** in the development of its sustainable business model. We strive to strengthen our capacity in all areas of sustainable development, and to understand our stakeholders' interest in various economic, environmental and social aspects of our operations. In 2015, our Group conducted a comprehensive assessment on our sustainability performance, and all material issues are discussed in the following sections of this sustainability report.

D&G is fully committed to two key issues: **to promote technological innovation and to engage in environmental protection**. In the past year, the Group continued its effort to strengthen its research and development capacity, and collaborated closely with multiple external institutional stakeholders. This allowed D&G to improve its overall research and development capability, as well as its technical standards. It also enhanced the Group's competitiveness, and maintained its position as an industry leader in the asphalt mixing plant industry. On the other hand, the Group consistently promoted its recycling equipment and associated new products and services. The Group aimed to reduce its emissions and other environmental impact while expanding its production capacity, in order to satisfy increasing market demand.

As an excellent corporate citizen, we **consistently uphold the highest standard of integrity**, adhere to effective corporate governance, and provide a healthy and safe

working environment to attract and retain talents. In 2015, we have implemented a series of policies and measures to promote good corporate governance. Among which, a first comprehensive employee satisfaction survey was conducted. The goal is to provide a channel for our employees to express their thoughts and concerns, to facilitate idea exchanges between the Group and our employees, and to improve relevant policies and systems.

The Group is poised to capture the opportunities presented by a recently launched favorable Chinese government development strategy, the **"One Belt, One Road"** initiative. D&G will participate at the interconnection construction. D&G will continue to focus on the research and development, manufacturing, and service of sustainable green products with energy-efficient, environmentally-friendly and recycling features that are required for road construction and maintenance. Our customizable green solutions will fully align with the needs

of our domestic and overseas markets.

Looking ahead, we will strive to capture the opportunity presented by the "One Belt, One Road" initiative. We will focus on providing high-quality, innovative, and environmentally-friendly equipment and services to expand our market, as well as connecting with our environment and our internal and external stakeholder groups. This will allow the Group to achieve long term sustainability and to realize the Company's vision of becoming a well-known green brand within the asphalt equipment industry. We are committed to **connect with our stakeholders to create a greener future**.

Last but not least, on behalf of the Board of Directors, I would like to express my utmost gratitude to our management team and staffs for their tireless effort, as well as our stakeholders for their continuous trust and support for the Group.

CHOI Hung Nang  
Chairman and Executive Director

30 March 2016



## ► About This Report

Prepared by  
Allied Environmental Consultants Limited 

### Scope

The report content is focused largely on D&G Technology Holding Company Limited's Hong Kong headquarters, Langfang production site and its adjacent employees' dormitory, which are the areas that represent the majority of D&G's social, environmental and economic impacts. Its system for reliably collecting and reporting related data does not currently encompass its regional sales offices.

This is D&G's first sustainability report and it covers the sustainability performance of the Company from 1 January 2015 to 31 December 2015, unless stated otherwise.

This report was prepared by Allied Environmental Consultants Limited, the content of which focuses on the environment and social subject areas.

### Reporting Framework

The report follows the Environmental, Social and Governance ("ESG") Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### Information and Feedback

For details regarding its financial performance and corporate governance, please refer to D&G's official website (<http://www.dgtechnology.com/>) and its Annual Report. The Company values your feedback and any comments you may have on its sustainability performance. Please offer your feedback via [info@dgtechnology.com](mailto:info@dgtechnology.com).



D&G's Asphalt Mixing Plant

## ► Stakeholder Engagement

D&G aims to align its business strategies with its stakeholders' expectations and concerns. To better understand those expectations and concerns, D&G has to communicate and involve its stakeholders in its decision-making process. During the reporting year, D&G has engaged with its stakeholders on an ongoing basis via various engagement methods. Online media has further been explored this year as well, including a corporate Wechat account.

Key stakeholder groups include shareholders, employees, customers, suppliers, education and research partners, government and other public bodies, industry associations, and community. The following table outlines some of the stakeholder engagement conducted with each group of internal and external stakeholders.



Government officials, investors and other stakeholders paid frequent visits to our Langfang production base



D&G co-hosted a Reclaimed Asphalt Pavement (RAP) Technical Seminar for customers in Hefei region in May 2015



D&G co-hosted a Hot-Mix Recycling Asphalt Technical Seminar in October 2015



Investors Site Visit Tour in October 2015

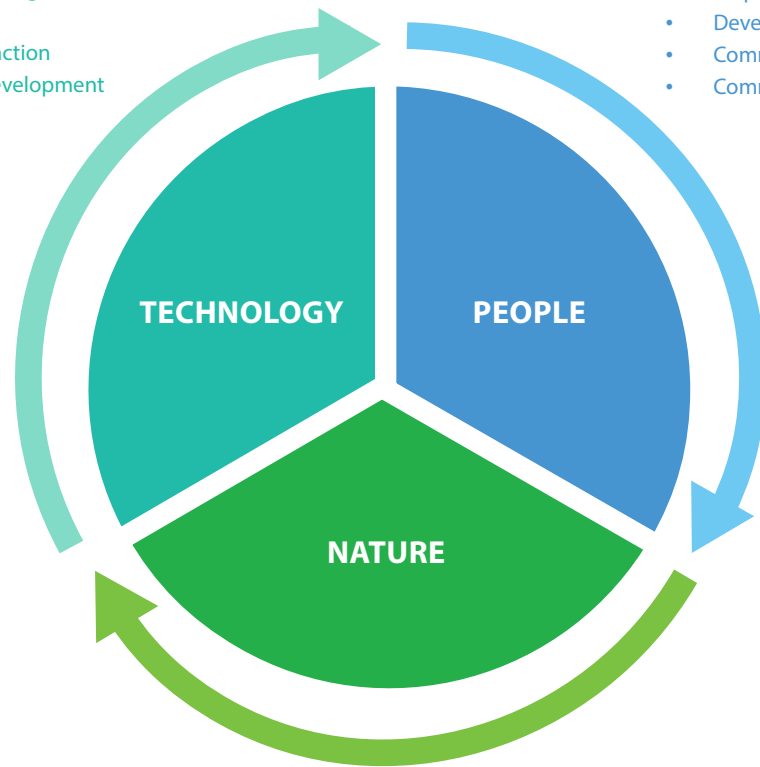
Stakeholder Groups	Specific Stakeholders	Engagement Methods
Investors	<ul style="list-style-type: none"> <li>Shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Site visit tours at Langfang</li> <li>Online media</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Senior management</li> <li>Staffs</li> <li>Potential and new recruits</li> </ul>	<ul style="list-style-type: none"> <li>ESG surveys and meeting</li> <li>Employees satisfaction surveys</li> <li>Online media</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Road construction companies</li> <li>Road construction machinery distributors</li> <li>Sales agents</li> <li>Finance leasing companies</li> </ul>	<ul style="list-style-type: none"> <li>Satisfaction surveys</li> <li>Site visit tours at Langfang</li> <li>Client site visits</li> <li>Seminars</li> <li>Online media</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Material suppliers</li> <li>Subcontractors</li> </ul>	<ul style="list-style-type: none"> <li>Supplier site visits</li> <li>Online media</li> </ul>
Education and Research Partners	<ul style="list-style-type: none"> <li>Universities</li> <li>Research Institutes</li> <li>Industry Associations</li> </ul>	<ul style="list-style-type: none"> <li>Collaborative forums</li> <li>Technical seminars</li> <li>Online media</li> </ul>
Government and Other Public Bodies	<ul style="list-style-type: none"> <li>County and local governments</li> <li>Regulators</li> </ul>	<ul style="list-style-type: none"> <li>Site visit tours at Langfang</li> <li>Online media</li> </ul>
Community	<ul style="list-style-type: none"> <li>Local community</li> <li>Neighboring residents</li> <li>Local community organizations</li> </ul>	<ul style="list-style-type: none"> <li>Seminars</li> <li>Public consultations</li> <li>Online media</li> </ul>



► Materiality

In assessing material sustainability issues, D&G first approached its internal stakeholders to understand their concerns. Key sustainability issues have then been identified through various internal stakeholder engagements. D&G employees were engaged in an Environmental, Social and Governance (“ESG”) survey, as well as an internal stakeholder engagement meeting. Stakeholders were asked to identify and prioritize sustainability issues they feel are important to D&G’s business. Key issues identified formed the basis of D&G’s sustainability strategy, and classified into three main categories: Technology, People, and Nature.

- Supply Chain Management
- Product Quality
- Customer Satisfaction
- Research and Development



- Health and Safety
- Labor Standards
- Employment
- Development and Training
- Communications
- Community Investment

- Emissions
- Use of Resources
- Impact on Environment and Natural Resources

Looking forward, D&G plans to expand its external stakeholder engagements to embrace sustainability topics. This will include surveys, focus group discussions, and other engagement activities. The engagement would allow D&G to better understand stakeholders’ views on the Company’s sustainable development. The findings will further enhance the sustainability program at D&G.

As such, D&G is committed to reviewing its material sustainability issues regularly. The Company is also committed to actively promote the formulation, implementation and improvement of D&G’s sustainability strategy through the involvement of key stakeholders.

► Awards and Recognitions

As a result of the high quality and reputation of its products, its credit worthiness and its contribution to the community, D&G has been awarded the following awards, authentication and recognition in the reporting year, as shown:



► Ethics

D&G has a comprehensive mechanism to ensure ethical business practices between employees and suppliers, customers and other business parties. All suppliers are required to sign an integrity agreement to protect all parties' legal rights and to prevent any corrupted activities. Any verified cases of violations would be subject to disqualification from the approved suppliers list and cancellation of procurement contracts.



D&G has implemented a formal Code of Conduct during the reporting year. All employees are required to abide by the Code of Conduct that guides their professional conduct and ethics. Any violation of the Code of Conduct or the law would be subject to associated disciplinary, up to dismissal or bearing of associated legal liability.

Aside from preventative measures, D&G also has a set of policy that monitors and manages whistle-blowing procedures. Whistle-blowing channels have been set up so that any concerns about suspected misconduct, malpractice or impropriety can be raised confidentially. There was no legal case regarding corrupt practices brought against D&G or its employees during the reporting year.



D&G's main office in Langfang, Hebei

# CONNECT THROUGH TECHNOLOGY

**D&G's technology has been able to connect people of different intellectual backgrounds together.**

Whether in seminars or through site visits, people from all walks of life are drawn into the technology and the innovative spirit D&G encapsulates. Specifically, D&G's recycling products invite people to openly discuss the connection between technology and nature.

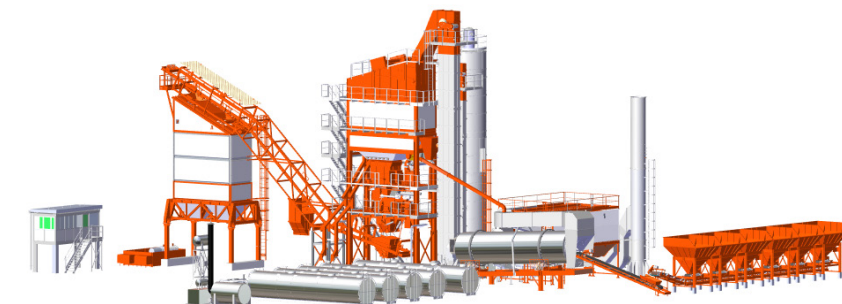
**D&G is committed to promoting its innovative and sustainable products.**

A commitment to research and development allows for continuous growth and improvement. It also enhances the product variety and provides more options for D&G's clients.

**D&G strives to safeguard its product quality and safety,** as it is essential for the sustainability of the Company. This is realized through a stringent supply chain management and quality control process.



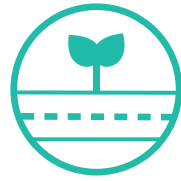
DG5000 asphalt mixing plant





### ► Recycling Plants and Technology

D&G prides itself for multiple self-developed and patented hot-mix asphalt mixing recycling plants ("Recycling Plants") and technology. The Recycling Plants are able to produce recycled asphalt mixtures, which contain a mixture of reclaimed asphalt pavement ("RAP") and new asphalt mixtures material. The designed range of RAP is between 15% and 60%, which indicates the ratio of recycled asphalt mixtures to new asphalt mixtures materials. The Recycling Plants provide a mean for contractors and road builders to produce asphalt sustainably, with high efficiency and less wastage. This would satisfy the demand required for long term infrastructure development for the Belt and Road Initiative.



**THE DESIGNED RANGE OF RECLAIMED ASPHALT PAVEMENT ("RAP") OF D&G'S RECYCLING PLANTS IS UP TO 60%**



D&G's monoblock recycling asphalt mixing plant



DG Leap

D&G also designed and developed an asphalt mixing equipment production management and automatic control system, called "DG Leap". This system meets the requirements of different asphalt mixing plants and production management, and allows for real-time remote monitoring. The system's user-friendliness and stability meets the need of rapid turnaround for onsite installation and allows for remote technical support. With this system, it reduces traveling time spent for maintenance and service, as well as associated environmental impacts.

DG Leap has successfully integrated and has been widely accepted in the asphalt mixing equipment industry. Over 70% of new asphalt mixing equipment sold during the reporting year is equipped with DG Leap, as it ensures the system reliability and production continuity of the asphalt mixing plants.

### ► Safeguard Product Quality and Safety

The stability and reliability of an asphalt mixing plant has a significant impact on the progress and final quality of a road construction or maintenance project. D&G strives to develop and sell premium quality products that will meet the expectations of its customers.

As quality assurance starts from the source of the supply chain, D&G recognizes that suppliers are one of the key stakeholders in the success of its business. D&G strives to be a fair and honest partner, and it firmly believes that relationships built on values of trust and integrity will be sustainable and beneficial for all. The Company sets high standards for procurement, and suppliers are expected to share the Company's desire to be innovative and quality driven.

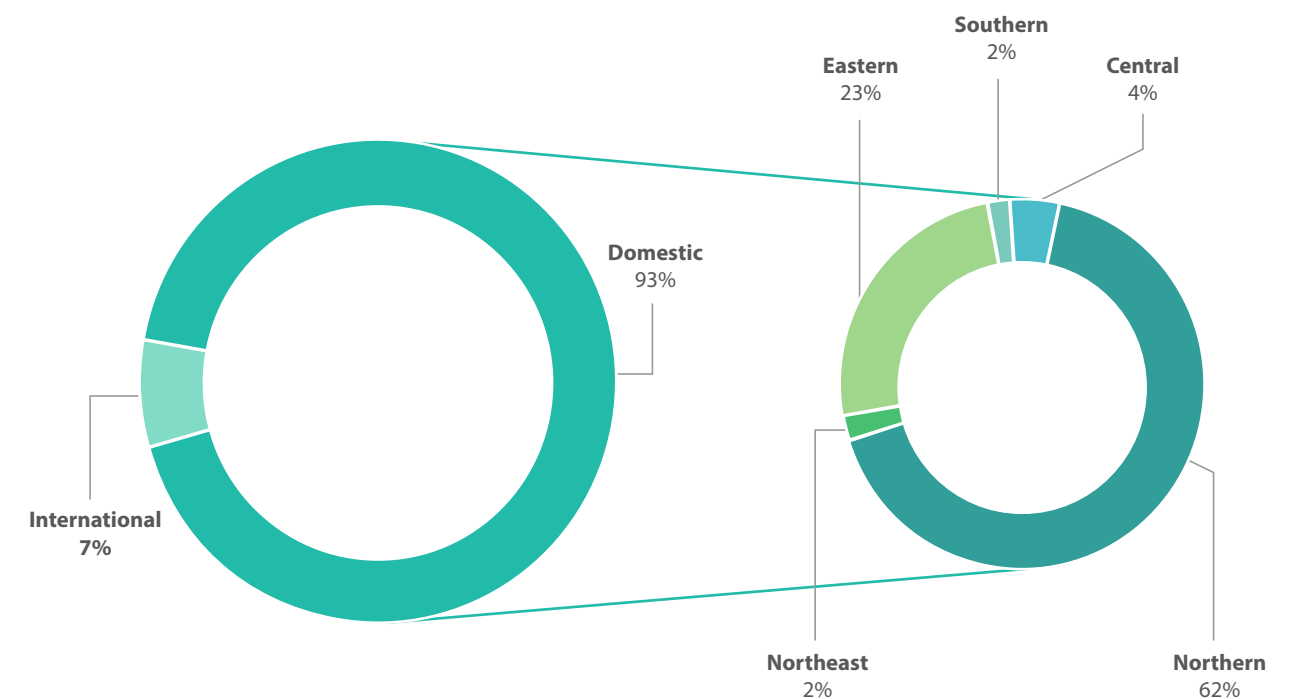
The Company purchases raw materials, packaging materials, as well as parts and components from an approved list of suppliers. D&G carefully selects its suppliers based on criteria including their product quality and technical

support. Performance on environmental, health and safety matters are also considered when selecting suppliers.

D&G sources 93% of its raw materials, components and parts from local suppliers in the PRC. The remaining materials are sourced from well-known international brands. It is important for the Company to source locally to support the local economy and reduce environmental impact associated with long distance transportation.

The Company works with a number of suppliers for each type of raw materials, parts and components. This allows it to diversify the risk of potential disruption of its operations, maintain sourcing stability, and secure competitive prices. Quality has been consistent nonetheless, since all procured items have to comply with respective quality control requirements. The Company also conducts annual monitoring and assessment on the performance of each of its suppliers.

#### 140 Suppliers by Region



The quality of D&G's products are of the highest standards. The Group has implemented strict quality control systems for its products. There are five key standardized processes in place to guarantee the quality and performance of all products. Quality control framework is governed by a quality control policy, implemented through inspections and commissioning, reviewed in quality meetings, tracked through a quality information management system, and engaged by customer complaint management. This iterative process cycles throughout the year to ensure product quality and allows the Group to quickly detect any quality issues, thereby minimizing any associated costs.



All products are inspected prior to commissioning

Customer complaint management policy has been set up to effectively manage customers' complaints. Complaints are opportunities for improvement. This policy enhances customer satisfaction and continuously improves D&G's product quality.

**Handling methods:**

Classify the complaints and refer them to the related departments



Conduct investigation and develop an effective solution



Conduct a site visit in the following working days to ensure a smooth implementation



D&G's stringent quality control practices have earned multiple certifications for the company

D&G's stringent quality control practices are evidenced by the domestic and international certifications D&G has obtained, including the ISO9001:2008 Quality Management System certification, ISO 14001:2004 Environmental Management System certification, and the OHSAS18001:2007 Occupational Safety and Health Management System certification. In addition, D&G has obtained the CE mark in 2009, which indicates that its products are in compliance with the E.U. safety, health and environmental protection requirements. As a result of this five pronged Quality Control Framework, D&G has achieved a customer satisfaction rate of 91% and zero customer complaints.



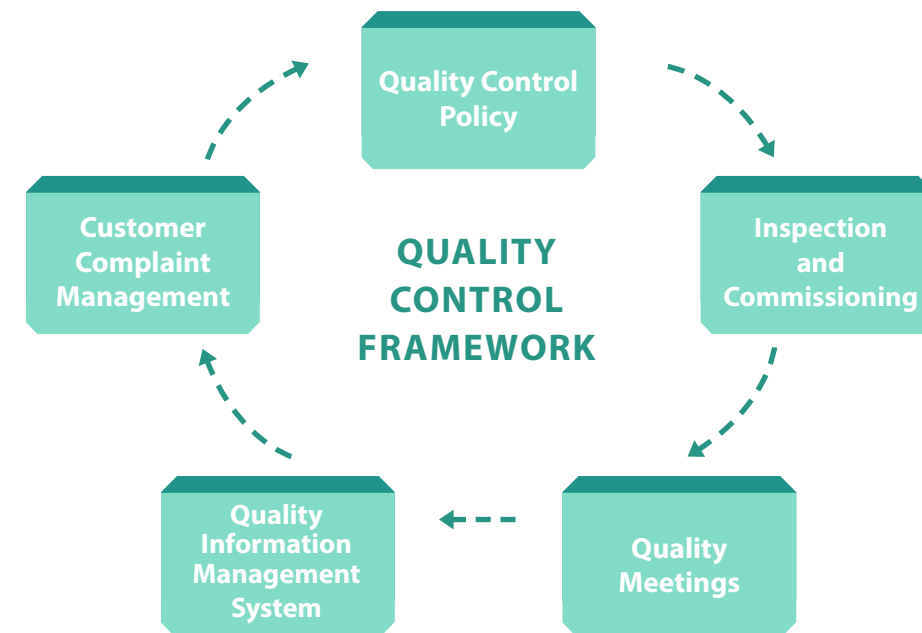
**ZERO**

Customer Complaints



**91%**

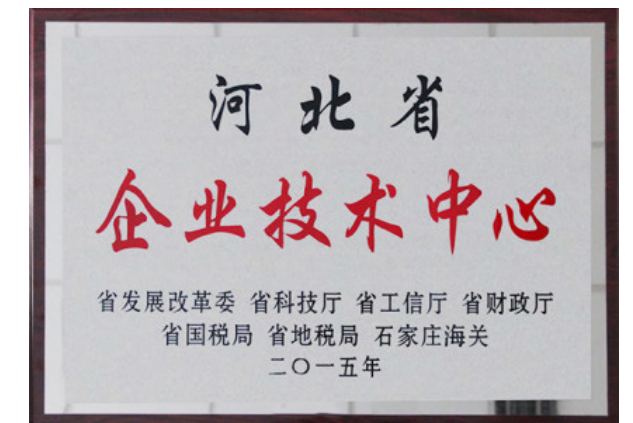
Customer Satisfaction Rate



**► Technological Development**

Innovation is key to the continuous success of the Company. D&G strives to foster creativity and stimulate innovation in its technology. The Company is committed to continuously develop its Recycling Plants and other recycling technology.

According to a report prepared by the CCID Consulting Company Limited ("CCID report"), it is estimated that hot-mix recycling technology will be adopted in a majority of roads maintenance projects in the PRC in the next three to five years. In light of the PRC government's policies encouraging the use of pavement recycling maintenance technologies, it is expected that the demand for Recycling Plants will increase. Therefore, D&G continues with its efforts to innovate and to bring new technologies to market.



D&G's R&D center was certified as Provincial Enterprise Technology Center

D&G has its own independent technology research and development center ("R&D center") that is equipped with advanced software and hardware capabilities of international standards. The R&D center assists in information-sharing and comprehensive resource utilization. It is the core of D&G's development, and it is mainly engaged in holistic product planning and development. Its goal is to develop and improve D&G's core technologies and manufacturing industry, as well as explore new products. During the reporting year, the R&D center was assessed and certified as Provincial Enterprise Technology Center, which will further increase the involvement and role of technological innovation D&G has in the industry.



Owing to D&G's R&D center, the core technological innovation has been impressive. The overall standard of D&G's equipment has been tested and approved in the demanding markets of developing countries. D&G aims to research and develop equipment and production processes that follow the principles of "energy saving, emission reduction, environmental protection, and reuse" within the road construction and maintenance industry. Hence, the R&D center collaborates with other industry research institutes on multiple key national scientific research projects and major highway construction and maintenance demonstration projects.

The Company currently holds numerous intellectual properties in the PRC. They are approved by the State Intellectual Property Office of the PRC and Trademark Office of The State Administration for Industry & Commerce of the PRC. D&G values and protects its intellectual properties through patent fees and periodic trademark renewals. In 2015 alone, the R&D center has invested RMB 13.7 million and carried out 15 research and development projects, which have yielded 5 patents (including an invention patent and 4 utility model patents), along with 4 scientific papers published.



Utility Model Patents



Invention Patents



Software Copyrights



Trademarks

Intellectual properties as at 31 December 2015

Together with all the research partners, D&G strives to undertake the industry and national key scientific research projects, and to actively participate in the formulation of industry standards. The following table illustrates the collaborative partnerships D&G has also formed with a range of universities and research institutions in China.

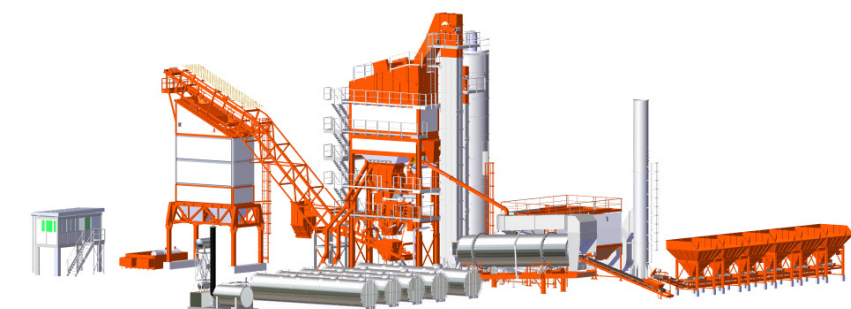
Research Center	Universities and Research Institutions	Research Project Areas
Resources Recycling Intelligent Equipment Technology Institute	<ul style="list-style-type: none"> <li>Institute of Tsinghua University, Hebei</li> </ul>	<ul style="list-style-type: none"> <li>Burning system design</li> <li>Energy consumption optimization</li> </ul>
Hebei Asphalt Pavement Intelligent Equipment Technology Research Centre	<ul style="list-style-type: none"> <li>The Research Institute of Highway, the Ministry of Transport</li> <li>Institute of Tsinghua University, Hebei</li> </ul>	<ul style="list-style-type: none"> <li>Energy-saving, emission reduction, environmental protection and recycling aspects of resources recycling</li> <li>"Asphalt Pavement Recycling Technology Equipment and Demonstration"</li> <li>Monoblock recycle asphalt mixing plant</li> </ul>
Provincial Enterprise Technology Center	<ul style="list-style-type: none"> <li>Various high schools</li> <li>Technological research centers</li> <li>Industry management units</li> </ul>	

## CONNECT WITH PEOPLE



D&G's professional staff are one of the cornerstones of its success

D&G aims to create a lasting connection with people that comes in contact with the Company. It aspires to connect and make a positive impact with its internal and external stakeholders. In particular, D&G's employees and local community have the most direct interaction with the Company's operation. D&G believes that continuous business success depends on the connection and relationships it forms. The Company is committed to workers' health and safety, sustainable employment practices, continual training, and community investment.





► Safety First



Safety cannot be compromised

Employees are vital to the sustainability of the Company. D&G is committed to providing a safe and healthy working environment for all its employees and everyone who comes into contact with the business. It strictly observes relevant laws and regulations in regards to occupational health and safety. Its policy conforms to the national standard of Occupational Health and Safety Management Systems, in order to continuously improve safety performance. Environmental protection facilities ensure all hazards comply with national standards.

In addition to compliance, D&G proactively seeks to enhance occupational health and safety performances. D&G has implemented multiple safety measures to guarantee a safe working environment for all its employees:

- Emergency plans and status assessment
- Annual occupational hazards inspections
- Frequent safety checks, drills and exercises relating to health and safety
- Employee trainings on occupational health and safety, including the correct use of Personal Protective Equipment (PPE)
- A health screening for all employees is held every two years, starting from September 2015
- Preserves a lifelong archive of all employees' medical files, pre-work, during-work and post-work

As a result of the Company's effort to promote health and safety in the workplace, D&G observed no fatal incident. The Group has also decided to adopt an industry standard for measuring safety performance, Lost Time Injury Rate (LTIR). LTIR is defined as the sum of fatal incidents, lost-time incidents and cases, multiplied by 200,000 (equivalent to around 100 persons working for one year), and divided by the total number of man hours worked. In 2015, D&G recorded 6 cases of Lost Time Injuries (LTI) and a LTIR of 1.3. The figures accounted for all employees in China only, and would consider accounting for Hong Kong and Singapore's employees as well in the future reports. The Group would continue its effort to safeguarding the health and well-being of its employees.



Training related to health and safety



Remarks :  
 (1) D&G experiences 1.3 Lost Time Injuries for every 200,000 hours worked, which is equivalent to around 100 persons working for one year.

► Practice Sustainable Employment

D&G strictly abides by all relevant laws and regulations. D&G is an equal opportunity employer committed to fair and equal treatment in all areas of human resources, including recruitment and promotion, compensation and dismissal, working hours, diversity and other benefits and welfare. As of the year end, the Company had a total of 444 employees. The employee breakdown can be found in the performance table section.

D&G also strictly observes the "Provisions on Prohibition of Child Labor" and other related regulations. Human Resources screens through all recruits with proper checking to ensure full compliance. Recruits are required to sign labor contracts, as well as report to the local labor department for the record, to eliminate child or forced labor. Human Resources would take appropriate measures to prevent and resolve such practice when discovered. D&G has never had any incident of child or forced labor.



D&G aspires to attract and retain diverse talents

Understanding that skilled employees are vital to D&G's operational success, it strives to be an organization that attracts and retains diverse and talented skilled workers. To this end, D&G has made two important measures during the reporting year.

First, the Company conducted its first annual Employee Satisfaction Survey. It allows the Company to better engage its employees, improve and enhance its employment and labor practice, and establish an open communication. Based on the results of the survey, the Company has made a few changes:

- Reviewed its policy on compensation and other benefits
- Reviewed safety measures
- Established better career planning for employees
- Established a complaint channel for employees
- Established communication channels between assessors and employees for performance assessments

Second, "Care for Women" commercial insurance benefit has also been added and would be provided for all female employees from 2016 onwards. The insurance covers breast cancer and other gynecological cancers, hospitalization subsidies for female cancers, as well as death due to accident or disease. D&G aims to continuously care for its female employees' health and happiness, and to care for their families as well.



New hires are guided by seniors



► Enhance Employees' Skills and Knowledge

D&G depends on its employees' skills and knowledge in discharging proper duties at work. All employees receive appropriate training required to carry out their roles professionally and receive updates on any new rules and regulations that may affect their role. Examples of training include occupational health and safety, welding techniques inspection standards, total quality management, and fire safety.

During the reporting year, Human Resources set up corporate training, sports activities and other company activities to enhance corporate culture. For example, all managers attended a one-day management skills enhancement training in September, at the outskirts of Beijing, China. Through an exciting day of outdoor activities, D&G aims to cultivate a scientific management approach in daily operations, and strengthen the Company's core values among its managers.

D&G also encourages employees to attend work-related advanced studies, such as a degree, professional certification, or other professional training in their spare time. Set up in 2015, "Flying Fund" aims to enhance employees' knowledge and skills, and D&G's competitiveness. The fund will subsidize employees' advanced studies, up to full tuition reimbursement.



Fire safety drills and exercises are performed regularly



One-day management skills enhancement training



Engagement training for employees



Teamwork is especially important at D&G

► Invest in Local Community

D&G positively contributes to the economies and societies in which it operates by working with local communities. The company recognizes the importance of the role it plays in the communities in which it operates. Examples have been shown within this report to demonstrate the proactive approach D&G has taken to be a responsible corporate citizen. It has also engaged with local stakeholders through public consultations, site visits and more. Neighbors engaged over the course of the year include students, employees, unions, local and regional officials, customers, and others.

**Health and Safety:** D&G believes that giving back to the community is incredibly important to a responsible enterprise in the society. In the manufacturing industry, D&G understands the importance of health and safety to its employees and to their family. Not only does the Company invest in preventative measures against all accidents, as described in the Safety First section, it also seeks ways to alleviate the burden on people when incidents do occur in local and national community.

Langfang City Labor Union organizes an annual "Workers' Mutual Aid Donation Day", and D&G is one of the supporters of the event. Approximately 80% of D&G's employees donated to the cause of helping injured workers or families of deceased workers. Langfang City Labor Union received over 1.9 million RMB in donations, which was used to aid 304 workers in the local community.



Local graduates learn the basic principles of D&G's operation from professional trainers

**Education:** This year, 22 high school graduates from various local high schools in neighboring communities joined the Company's 2-week internship program in July. Trainers from different departments gather to introduce different aspects of its operations, from installation to operation and maintenance. Students actively participated during the process, from lifting equipment to installation completion. They have gathered a detailed understanding of the 8 basic structures and working principles of assembling an asphalt mixing plant. Not only were the students taught the physical processes, they were also taught some of the actual problems that occurred and solutions to solving them.



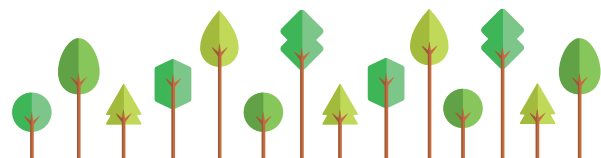
Local high school graduates receive hands-on work experience



Local high school graduates tour facility



# CONNECT WITH NATURE



D&G aims to develop into a green company by connecting with nature. It recognizes the impact it has on the environment and the natural resources in neighboring communities. Protecting the environment is a responsibility for companies as well as individuals, and D&G strives to lead the industry by example.

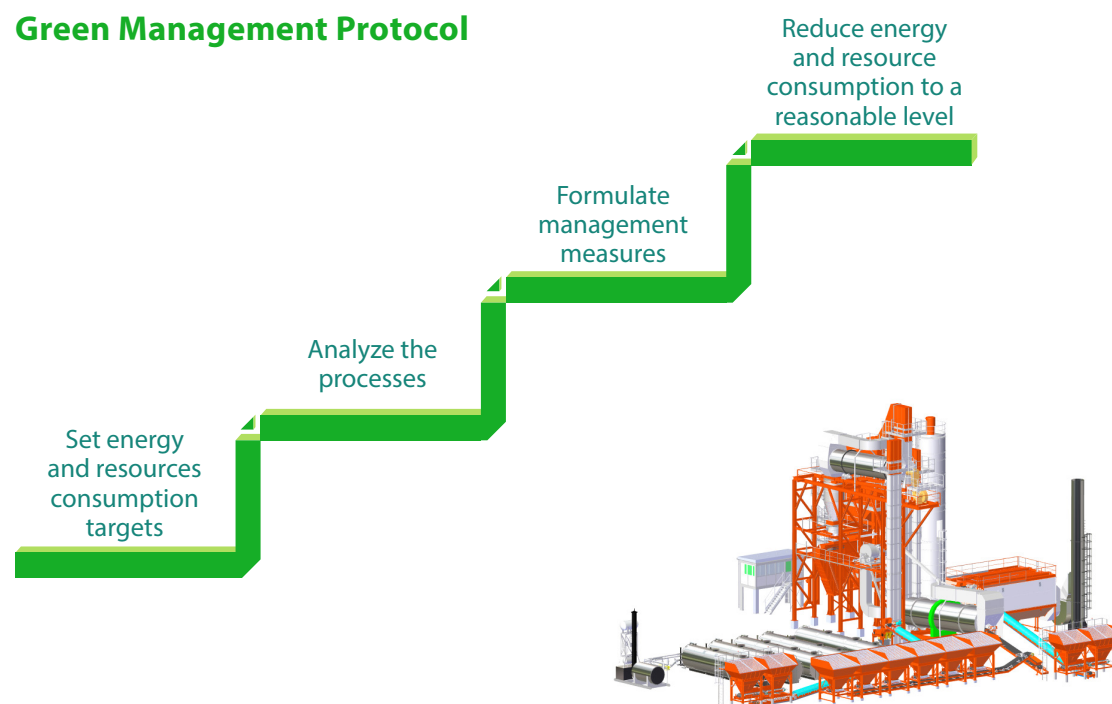
The Company operates in an environmentally-friendly manner to promote and achieve sustainable development. Its environmental policies and measures reflect its commitment to minimizing the environmental impact of its operations. The policies are guided by the following principles: clean production, energy saving, pollution prevention, and continuous improvement. In particular, D&G advocates a stepwise green management protocol, which includes setting consumption targets for energy and resources, analyzing processes, as well as formulating management measures to reduce energy and resource consumption to a reasonable level.

Aside from attaining sustainable development, risk management for policy changes also comes into effect. D&G anticipates more stringent environmental regulations to arise in the near future. It is well equipped to comply with any environmental policy changes. Currently, D&G complies with all applicable laws and regulations while integrating environmental considerations into the business. The Company also follows the requirements and guidance of the national standard for environmental management systems for continual improvement.

D&G strives to be more consciously aware of and manage the environmental impact of its business decisions and production process. Its commitment is demonstrated by preventative and reduction measures in air quality, energy use, and waste management.

D&G seeks to continue its effort through a progressive and systematic approach and it would continue its effort to be fully aware of its environmental impact, to be a good corporate citizen, and to continue developing the Company in a sustainable manner.

## Green Management Protocol



## Air Quality Control

D&G is committed to promoting better air quality management. Appropriate management of the atmospheric environment, especially gaseous emissions reduction, would help improve air quality and could lead to positive impact on the well-being of the community and D&G's employees.

Reduction measures are essential and have been in action throughout operation.

- Welding fumes is circulated by an axial fan and sucked into the welding fumes purifier before it is emitted
- Both grinding wheel gas and shot blasting gas has been collected and purified by pulse bag dust collector and purifier
- The waste gas from oil paint at the spraying booth and drying room has been reduced by concentrated air draft, filter cotton, and an activated carbon adsorption process
- Cooking fumes from cafeteria kitchen is also purified by fume purifier, which conforms to the national standards of Emission Standing of Cooking Fume
- The annual natural gas consumption for the boiler is approximately 200,000 m<sup>3</sup>. And the concentration of particulate matter, SO<sub>2</sub> and NO<sub>x</sub> from the boiler has been monitored and they all conform to the Emission Standard of Air Pollutants for Boilers requirements

The annual monitoring result indicates that the concentration level and emission rate both comply with the limit set by the Comprehensive Emission Standard of Air Pollutants and relevant national standards. Air emissions, including particulate matter, SO<sub>2</sub> and NO<sub>x</sub>, meet all relevant emission standards. Trace amount of volatile organic compounds (VOCs), including Benzene, Methylbenzene, and Dimethylbenzene, have been monitored and have met relevant standards. For detailed emission data, please refer to the Performance Table section.

## Energy Structure Optimization

In anticipation of increasingly stringent air pollution standards, D&G converted the original coal-fired boiler to a 4-tonne vacuum gas boiler. It began operation in December 2014 and has been in use in the past year. Within its compact structure, the boiler uses a circular water wall that has significant energy-saving effect. The thermal efficiency could reach above 91%. Gas boiler uses natural gas for fuel, which does not emit polluting gases during combustion. Approximately 500 tonnes of coal is avoided annually. It is estimated that approximately 16.5 tonnes of particulate matter and 13 tonnes of SO<sub>2</sub> has been reduced by this measure.

of SO<sub>2</sub> has been reduced from the paint rooms. Not only do these new equipment reduces polluting emissions into neighboring communities, working environment has been improved. Benefits include reduced noise level, improved safety equipment, reduced fire hazards and reduced greenhouse gases and other gaseous emissions.

Another significant modification was the conversion from oil burners to three natural gas burners in the paint rooms last year. Diesel consumption has been eliminated. It is estimated that 11.5kg of particulate matter and 436 kg



Newly installed vacuum gas boiler

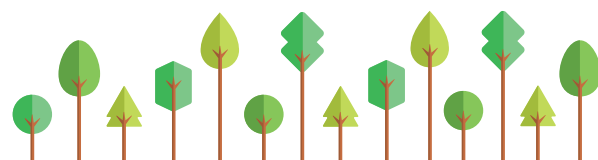


Three newly installed natural gas burners



## ► Greenhouse Gas Reduction

To contribute in combating the issue of global climate change, D&G is committed to low-carbon practices in its operations and thus has incorporated multiple reduction measures across its business. This year, D&G focused on two main themes for its reduction measures, including rethinking its transportation, and effective energy management.



### Rethinking Transport

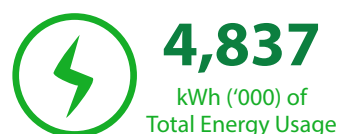
When considering various methods of reducing carbon footprint, D&G turned its focus to transportation. By optimizing its transportation, it would reduce fuel usage and improve its overall carbon footprint. During the reporting year, the Company replaced its two 45-seats diesel buses with two electric buses. Electric vehicles are powered by batteries only and therefore emit zero roadside emissions. It is estimated that the annual avoided diesel usage is equivalent to 7.6 tCO<sub>2</sub>e<sup>2</sup> for two electric buses.<sup>2</sup> This amount is equivalent to planting 340 trees each year. Not only does this initiative reduce emissions, but also contributes towards reducing costs and improving work environment.



Two new electric buses are added into operation

### Energy Management

Effective management of energy is important to the continued growth and success of D&G, and stakeholders have identified Energy Usage as a key environmental issue. Reducing energy use contributes to a reduction in GHG emissions and a reduction in operating cost in the long run.



D&G's Langfang production base represents the majority of the Company's operations, and energy usage at the production base was approximately 4,837,000 kWh in 2015. There is an ongoing focus on energy reduction in the Company for commercial and environmental reasons. Since this is the first year in sustainability reporting, the energy consumption of Langfang production base will be used as a reference when considering setting energy reduction targets and implementing reduction initiatives in the future. In addition, total energy usage for Hong Kong headquarters was approximately 32,000 kWh in 2015. Please refer to the Performance Table for detailed energy breakdown.

## ► Water Efficiency

D&G understands and values the importance of water, and strives to improve the efficiency of usage within its operations. Currently, the Company is assessing different water efficiency measures to put in place in the near future. In general, D&G's production process does not use water or generate waste water. Waste water in D&G's operation is mainly domestic sewage, which is managed through an oil separator and discharged to a sewage treatment plant at Yongqing County. Monitoring results indicate that water quality among the discharged water conforms to the Integrated Wastewater Discharge Standards.

Remarks :  
(2) The carbon emission is in accordance with methodologies of local and international standards.

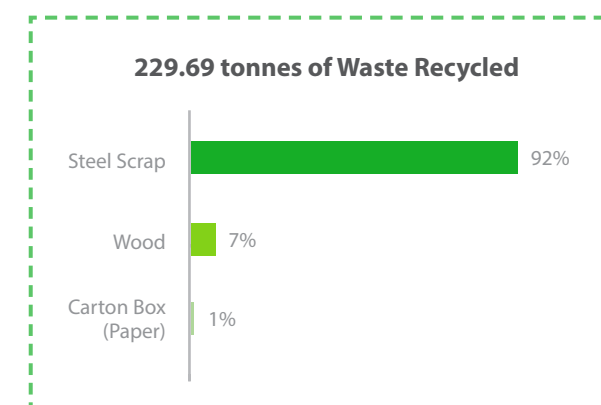
## ► Waste Management

Waste management concerns the efficient and effective use of materials and resources, especially during the production process. Reduction in waste creates economic and environmental benefits, such as cost reduction, lessen pressure in landfills, and pollution prevention. At D&G, waste is separated by its nature and handled with due care. For example, D&G's main hazardous waste include paint bucket, paint slag, filter cotton, used mineral oil and cartridge (ink box).

### Handling methodology for hazardous waste



This year, analysis for hazardous waste has been conducted and found that majority of waste paint buckets and paint slag still have a considerable amount of paint left in the bucket. It is suggested that all paint buckets must be cleaned up before delivery to hazardous waste warehouse. Since implementation, the weight of a waste paint bucket decreased by 15% on average. This change has maximized the efficient use of paint in each bucket, and helped save both product cost and processing cost.



To conserve resources and eliminate wastage, D&G's environmental policy also emphasizes on recycling and reusing. Production tools waste such as forklifts and benders are sold to second-hand buyers, while others such as steel scrap are recycled by local recyclers. For excess parts of an equipment, they would be reused in another model of the same equipment, whenever possible. In addition, D&G has a contractual relationship with neighboring farmer to collect food waste



from D&G's cafeteria daily. Approximately 6,000kg of food waste have been collected in 2015. This year, D&G also established a system to monitor all non-hazardous waste, so that it would begin to disclose general refuse and other production and domestic waste in the coming years.

# LOOKING FORWARD



D&G production base in Langfang, Hebei

D&G's first sustainability report aims to connect its stakeholders to its sustainable business model. The Company has continuously engaged with its stakeholders to capture the essence of sustainability concerns and expectations for D&G. The Company wishes that this report would allow its stakeholders to better understand the Company's approach, progress and achievements in various economic, environment, and social aspects throughout the reporting year.

**Technology:** D&G has continuously strengthened its product offerings through supply chain management, quality assurance, and research and development. Nonetheless, D&G will not lose sight of the spirit of its products – to be innovative, sustainable, and safe.

**People:** D&G appreciates and values human connections with the Company, especially with its employees and community. The Company consistently enforces its health and safety measures, as well as its sustainable employment practices. This year, the "Flying Fund" has been set up to

encourage employees to attend work-related advanced studies. In addition, D&G would continue to support its community in the Health and Safety and Education areas.

**Nature:** Through an Environmental Impact Assessment this year, D&G understands its environmental impact within its operations. It has addressed air emissions through multiple reduction measures, reduction of greenhouse gas through rethinking transportation and managing its energy use, and its resource usage through better management and monitoring system.

The Company strives to continuously make progress in the three areas of its sustainability framework. It would expand the sustainability reporting scope to progressively capture data from all of its operations and engage more stakeholders on sustainability issues. D&G's innovative and sustainable technology would continue to promote a strong message: **With every segment of road paved with asphalt from D&G's mixing plant, it leaves an imprint of sustainability.**

# PERFORMANCE

## ► Performance Table

Indicator	Unit	2015
<b>Gaseous Emissions<sup>3</sup></b>		
• Particulate matter	tonnes	2.931
• Sulfur dioxide (SO <sub>2</sub> )	tonnes	0.086
• Nitrogen oxides (NO <sub>x</sub> )	tonnes	0.749
• Benzene	tonnes	0.0025
• Methylbenzene	tonnes	0.0099
• Dimethylbenzene	tonnes	0.11
<b>Greenhouse Gas Emissions<sup>4</sup></b>		
Total	tCO <sub>2</sub> e	1,737
• Scope 1: direct emissions	tCO <sub>2</sub> e	158
• Scope 2: indirect emissions	tCO <sub>2</sub> e	1,579
GHG Emissions Intensity		
• By revenue	tCO <sub>2</sub> e / RMB'M revenue	4.45
• By product unit	tCO <sub>2</sub> e / unit sold	37.76
<b>Hazardous Waste</b>		
Total	tonnes	40.5
Hazardous Waste Intensity		
• By product unit	tonnes/ unit sold	0.88
<b>Non-hazardous Waste</b>		
• Steel scrap	tonnes	211.37
• Wood	tonnes	16.82
• Paper carton box	tonnes	1.5

Remarks:

(3) Air pollutant annual emissions calculated based on monitored concentration and emission rate, and converted using the dry gas flow rate and annual operating hours, respectively.

(4) The Company reports in accordance with the principles and methodologies of local and international carbon accounting standards. The emission factor references <2014年中國區域電網基準線排放因子> and uses 0.7995. The exercise is a fair and reasonable representation of business activities and operations in which the Company has direct operational control and full authority to introduce and implement its operating policies. However, greenhouse gas emissions data is related to the Company's operations in its Langfang production base and Hong Kong headquarters only and it would consider to report on its other operations in future. Scope 1 refers to direct GHG emissions such as fuel combustion. Scope 2 refers to indirect GHG emissions from consumption of purchased fuel.





Indicator	Unit	2015	
		Langfang	Hong Kong
<b>Energy Usage</b>			
Total	kWh ('000)	4,837	32
• Electricity	kWh ('000)	1,943	32
• Gas	kWh ('000)	2,894	-
Energy Intensity			
• By revenue	kWh ('000)/ RMB'M revenue	12.40	0.08
• By product unit	kWh ('000)/ unit sold	105.14	0.69
<b>Total water consumed</b>			
Total	m <sup>3</sup>	20,134	
Water Intensity			
• By number of employee	m <sup>3</sup> / no. of people	45.4	
<b>Total Workforce and Turnover Rate</b>			
Total	No. of people/ %	444	12.5
By gender			
• Male	No. of people/ %	365	5.3
• Female	No. of people/ %	79	11.6
By employment position			
• Senior management	No. of people/ %	8	3.9
• Managers	No. of people/ %	60	12.8
• Frontline and general staffs	No. of people/ %	376	5.9
By age group			
• 18 - 20	No. of people/ %	6	0
• 21 - 30	No. of people/ %	172	6.3
• 31 - 40	No. of people/ %	112	8.7
• 41 - 50	No. of people/ %	108	4.6
• 51 - 60	No. of people/ %	43	8.7
• 61 or above	No. of people/ %	3	28.6
By location			
• Hong Kong Headquarter	No. of people/ %	12	0
• Langfang	No. of people/ %	334	12.5
• Beijing	No. of people/ %	64	12.5
• Shanghai	No. of people/ %	15	6.7

Indicator	Unit	2015	
		Workforce	Turnover Rate
<b>Total Workforce and Turnover Rate</b>			
By location			
• Guangzhou	No. of people/ %	18	5.6
• Singapore	No. of people/ %	1	0
<b>Employees Trained</b>			
By gender			
• Male	%	100	100
• Female	%	67	50
By employment position			
• Senior management	%	67	-
• Managers	%	100	-
• Frontline and general staffs	%	89	99
<b>Average Training Hours</b>			
By gender			
• Male	Hours	22.1	11.6
• Female	Hours	11	11.7
By employment position			
• Senior management	Hours	13.67	-
• Managers	Hours	13	17.5
• Frontline and general staffs	Hours	-	10.3



**德 基 科 技**

**D&G TECHNOLOGY**

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