



德 基 科 技
D&G TECHNOLOGY

SUSTAINABILITY REPORT

2018

D&G TECHNOLOGY HOLDING COMPANY LIMITED

<INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY>
STOCK CODE 1301





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1. SUSTAINABILITY HIGHLIGHTS

In view of the volatile global economy, the Group has not slowed down its development. Instead, the Group has focused on reviewing and strategising its sustainability management to lie the foundation of coping upcoming economic challenges. This year is a remarkable year on our sustainable development, as the Group has conducted several initiatives, including became a member of Green Council and committed to proceed sustainable procurement; established Sustainability committee to oversee the Group's sustainability management, and obtained for green loan in support of green development. These have demonstrated the Group's dedication in contributing to green operations, which in turn sustain business growth in a long run.

Under the theme of "Echoing sustainability, promote Circular Economy", the Group's Sustainability Report will detail the implemented sustainability elements in supporting business development and values created to the community where our stakeholders belong to.

The sustainability highlights include the following:

Safe manufacturing



- OHSAS 18001: 2007 Occupational Health and Safety Management System Certification
- Zero Fatal Incident (4th consecutive year since record)
- 14.0 injury rate per 1000 employees
- For reference: https://www.labour.gov.hk/eng/osh/pdf/OSH_Statistics_2017_EN.pdf

Smart and Green manufacturing



- Geothermal heat pumps applied in new Research and Development Centre
- Light-emitting diode ("LED") lighting replacements applied across factory
- Use of industrial robots, smart meters, and computer numerical control

Environmental performance



- 10.11 tCO₂/RMB'M revenue
- 71% of waste recycled
- 24.41 kWh ('000)/RMB'M revenue

Patents and Copyrights



- 91 registered patents - 4 invention patents, 87 utility model patents
- 26 software copyrights

Recognition and awards



- Caring Certificate
- Green Corporate Awards
- Green Initiatives
- Green Corporate Membership
- Green Council Membership

Trainings provided to employees



- 59 Topics
- 42 hours on occupational health and safety
- 51 hours on management and operation
- 106.5 hours on Professional knowledge
- 25 hours on Environmental protection

2. CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the sustainability report of D&G Technology Holding Company Limited (the "Company") and its subsidiaries (hereafter collectively referred to as "D&G" or the "Group") for the year ended 31 December 2018. 2018 is full of challenges, including economic and financial uncertainties at international level, the slowdown in China's infrastructure investment growth, delay in public-private partnerships, and China's increasing stringent environmental requirements. In response to these challenges, D&G has always regarded the management of sustainable development as the basis for business success, and thus has not lost its attention on that.

This year is a remarkable year of our Group's sustainable development journey. D&G has successfully implemented numerous measures in the management of sustainable development. In addition to applying the ESG reporting guidelines of the Stock Exchange of Hong Kong, we have decided to cite the internationally recognized reporting standard – the Global Reporting Initiative ("GRI") standards to enhance the transparency and completeness of the Group's sustainability management. This has also enabled stakeholders to fully understand the Group's risk management and measures on related topics.

In preparation of the upcoming sustainability reports, and formulating and managing relevant strategies more effectively, our Group has established the Sustainability Committee in early 2019, and assist the Board in overseeing the development, implementation and effectiveness of the sustainable development approach.

Furthermore, our Group has also become a member of the Green Council sustainable procurement member. Under the framework of Sustainable Procurement Charter formulated in accordance with ISO 20400:2017 Sustainable Procurement Guidance, our Group will participate in relevant trainings and seminars, share its practices and experiences with the community, and strive to establish a stable supply chain in order to promote environmentally friendly procurement and facilitate D&G's business development.

In response to the local governments in building green cities with efforts, D&G has been granted a green loan from HSBC and has obtained the "Green Finance Certificate" issued by the Hong Kong Quality Assurance Agency in March 2019. Our Group is convinced that green finance will be a bridge and trend of marching towards sustainable development and business expansion, and will invest in sustainable development projects in the future to pave the path for steady growth of the business.

Under the theme of "echoing sustainability, promote Circular Economy", our Group wishes to explain how D&G has implemented sustainable development initiatives in business development that support its core values: Integrity, Innovation, Responsibility and Reciprocity, generating long-term growth while creating values for all stakeholders throughout this report.

Choi Hung Nang

Chairman

28 June, 2019

3. ABOUT THIS REPORT

Reporting period and scope

This is the Group's fourth annual and Sustainability Report (the "report") covering the Group's sustainability performance of the financial reporting period from 1 January 2018 to 31 December 2018 (the "reporting year").

The scope of the report has no significant change, covering D&G's offices in Hong Kong, Beijing, Shanghai, Guangzhou, Xian, Chengdu, Singapore, Pakistan and India and main manufacturing plant and adjacent employees' dormitory located in Langfang, Hebei.

Reporting framework

This report is prepared in accordance with Appendix 27 – Environmental, Social and Governance Reporting Guide ("ESG Guide") issued by The Stock Exchange of Hong Kong Limited ("HKEx"), and "core" option of GRI standards. The Group adheres to the principles of materiality, quantitative, balance and consistency 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 topics corresponding with the ESG Guide and GRI standards.

The Group appointed Allied Environmental Consultants Limited as a consultant to prepare and verify the report, assist the Group's senior management to define the content and topics, and approve the report. The Board of Directors (the "Board" or the "Directors") would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and contribution towards this report and the environmental and social performances throughout the year.

Stakeholder engagement

D&G is dedicated to align its business strategies with stakeholders' expectations and needs. To better understand suggestions, D&G endeavoured to communicate and involve its stakeholders through establishing various communication channels. In the reporting year, D&G has added network communication platforms such as Wechat public account and official website in order to improve its communication mechanism with stakeholders.

The following table integrates the activities of the Group with the major stakeholder groups during the year:

Stakeholder groups	Participants	Topics	Engagement methods	Engagement time
Employees	<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"> • June • August • December • Entire year
Customers	<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 and site visit 	<ul style="list-style-type: none"> • Several times for all
Suppliers	<ul style="list-style-type: none"> • Material suppliers • Subcontractors 	<ul style="list-style-type: none"> • Receive trainings and technical exchange • Assessment and capability survey 	<ul style="list-style-type: none"> • Study tour • Product technical standards exchange forum • Supplier capability survey • Supplier assessment 	<ul style="list-style-type: none"> • December • November • Several times • June-July

3. ABOUT THIS REPORT

Stakeholder groups	Participants	Topics	Engagement methods	Engagement time
Education and research partners	<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"> Participate the summit Technical exchange 	<ul style="list-style-type: none"> Participate the 9th China Asphalt Plant Summit Teaching and technical sharing and exchange forum 	<ul style="list-style-type: none"> December December
Government and other public bodies	<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"> Several times 3 times
Community	<ul style="list-style-type: none"> Langfang Social Welfare Institute 	<ul style="list-style-type: none"> Consolation 	<ul style="list-style-type: none"> Organize condolence activities 	<ul style="list-style-type: none"> May
Business partners	<ul style="list-style-type: none"> Distributors Exclusive Dealers Joint Venture partners 	<ul style="list-style-type: none"> Introduce product performance Product knowledge training and discussion 	<ul style="list-style-type: none"> Seminars Trainings Meeting and discussion 	<ul style="list-style-type: none"> Several times for all
Social media	<ul style="list-style-type: none"> Industry magazine Industry network platform 	<ul style="list-style-type: none"> Information promotion 	<ul style="list-style-type: none"> Collaboration and cooperation Advertising and promotion 	<ul style="list-style-type: none"> Several times for all

Materiality assessment

The Group has begun to develop the sustainability report with the GRI standards “core” option framework. In addition to the desire of increasing the transparency of the Group’s management of sustainable developments, it is hoped that the topics that are closely related to the Group will be more comprehensively defined, and further manage the associated risks. Under the consulting firm’s assistance as an external stakeholder, D&G’s senior management including directors, Chief Financial Officer and Sustainability Committee have identified and confirmed the following topics through communication and investigation via meetings, interviews and site visits, and will detail the corresponding management approaches in the report:



ECONOMIC	ENVIRONMENT	SOCIAL	
<ul style="list-style-type: none"> Economic performance Indirect economic performance Procurement practices Anti-corruption Anti-competitive behaviour 	<ul style="list-style-type: none"> Material Energy Water resources Emissions Effluents and waste Environmental compliance Supplier environmental assessment 	<ul style="list-style-type: none"> Supplier social assessment Customer health and safety Marketing and labelling Customer privacy Quality assurance Socioeconomic compliance Employment 	<ul style="list-style-type: none"> Occupational health and safety Training and education Diversity and equal opportunity Non-discrimination Forced or compulsory labour Child labour Local communities

The Group plans to invite more stakeholder groups to participate in the materiality assessment activity in the future, in order to enhance the comprehensiveness of the assessment.

Contact detail

We welcome any feedback and suggestions for not only the sustainability report but also the Group’s sustainability strategies. Feel free to contact us at:

E-mail: info@dgtechnology.com

4. CIRCULAR ECONOMY AND SUSTAINABLE VALUE CHAIN

About the Group

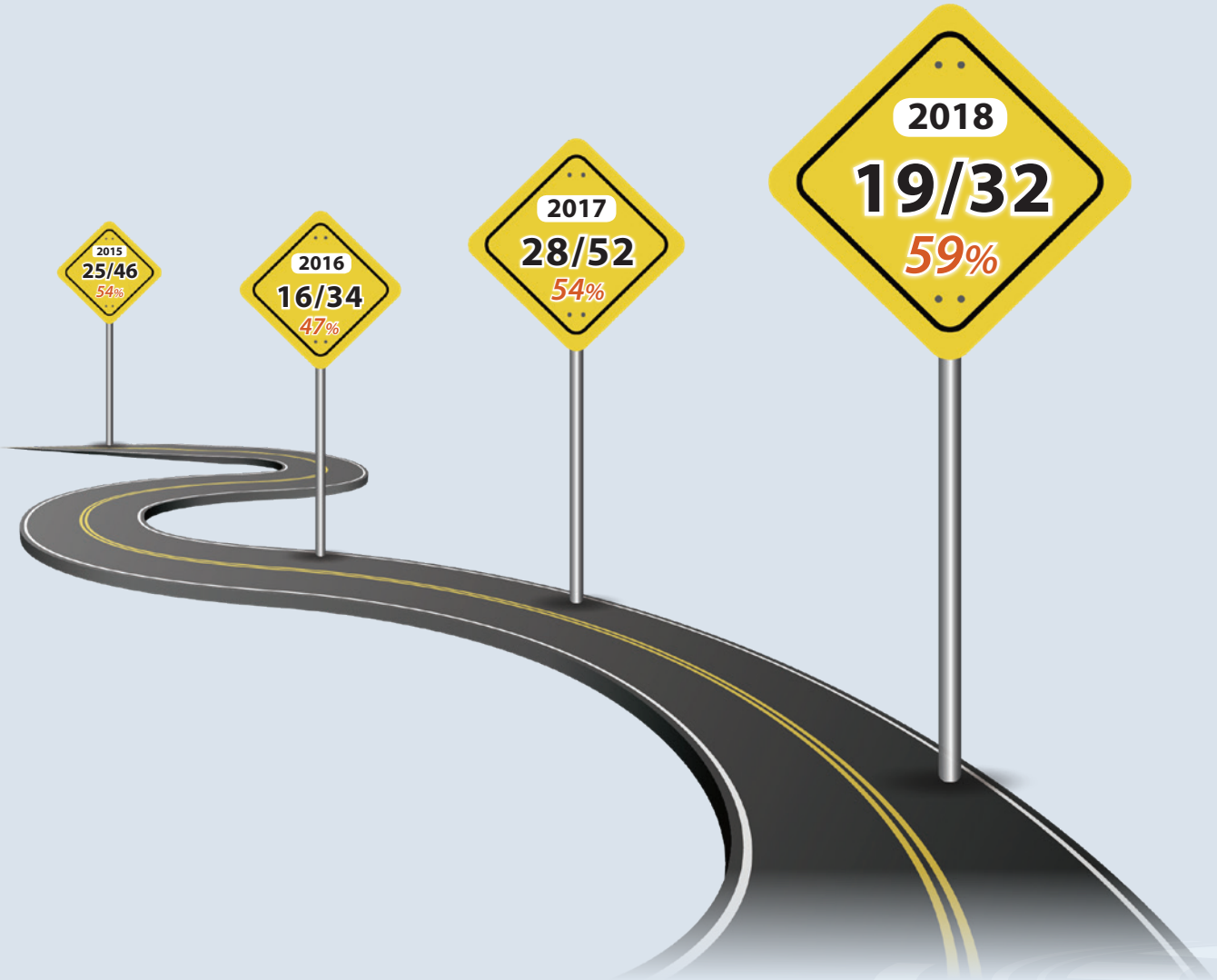
Established in 1999, D&G Technology (the “Company” or “D&G” or the “Group” referring to the Company and its subsidiaries unless otherwise stated) has become a leading medium-to-large scale asphalt mixing plant manufacturer and service provider in China, with its headquarters located in Hong Kong. The Group has been focusing on innovation and environmental protection to enhance and manufacture conventional hot-mix asphalt mixing plants (“conventional plants”) and hot-mix asphalt mixing recycling plants (“recycling plants”) that are efficient, reliable, safe and environmental-friendly to be used in all grades of roads and highways construction and maintenance projects. Besides, the Group offers asphalt mixing plant related services which include sales of spare parts and components, provision of equipment modification services and operating leases of asphalt mixing plant in various countries, including China, Singapore, Pakistan and India.

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

Categories	Description	Highlights
TRADITIONAL		
 <p>STANDARD SERIES</p>	 <p>Traditional asphalt mixing plant</p>	<ul style="list-style-type: none"> • 100-400 t/h • Conventional • Easy to operate • Reliable • Easy for maintenance
 <p>COMPACT SERIES</p>	 <p>Customers are able to save on transportation costs for the Compact Series, and these asphalt mixing plants have been designed with individual elements that have been precisely selected and professionally configured for shipping container housings.</p>	<ul style="list-style-type: none"> • 100-240 t/h • Reduced shipping costs • Made for long distance transportation • No production capacity compromised
 <p>MOBILE SERIES</p>	 <p>On-to-move customers are able to utilize the Mobile Series asphalt mixing plant for quick and efficient works, reclaimed asphalt pavement</p>	<ul style="list-style-type: none"> • 100-120 t/h • Fast Transit • Easy installation • Suitable for maintenance work
RECYCLING		
 <p>RECYCLING SERIES</p>	 <p>As one of the first manufacturers in China to develop asphalt recycling plant and export the products to advanced countries such as Australia, D&G takes pride in its Recycling Series in promoting an eco-friendlier approach to asphalt production.</p>	<ul style="list-style-type: none"> • 15-140 t/h • 10-50% reclaimed asphalt pavement (“RAP”) • Reduce costs • Environmentally friendly • Efficient Production <p>Environmental benefits:</p> <ul style="list-style-type: none"> • 10-35% fuel reduction • Reduced emissions (compared with conventional plants) <ul style="list-style-type: none"> ◆ CO₂ – 60% ◆ SO₂ – 70% ◆ VOC – 50% ◆ CO – 10-30% ◆ NO_x – 60-70% ◆ Particulates – 20-25%

4. CIRCULAR ECONOMY AND SUSTAINABLE VALUE CHAIN

Incorporating the concept of circular economy and the visions of national environmental protection development, the Group has been striving to upgrade and develop environmentally friendly recycling series in recent years, aiming to promote green production and enhance resource efficiency. The series can reuse construction waste such as used and broken asphalt as recycled asphalt pavement materials. In comparison to the traditional mixing plants, it also has higher energy efficiency and largely reduce air pollutant emissions to achieve efficient and environmentally friendly production. This year, the sales rate of the series has accounted 59% of the total. Along with the tightened government's environmental requirements for operations, the Group expects that demand for such products will continue to grow. Hence, the continuous development of this series will not only support the development direction of the government, but also bring competitive advantages to the Group.



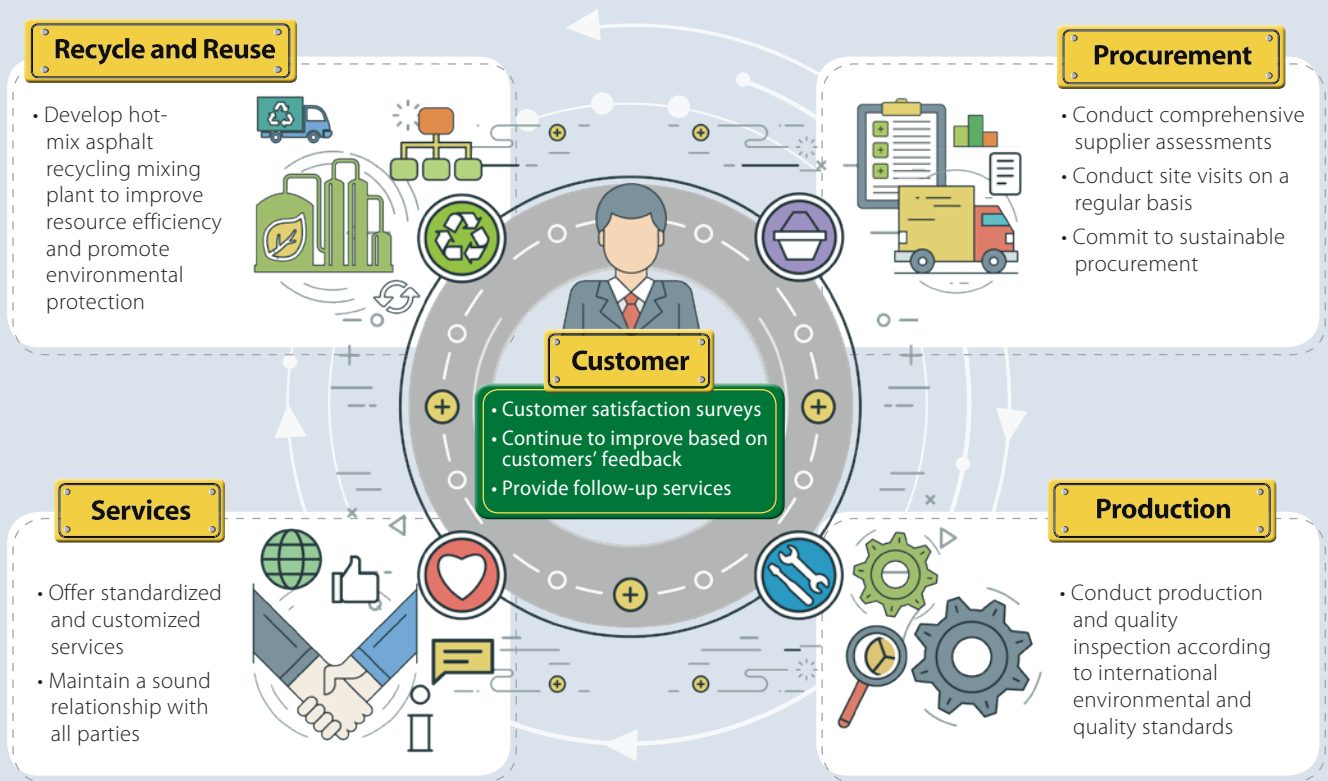
4. CIRCULAR ECONOMY AND SUSTAINABLE VALUE CHAIN

In order to diversify the services provided by the business, D&G has introduced equipment modification services, including the upgrade of traditional plants by installing key parts with recycling functions, remote control systems and other customized services. These diversified technologies have provided customers with more convenient and caring services, while making D&G more competitive in the market.

On the other hand, the Group places great emphasis on strengthening research and development (“R&D”). Its cutting-edge technology allows us to stay competitive and being a leading market player throughout the years. In order to continuously improve its R&D capabilities, the Group has established an R&D centre in December 2017 to stimulate and encourage exchange of ideas, in which it presents D&G’s leading the team with its core value of innovation.

These efforts have enabled the Group to improve its environmental performance while promoting new technologies and innovation, and promoted the circular economy development and facilitated changes.

Circular economy conceptual diagram



4. CIRCULAR ECONOMY AND SUSTAINABLE VALUE CHAIN

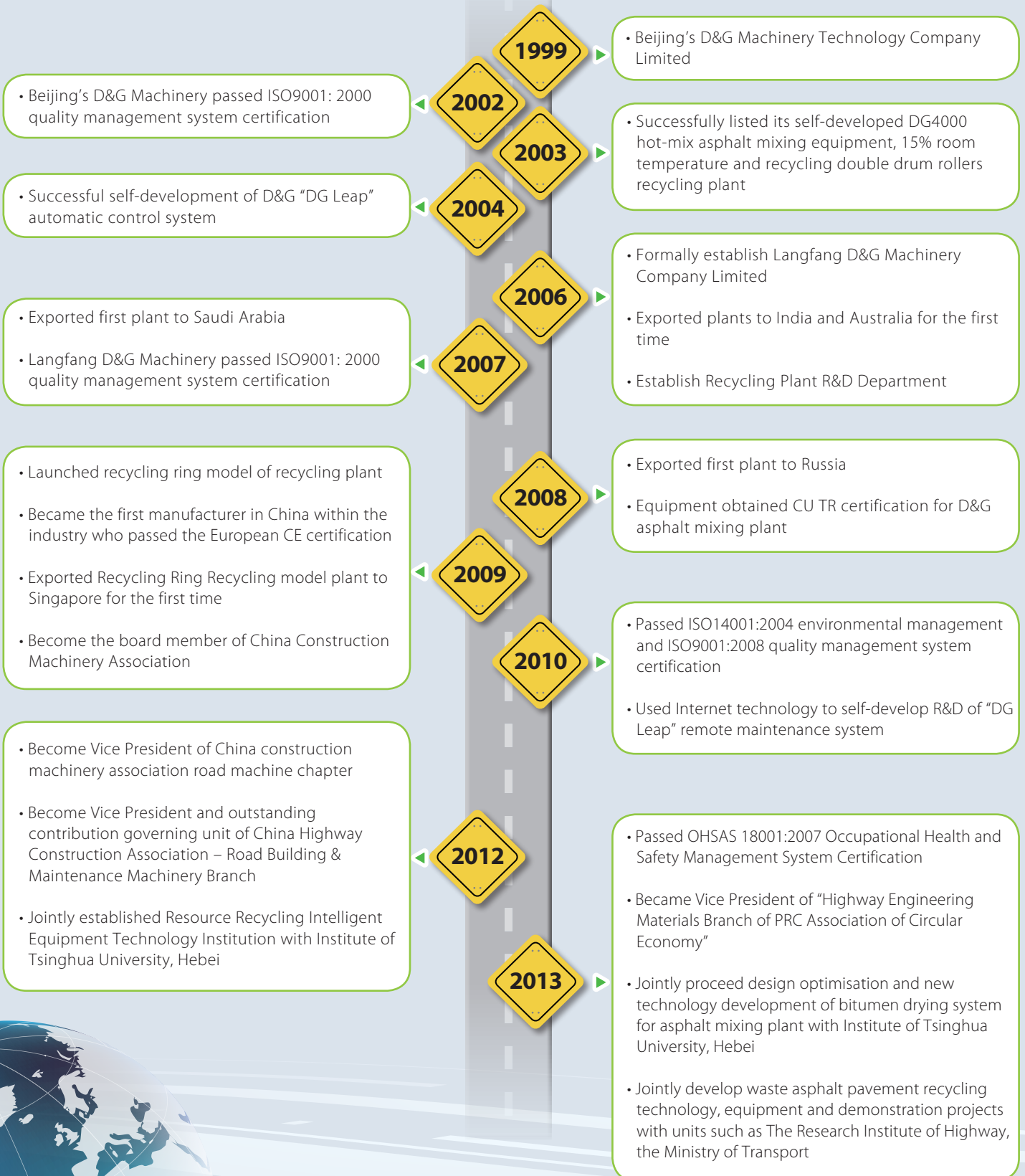
D&G's has an extensive market coverage. Since its inception, it has expanded its customer and service footprint to numerous countries around the world as illustrated in the diagram below. Along with the expansion and success of the business, the number of employees has reached 453 in ten operating premises in different countries. D&G's outstanding achievements have enabled it to be successfully listed on the Stock Exchange of Hong Kong in 2015.



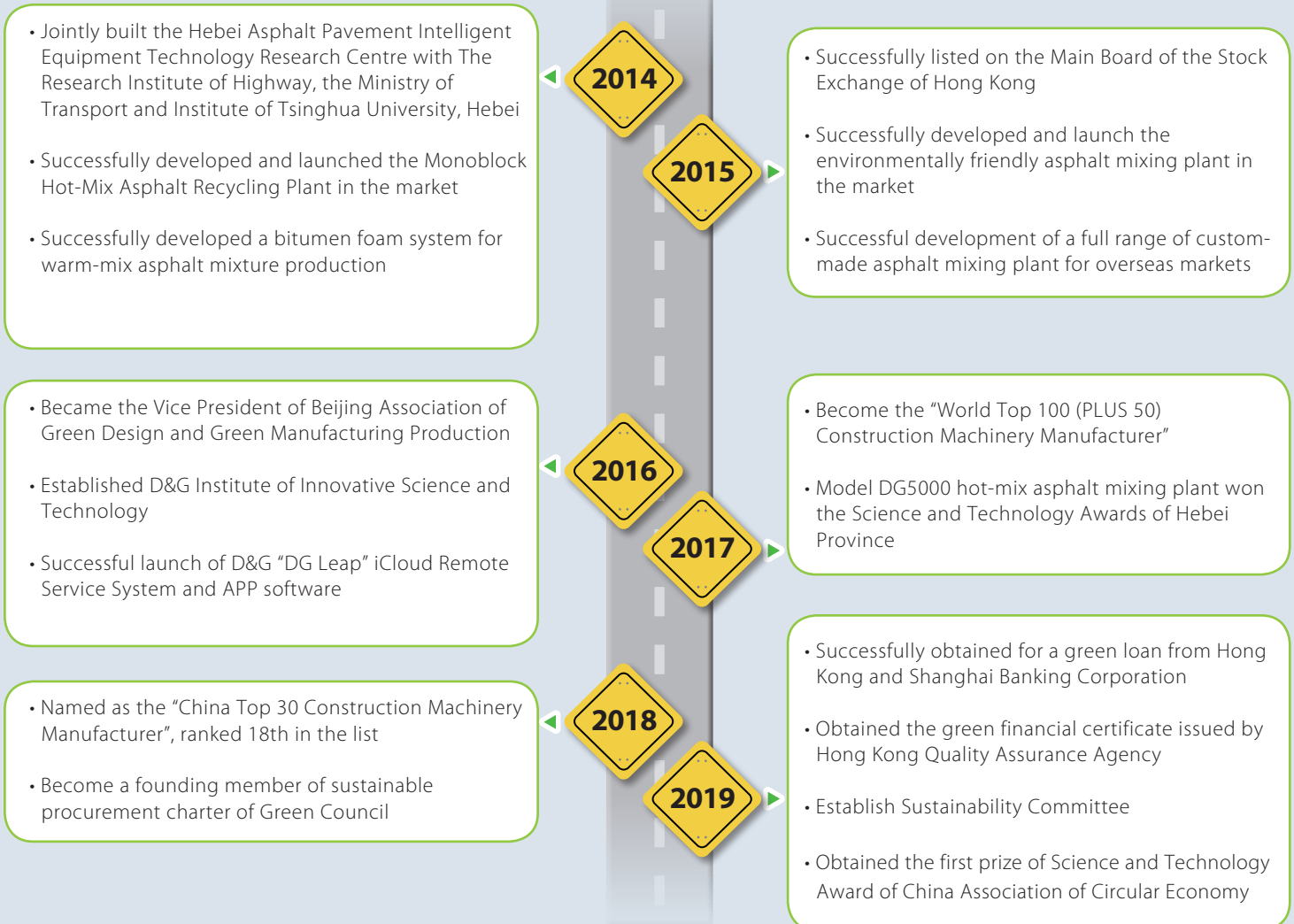
Regarding the Group's economic performance, please refer to the Group's annual report.

4. CIRCULAR ECONOMY AND SUSTAINABLE VALUE CHAIN

D&G's business sustainability milestones



D&G's business sustainability milestones



In anticipation of the bright future of China's infrastructure industry, D&G will seize the opportunity to improve environmental and social performance, focus on sustainable development and ushered in economic growth in preparation for further success.

Governance

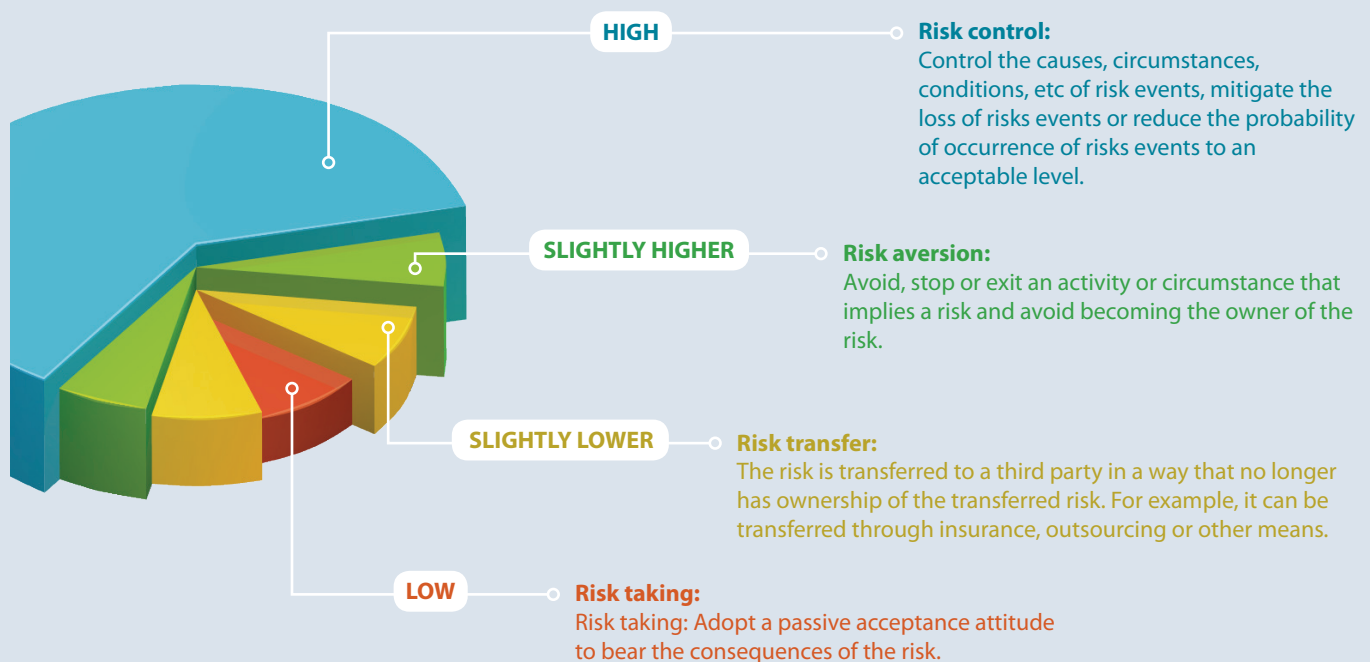
To ensure a stable business operation, the Group has established a structured and comprehensive governance structure to allocate supervision and management related operation. The Group's governance structure includes the Board, which is responsible for reviewing the effectiveness of internal control systems and risk management methods to determine strategic business objectives. The senior management of the Group consists of the Board and the chief financial officer, accounting for 1.32% of the total number of employees of the Group. The senior management has identified the operation's departments, including sales and marketing, production, finance, engineering, customer service and so on. In January 2019, the Group has officially added the sustainability committee in the governance structure to centrally manage environmental and social issues. Members of the committee include personnel and departments including Executive Director and General Manager, Marketing Centre, Deputy General Manager of Production Centre, Deputy General Manager of Control Centre, Chief Engineer, Chief Engineer and Technical Research Office to increase the efficiency of decision-making on relevant topics management. If it encounters problems associated with economy, it may voice out to relevant departments. In addition, in order to assist the Sustainability Committee in promoting and implementing specific related works, the Sustainability Committee will set up an sustainability working groups to help and implement the relevant initiatives.

4. CIRCULAR ECONOMY AND SUSTAINABLE VALUE CHAIN

Risk management

The Group believes prevention is better than cure. D&G define risk as any uncertainty that threatens or affects business development and goals. The Group considers operational, environmental and social factors in its business decisions to prevent and mitigate related risks, in order to minimise the Group's business operational risks and ensure its sustainability. Specifically, the Group uses internal developed risk management policies and measures to prevent and control identified significant risks such as resource supply sustainability, overseas market management, financial credit reliability, environmental compliance. Regarding the risks of different natures, the Group uses its internal risks management method to evaluate according to its risk management system, and determines the risk level (divided into high, medium and low) according to the analysed results, and classifies the project into the risks database which represented as a risk and opportunity factor when making business decisions.

The high-risk projects as identified through the risk assessment are executed and supervised by the Quality Management Department according to the initial risk assessment results and with the assistance of the project-related departments. Overall, the Group takes the following different measures to reduce of probability of potential risks:



The relevant risk management details of each aspects are described in the relevant sections below.

In terms of environmental compliance, taking the increasingly stringent environmental requirement of the government into account, the Group has set up an Environmental and Safety Department ("EHS") comprises qualified engineers in the factory to supervise the environmental and safety performance of the plant, and continue to receive relevant trainings arranged by the government to ensure the operation complies with the latest relevant local laws and regulations.

On the other hand, as a company which sees integrity and responsible as its core, the Group believes that ethical business practices are fundamental to success. In view of this, the Group operates with innovation and without violation of compliance. During the year, the Group has complied with and has not violated any laws and regulations in the environmental, social and economic areas that are subjected to high fines and non-monetary sanctions.

Ethics and integrity

The Group regards integrity as one of its major core values. D&G believes integrity possess a high business ethics standard in addition to keeping commitment. In order to fulfil its expectation, D&G has established corresponding guidelines and a reward and punishment system to encourage employees to be self-disciplined. Employees have to attend regular trainings to understand the importance of business ethics to the Group.

In order to maintain the business operation of integrity, the Group has set up whistle-blowing channels such as mailbox, mailing address, telephone (fax) or email, and assigned legal & compliance department to monitor the related issues. The Group encourages the employees to report the suspicious misbehaviour in person or anonymously. In case of reported misconduct, legal and compliance department would conduct investigation and contact the complainant and the parties involved. The identity of the complainant would be kept in confidential in tandem. Regardless of the authenticity, the department would inform the complainant about the results. The department would evaluate the seriousness of the case to decide to have internal punishment or contact relevant authorities for handling. For sake of fairness, if the relevant parties are not pleased with the results, they could request for re-investigation and additional information. Legal & compliance department could ask for confirmation from the senior management. If the case was confirmed, complainant could be rewarded according to the conclusion from the senior management. Due to the Group's effective business ethical practices, there was no relevant corruption cases occurred during the reporting year.

In the terms of supplier, D&G evaluates the suppliers' performance openly and fairly by the internal assessment guideline and management approach. Before cooperation with the suppliers, the suppliers have to sign the integrity agreement to ensure the ethical management during the cooperation.

Besides, the Group believes competition could stimulate development and improvement of the industry. D&G has every confidence in its own brand and products and establishes policy to forbid anti-competition behaviour to maintain fair competition. Legal and Compliance department is responsible for monitoring the market condition and ensures that the operation of the Group is complying with the relevant regulations. During the reporting year, the Group has complied with regulations related to antitrust, anti-competition and competition misbehaviour.

Prudent procurement

D&G believes production of quality products starts from procurement of quality materials and the performances of suppliers affect the production progress of the products. In order to make sure the suppliers meet the Group's standard, D&G has developed a comprehensive procurement mechanism to assure the quality of procurement operation.

Procurement Department	Legal and Compliance Department	Quality Control Department
		
<ul style="list-style-type: none"> Monitoring the whole procurement process including procurement scope, assessment of suppliers, acquisition of procurement information, contract signing, on-site checking, warehousing, payment, etc. 	<ul style="list-style-type: none"> Monitoring procurement and reviewing the procurement price Monitoring compliance and legality of the procurement contracts, tender documents and procurement process 	<ul style="list-style-type: none"> Conducting quality check on procurement materials Engaging in assessment of suppliers

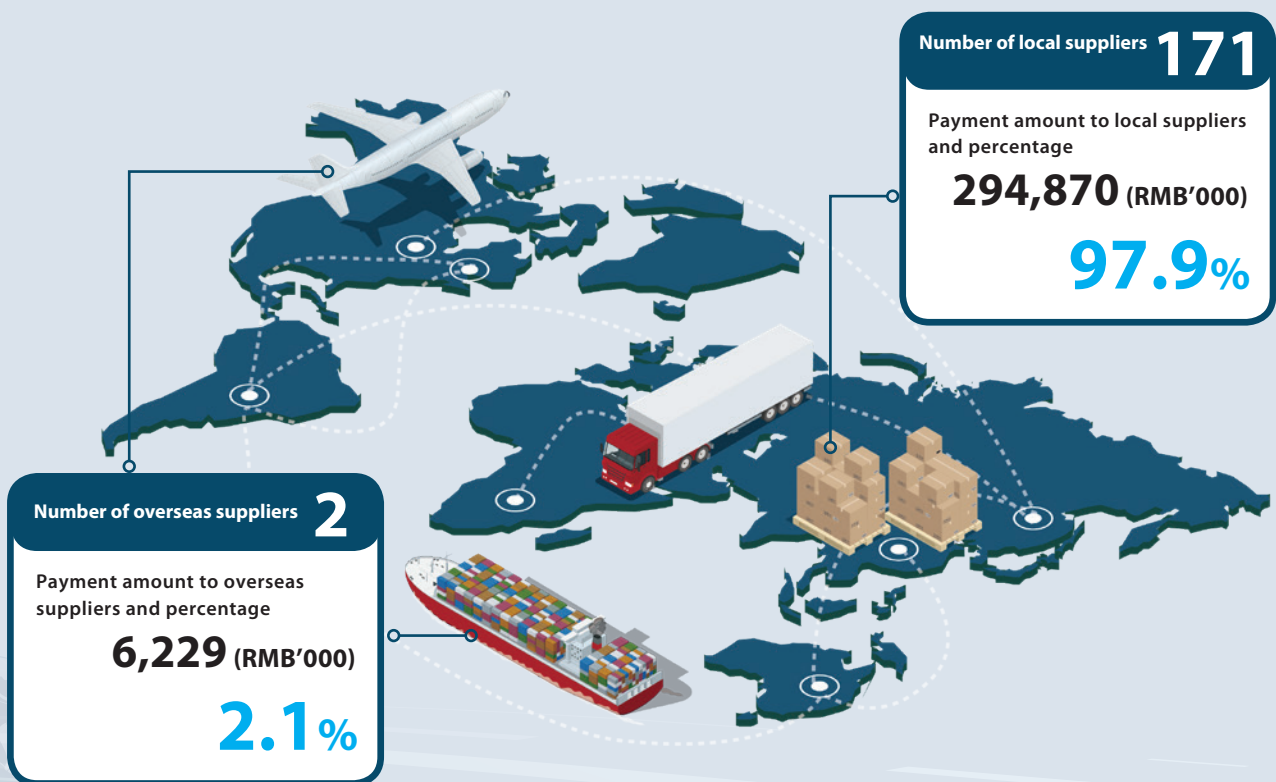
4. CIRCULAR ECONOMY AND SUSTAINABLE VALUE CHAIN

In need of procurement, procurement department chooses the materials by comparing the quality, price, delivery date, packaging, after-sale service and technological support according to the procurement standard and production requirement. In tandem, procurement department selects several similar suppliers for comparison. The departments requesting for materials have to conduct assessment on the qualified suppliers. Apart from the preliminary requirement, the environmental and occupational health and safety (EHS) performance and financial status of the suppliers are incorporated in the consideration. Also, they have to submit the relevant documents. In the terms of EHS, the suppliers have to prove there is no serious environmental pollution or fatality case and also control the source of pollution and hazard effectively. The departments could conduct on-site inspection if necessary.

Qualified suppliers are included in the suppliers list. The Group regards the suppliers with higher score as the major suppliers and offer larger orders to them. Others are classified as minor and back-up suppliers. In order to sustain the good performance of the major suppliers and give opportunities to the minor and back-up suppliers to improve, D&G conducts yearly assessment on all suppliers and reviews the supplier list and provides feedback according to the results. If the supplier fails the yearly assessment, it has to reply and provide improvement plan within two working days after the release of the results. Otherwise, it will be treated as acquiesced. The supplier has to be re-assessed. The unqualified suppliers would be classified as temporary supplier but have to undergo yearly assessment to ensure fairness of the system.

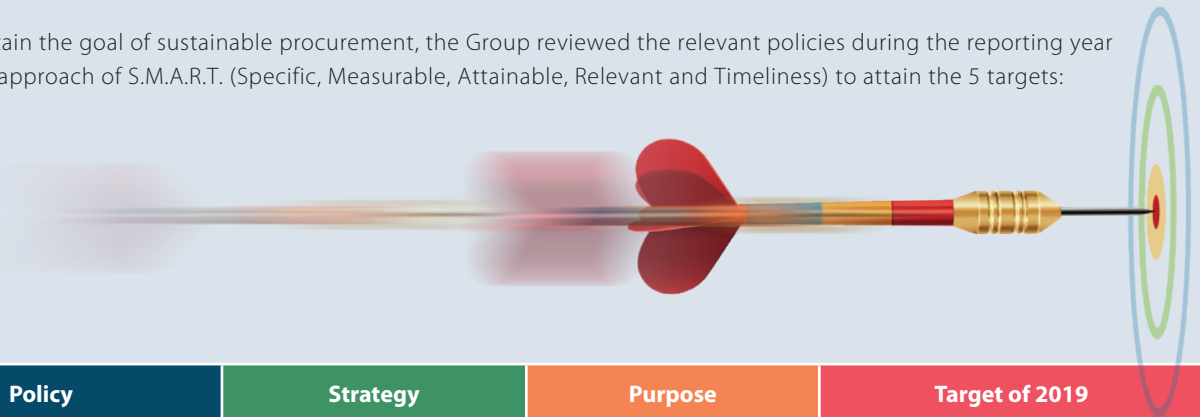
Quality control department will examine, measure, observe, verify the purchased materials and request the proof document to assure the quality. If there is serious problem on the quality of the suppliers' products, procurement department shall issue a "non conformity report" from quality control department for return. If "non conformity report" is issued twice and the quality is not improved, procurement department will conduct an emergency assessment and the record will be archived. Direct disqualified suppliers will not be considered for at least 2 years.

In terms of procurement, Langfang factory placed an important position in the operation. Considering the environmental emission during the material transportation, the Group prefers to select domestic and local suppliers. This measure not only reduces environmental footprint but also supports local economy. During the reporting year, out of the 173 suppliers, over 99% of them are local suppliers.



4. CIRCULAR ECONOMY AND SUSTAINABLE VALUE CHAIN

In order to attain the goal of sustainable procurement, the Group reviewed the relevant policies during the reporting year and adopted approach of S.M.A.R.T. (Specific, Measurable, Attainable, Relevant and Timeliness) to attain the 5 targets:



Policy	Strategy	Purpose	Target of 2019
<ul style="list-style-type: none"> Strive to implement sustainable measures considering ESG factors 	<ul style="list-style-type: none"> Incorporate sustainability into the system 	<ul style="list-style-type: none"> Add sustainable procurement process into existing procurement policy 	<ul style="list-style-type: none"> Add sustainable procurement process into existing procurement policy Release and upload sustainable procurement policy and process
<ul style="list-style-type: none"> Strive to reduce the consumption of natural resources 	<ul style="list-style-type: none"> Purchase and using more energy efficient products and services that support sustainable development 	<ul style="list-style-type: none"> Create "paperless office" to reduce usage of paper; increase number of electric cars to reduce consumption of fossil fuel 	<ul style="list-style-type: none"> Improve office system usage and reduce 20% of paper consumption Adopt electric car as forklift
<ul style="list-style-type: none"> Strive to prevent and minimize the social impacts on the supply chain 	<ul style="list-style-type: none"> Select suppliers with well social performance 	<ul style="list-style-type: none"> Consider EHS weighting in supplier management assessment and consider its social contribution 	<ul style="list-style-type: none"> In the 4th quarter of the year, social performance will be included in the assessment to the potential suppliers Before end of the year, existing suppliers must attain a passing grade in EHS assessment
<ul style="list-style-type: none"> Raise the awareness of sustainability of suppliers, encourage them to innovate and widely apply new technologies and designs 	<ul style="list-style-type: none"> Encourage the suppliers to innovate and widely apply new technologies and designs 	<ul style="list-style-type: none"> Strengthen the supplier's awareness of sustainability 	<ul style="list-style-type: none"> A number of suppliers have patents for innovation and application of new designs
<ul style="list-style-type: none"> Strive to minimize the sustainability risks and impacts of our products and services 	<ul style="list-style-type: none"> Apply risk management tool in procurement process 	<ul style="list-style-type: none"> Improve "Risk identification/evaluation and response measure", minimize the risk and impacts of sustainability 	<ul style="list-style-type: none"> "Risk identification, evaluation and mitigation measures" implementation

Through incorporating sustainability elements into procurement process, D&G foresees the enhancement of the stability and quality of the suppliers, assurance and increase of productivity, and also minimization of the relevant risks.

4. CIRCULAR ECONOMY AND SUSTAINABLE VALUE CHAIN

Quality assurance

With responsibility as its core value, D&G attaches great importance to the quality and performance of its products to ensure that the need of the market and customers are satisfied, and bring stable income and well reputation to the Group. In this regard, D&G integrates the elements of innovation and circular economy, and strive to develop new and existing technologies and products, apply sophisticated quality control process to bolster the resources efficiency and reduce the waste generation. With the effort above, the Group has attained several international standard certifications and maintain business sustainability with stable quality and efficient production.



Professionalism is not consisting of knowledge and technology only, but also respect to intellectual property. The Group supports originality and never uses pirated software. Employees cannot download unauthorized software on company computers. As of the reporting year, the number of registered patents and software copyrights has been increased to 91 and 26 respectively.

D&G believes only continuous research and development can cope with gradually tightening policy and satisfy with versatile market need to maintain the competitiveness of the Group. New Research and Development Building uses advanced technology and professional knowledge to innovate technologies and products since its completion in December 2017. Besides, the new building represents the cornerstone of the Group. Its responsibilities include establishing technical standard and list of materials procurement, monitoring quality and providing required outsourcing technical information including but not limited to drawings and materials. In order to provide an unforgettable experience to the visitors, there is VR simulator in the exhibition hall. Visitors can experience the production process of asphalt in a different way. Apart from the selection of suppliers and raw materials, a faultless quality control is pivotal to the production of stable and quality products.

Apart from the selection of suppliers and raw materials, a faultless quality control is pivotal to the production of stable and quality products. In order to ensure the products' quality meet the standard, the Group has established quality assurance procedures and measun based on international standard ISO: 9001: 2015.



Quality Control Policy

Provides the framework for all quality control measures



Quality Inspection

Ensures all final products have been inspected prior to distribution



Quality Meeting

Facilitates the disclosure and review on the quality measures to ensure their effectiveness



Quality Information Management System

Manages all information related to quality to ensure all parties involved have access to the latest information



Customer Service

Follows up customer complaints to ensure all disputes have been resolved

4. CIRCULAR ECONOMY AND SUSTAINABLE VALUE CHAIN

Employees must follow the procedure and instruction given by the technical and process management department to standardize the production. Mass production is only possible after the confirmation of the workshop's supervisors or checkers. During the production process, supervisors must monitor the whole process to make sure it is under control and consult technical and process management when it is necessary. If quality control department discover any problem in the vetting stage, they must contact production department to take corrective measures. Besides, employees must take regular training to strengthen their technique and efficiency. Equipment must undergo regular maintenance and repair to ensure there is no obstacle hindering the efficiency.

The Group identifies and controls the defective products to prevent them from unintended use or delivery, and ensure the products meet the specified standard. Unqualified semi-products and products are separated and placed in "Defective products area". Quality control department and process management department handle or repair them accordingly. The repaired products have to be re-assessed and confirmed by quality control department. The scrapped products will be placed in the waste area by the production department and then recycle as many as possible.

The Group considers every customer's complaint as an opportunity to re-examine the quality control framework and measures to prevent the recurrence of such issues and deliver sustained improvement. In this regard, the Group has adopted the following procedures to resolve customer's complaint:



If the complaint is about the quality problem on the delivered or products in use, engineering service department will collect the defects and give feedback to quality control department. Quality control department will conduct analysis on the relevant problems and hold quality meeting twice a week to summarize and formulate corrective or preventive measures. Engineering service department will communicate with the customers to seek for solutions, follow-up and record progress to provide a satisfactory solution to the customers. If the enquiry is related to environmental and occupational safety requirements, EHS department will conduct verification and prepare corresponding corrective measures. QC department will monitor the progress of various corrective actions. In order to effectively prevent and continuously improve the issues of product quality, environmental protection and occupational safety, the Group has established an assessment mechanism to conduct an annual management review of the QC and EHS departments, requiring each department to analyse and summarise each incident's cause, corrective plan and preventive measures, and submit a summary report.

4. CIRCULAR ECONOMY AND SUSTAINABLE VALUE CHAIN

Complaint cases are generally divided into four categories:

Type	Description	No. of case received in 2018
General complaints	Customer complaints that can be easily resolved through communication	895
Crisis complaints	Customer complaints that have a major impact on the company's image and brand	13
Major complaints	Customer complaints that have a potential impact on company's image and brand	3
Invalid complaints	Customer complaints that are caused by misunderstandings	37

During the reporting year, the Group's received complaints about products and services were mainly caused by customers' unfamiliarity with the environmentally friendly recycling series plants launched in 2015. Based on experience, it takes several years on average for customers to proficiently operate the plant. The Group understands that it takes time and patience to communicate and promote environmentally friendly plants, and it is also expected to face relevant challenges in the next few years. Therefore, the Group has provided corresponding trainings for employees to be well-prepared for the adaptation period of customers. All complaints received during the year have been handled and filed through the formulated policies and guidelines in order to effectively cope with similar incidents in the future.

Protecting customer's health and safety is essential to product responsibility. D&G follows CE and EAC certification standard to check the quality of all products and assess the impact of health and safety of the products. During the reporting year, there was no sold and delivered products recalled due to health and safety reasons.

Prior to the manufacturing of plants, the Group has strictly followed the national and regional standards of where the plants operate, considering the environmental or social impact of the product contents, and design in accordance with the safety requirements. This ensures the plants operate in compliance in the country or region where it is located.

In order to ensure the customer can use the products safely and understand the products are qualified. The Group provides relevant information including technical information, drawings and safety operation manual to ensure product safety and usage are aligned with description in the sale. During the reporting year, the Group did not violate any regulations related to product and service information and labelling and marketing.

Apart from quality of product and service, D&G believes protecting customer's privacy is a pivot of building close relationship with customers. In this regard, the Group signs contract with customers with a confidential agreement to prevent leakage of customers' information. According to employee handbook, employees have to follow the relevant rules to prevent the leakage of customers' information, and cannot steal the information for profit nor harm interest of the Group. Besides, the Group regularly repair the IT antivirus system to prevent information from being stolen. During the reporting year, the Group has not received any complaint related to customers' privacy infringement.

Industrial partnerships

The Group believes only combination of sustainability and circular economy can attain genuine green development. In order to support green development of the industry, D&G continues to be partner of the below research institutions through sponsorship and conveying its vision, and further promote research and development in this area.



In order to get the latest information of green development, the Group has joined membership of various professional associations and organizations, including:

- Vice president of Highway Engineering Materials Branch of China Association of Circular Economy
- Vice president of China Construction Machinery Association Road Machine Chapter
- Vice president of Beijing Ecological Design and Green Manufacturing Promotion Association
- Board member of China Environmental Protection Machinery Industry Association
- Permanent member of The Hong Kong Metals Manufactures Association Limited
- Member of Group 7 and Group 26 of Federation of Hong Kong Industries
- Member of Hong Kong General Chamber of Commerce
- COOL corporate member of Friends of the Earth (Hong Kong)
- Silver member of World-Wild Fund for Nature Hong Kong
- Founding member of Sustainable Procurement Charter

4. CIRCULAR ECONOMY AND SUSTAINABLE VALUE CHAIN

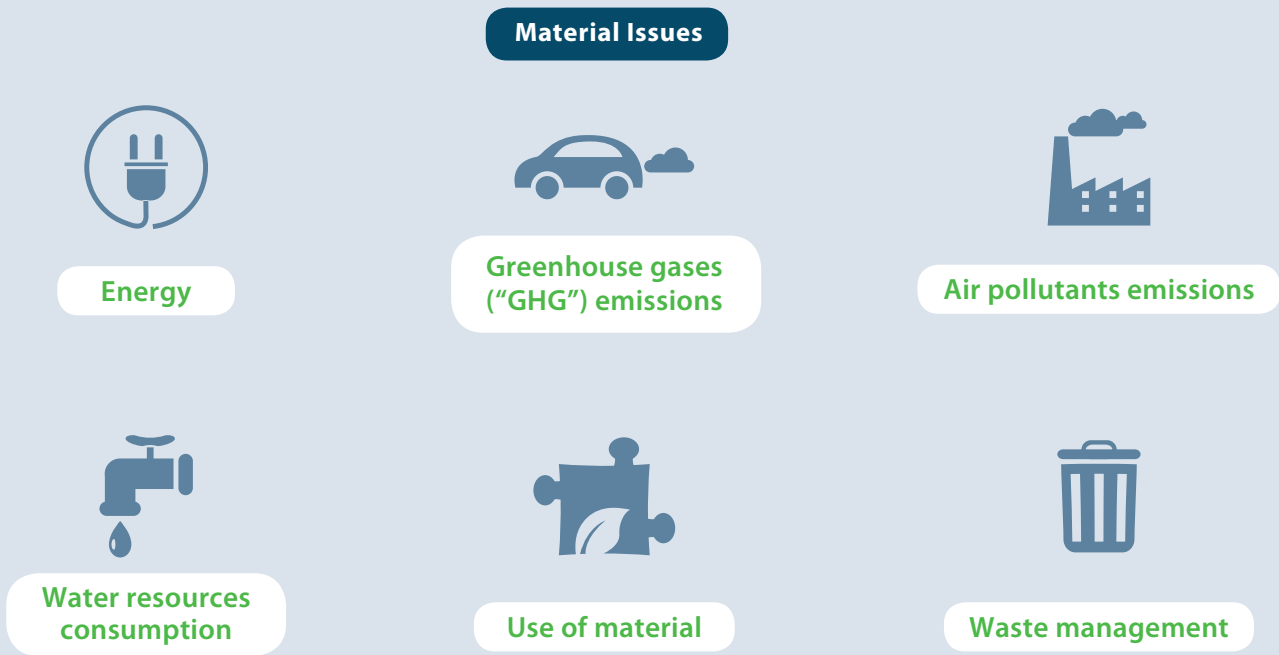
The effort of the Group on green development of the industry has been recognized by several organizations. During the reporting year, the Group has received various awards:



During the reporting year, the Group has received "Eco-Challenger" from Bank of China and Federation of Hong Kong Industries for the third year, and was awarded 3 years+ Eco Pioneer. Within the same period, the Group has awarded Hong Kong Green Awards 2018 – Corporate Green Governance Award (Environmental monitoring & reporting) from Green Council. These awards are the recognition of D&G's recent environmental measures. D&G will continue to promote green operation in response to sustainability through technology innovation.

5. ENVIRONMENTAL MANAGEMENT

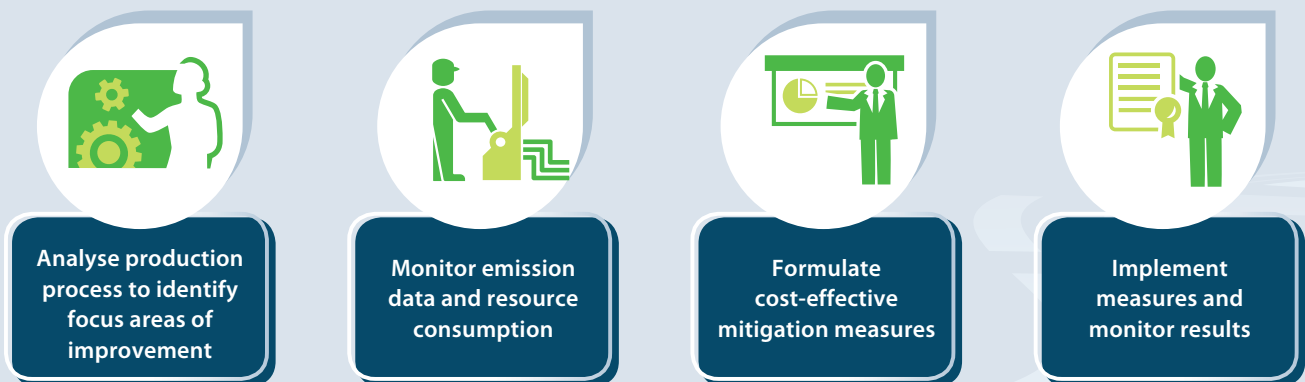
Thanks to the economic growth, and industrial and manufacturing technologies evolution, human society is in an era of rapid development while facing the environmental issues brought by the development. In view of this, the Group is committed to green operation, protecting natural resources, echoing the global trend of sustainable development, and establishing strategies to properly manage environmentally relevant issues related to its business.



Environmental policy

The Group adheres to its vision of "becoming a leader in the construction of green asphalt roads" and takes green production as the core of its operation. Under this strategy, the Group adopts ISO 14001 Environmental Management System ("EMS") as its framework for environmental management methods and policies, and establishes appropriate environmental policies based on the different operating modes of its factories and offices.

Employees in Langfang factory are required to abide by a set of environmental standards at work to reduce emissions and improve resource efficiency throughout the operations. These green management protocol includes but not limited to:



5. ENVIRONMENTAL MANAGEMENT

Green operation

In addition to promoting green production, the Group also focuses on advocating the culture of green office. To this end, the Group has planted vegetation with an area of approximately 7500m² in the Langfang factory, accounting for 6.5% of the land. Hong Kong headquarters office has also implemented green office policy to convey the green operation philosophy of D&G and enhance employees' environmental awareness. The policy states:



In order to better manage the environmental impacts of its operations and promote environmentally friendly corporate culture, the Group establishes a Sustainability committee to formulate D&G's sustainable development direction, guidelines and policies. The Sustainability Committee is responsible of overseeing the implementation of environmental policies and reporting to the Board and providing improvement recommendations on a regular basis.

Through actively considering the environmental impact of the Group's decisions and activities, and preventing and controlling environmental hazards during the operations, D&G has strictly complied with national laws, regulations and standards on air pollution, wastewater discharge and waste generation. During the reporting year, the Group did not cause any significant environmental pollution or ecological damage throughout the operation.

Material use

The Group recognises that resources are limited, and actively controls and reduces material use under the framework of circular economy, and promotes the use of recycled materials to minimise waste of materials during the production. In the manufacturing site, the Group adopts reusable and recyclable card box and wood including tray and box, and increase number of items carried by each package to reduce the use of packaging materials as much as possible. When manufacturing machineries, D&G uses 25.5 tonnes of gear oil on average every year and recycles any residual gear oils. Additionally, the Group is committed to achieving a goal of saving 11,000 material costs per unit through implementing more precise material request quota measures. Material management emphasises on the reasonable use of warehouse space, saves manpower and reduces costs to secure and protect materials safety and quality. The materials that need to be purchased will be divided into 4 categories according to demand, and the MS and Finance departments will manage the materials by classification:

Type of material	Definition	Management approach
A	Small variety and large amount of funds	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	Audit inventory regularly, comparative less frequent than type A materials
C	Large variety and small amount of funds	Audit inventory regularly, comparative less frequent than type B materials
D	Stagnant parts of materials	Conduct audit irregularly as compare to other types of material

The raw materials used in D&G's production are mainly steel; wood and cardbox, and are purchased near the location of its operation at most, where the remaining raw materials were recycling materials. The initiative enables the Group to reduce the number of newly purchased raw materials and simplified the transportation process, thus saving the costs of raw materials. In addition, procuring from local suppliers reduces the Group's carbon footprint during the transportation and promoted local economy.

Use of materials¹

		Unit	2018
Total weight of material consumption		tonnes	41,104
Total weight of materials manufactured within 800 km		tonnes	40,682
% materials manufactured within 800 km			99
Total weight of material used is from recycled sources		tonnes	422
% material used is from recycled sources			1

Note 1: Starting from this reporting year, the Group analysed the data on materials use.

During the year, 99% of the materials were purchased within 800 km of the manufacturing plant, and 1% of them were recycled materials. In order to promote recycling and reduce waste generation, the Group actively seeks to use recycled materials during its operations and support the best use of materials.

5. ENVIRONMENTAL MANAGEMENT

Energy consumption and GHG emissions

The Group's daily operation and employees' work and life in the factory requires the use of energy. Its major consumed energy is from the electricity used during the production supplied by government grid. Natural gas is used for factory boiler operation, heating and cooking in the staff canteen kitchen. The Group's electricity consumption is caused indirect GHG emissions (type 2) while natural gas consumption results in the direct GHG emissions (type 1). Knowing the environmental impacts of GHG emissions is generated by the energy consumption throughout its operations, D&G strives to save energy to reduce its operating costs and the carbon footprints generated by energy consumption, and minimise the impacts on natural resources from its business.

In order to manage the use of its energy, the Group has set up the "Energy Conservation and Consumption Reduction Management Guidelines" requiring all departments to consider energy's environmental impacts throughout the selection, and to use environmentally friendly products whenever possible. In accordance with its energy management principles of energy conservation and reduction, the Group has taken the following measures:

Lighting



Use high quality, energy-saving lighting equipment

Create separate lighting zones and department, and minimise switch control areas

Reduce the number of lamps or adding lighting energy saving facilities while maintaining a sufficient illumination

Manufacturing facilities



Use variable frequency control for industrial circular water supply facilities

Recycle heat as much as possible

Manufacturing operations






Use electromagnetic induction heating for pre-heat processes before welding

Use industrial robots, smart meters and computer numerical control to optimise operation efficiency and reduce energy consumption

5. ENVIRONMENTAL MANAGEMENT

On this basis, the Group has established an effective responsibility mechanism, and designated EHS Department to formulate corporate's energy conservation and consumption reduction targets, collect and measure the monthly energy conservation index of each production unit and department, and supervise the implementation of energy conservation measures of various departments in operation. During the reporting year, the Group replaced 30 of the 80-watt energy-saving lamps with 60-watt LED lightings, and 20 of the 400-watt metal halide lamps with 200-watt LED lightings, saving approximately 11,040 kWh of electricity early.

Energy consumption		Unit	2018	2017
Electricity Consumption		MWh	4,379	4,090
Electricity Intensity		MWh/ RMB'M Revenue	13.34	9.13
Natural Gas Consumption		m ³	333,233	448,743
Natural Gas Intensity		MWh/ RMB'M Revenue	11.07	10.92

GHG Emissions		Unit	2018	2017
Type 1: Direct emissions		tCO ₂ e (tonnes of CO ₂ equivalent)	197	265
Type 2: Indirect emissions		tCO ₂ e	3,121	3,106
GHG Emissions		tonnes of CO ₂ equivalent ("tCO ₂ e")	3,318	3,371
GHG Emissions Intensity		tCO ₂ e/RMB'M Revenue	10.11	7.52

The increase of electricity consumption this year was mainly due to:

- Increased number of individual complex and large machinery orders and production
- New motor-driven welding fume purification facility added to the manufacturing site in purpose of reducing air pollutants emissions
- Beijing Tongzhou production line is re-located to Langfang factory, resulting in increased production and daily electricity consumption

Beijing Tongzhou production line was not able to obtain electricity consumption before relocation, and data was now recorded since it is resettled in Langfang factory. Consequently, the data's overall comprehensiveness is enhanced, and the overall electricity consumption has increased in comparison to the past few years. In view 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.

5. ENVIRONMENTAL MANAGEMENT

Air pollutants emissions

In order to protect the environmental health of employees, the Group is committed to minimising the emissions of air pollutants and promoting clean production through strictly managing air emissions in the production to meet the relevant emissions standards and laws and regulations. The Group's atmospheric pollutants, including nitrogen oxides ("NOx"), sulfur oxides ("SOx") and particulate matter ("PM"), are mainly derived from the production activities of Langfang plant. Thus, D&G has set out "Air Emissions Management Guidelines" to provide guidance for the classification, management and monitoring of air pollutants generated by production activities:

Types of air emissions	Air emission management	Monitoring and auditing
Air emissions from stationary sources	<ul style="list-style-type: none"> Air emissions must be treated prior to the discharge, and relevant signs must be set out at the chimneys Regularly maintained the air emission and purification facilities in accordance with the operating procedures to ensure their operational efficiency 	<ul style="list-style-type: none"> Regularly appointed qualified environmental monitoring organisations to conduct inspections according to national and/or local emission standards
Air emissions from mobile sources	<ul style="list-style-type: none"> Monitored the air emissions of the Group's vehicles in accordance with the "Guidelines of Prevention and Control of Motor Vehicle Exhaust Pollution" 	<ul style="list-style-type: none"> Attended the tests hold by local government testing institutions to assess the emissions based on relevant standards


Based on the management guidelines, the Group has set out corresponding management mechanism to ensure the implementation of regulations and improve the efficiency of emission reduction. The EHS Department is responsible for formulating the emission policies for manufacturing plants according to local regulations, standards and relevant requirements, and evaluating the management of air emissions from various manufacturing units and departments. In addition, EHS Department is also responsible for appointing qualified third parties to monitor the emitted pollutants, follow up and record any violations, and propose improvement strategies.

The Group encourages manufacturing units or departments to improve operational process whenever possible, to reduce emissions and the hazard components in the air emissions. For different emission sources and pollutants, the Group adopts the following mitigation measures:

Source of air Emissions	Mitigation and management measures
Welding fumes	Extracted by exhaust fan and passes through purifier before emitted to atmosphere
Particulates generated from grinding wheel and shot blasting	Collected by pulse bag dust collector
Metal dusts	Collected and recycle for use
Volatile organic compounds ("VOC") gas emitted from paint spraying	Water curtain and carbon adsorption treatment before emitted to atmosphere
Cooking fumes (from cafeteria)	Fume purifier to remove fume and odour

During the reporting year, the Group newly installed 5 mobile welding fume purifiers and modified 8 outdated welding fume removal facilities with insufficient suction to enhance the dust removal results and reduce the overall air pollutant emissions.

Air pollutant emissions

		Unit	2018	2017
NO _x		tonnes	0.54	0.97
SO ₂		tonnes	0.00	0.00
PM		tonnes	0.61	0.53


As a result of the Group's efforts and resources in this respect, NO_x emissions of this year had significantly reduced. Although PM emissions had slightly increased, the Group had ensured the air pollutant emissions of Langfang site had met the requirements of the relevant regulations during the year. The Group will continue to improve its emissions system and put green production into practice.

Water consumption and wastewater management

The Group's operational and manufacturing process does not require a large amount of water and its main water demand comes from the staff dormitory of Langfang site, and the water is sourced from the municipal water supply companies. There is no issues in obtaining water. Despite this, the Group still takes water resources conservation as an important part of its environmental management in order to reduce operational costs.

D&G encourages all departments to opt environmentally-friendly water equipment and products as much as possible, and control the use of water resources in production and daily life to reduce water consumption. The Group states in its "Resource Conservation Management Guidelines" that each department should carry out water equipment configuration according to actual conditions and needs, and carry out regular maintenance and replacement of the faucets and water equipment to improve water efficiency. The Group also encourages manufacturing units and departments to recycle cooling water for boilers. D&G also appoints designated staff to inspect the management of water equipment and faucets to ensure that the leakage or abnormal water usage could be detected in time.

Water Consumption

		Unit	2018	2017
Water consumption		m ³	31,386	25,772
Water intensity		m ³ /employee	69.3	57.9

The Group's increase in water consumption during the year was mainly due to the construction of the production line and green landscape of manufacturing site. Green landscape in Langfang factory is estimated to consume 400m³ water more than the original monthly water consumption. The Group plans to replace water-saving irrigation equipment next year to improve water efficiency. In addition, the Group will observe the water consumption condition as the addition of production line and green areas, and re-establish applicable water saving measures.

In terms of wastewater management, the Group endeavours to reduce its adverse impacts on the manufacturing sites' environment and the health of staff through strictly controlling and managing wastewater discharge. For example, the sewage generated by the water cleaning system on site is treated and reused, and not discharged outside of the manufacturing plant. The operators are required to manage wastewater stringently according to the operational procedures provided by the Group.

In order to meet and exceed the national "Integrated Wastewater Discharge Standard" of sewage discharge, the Group requires departments discharged sewage to ensure the sewage flowed into designated equipment or pipelines. Administration Department is responsible for assuring the effectiveness of the sewage treatment equipment's operation and the sewage collection system does not leak or crack. The EHS Department is responsible for arranging qualified third-party testing agencies to conduct annual inspections at integrated sewage outlet of the factory, and summarise and analyse the monitoring reports to ensure the sewage discharges meet the standards. During the year, the Group's sewage discharge has met the national emission standards.

5. ENVIRONMENTAL MANAGEMENT

Waste management

Proper waste management can prevent potential environmental pollution, meanwhile protecting the health of employees and residents in the surrounding community. Adhering to the relevant national compliances, the Group incorporates its circular economic operation and has formulated internal Waste Management Guidelines with a focus on reducing and making the best use of its resources, in order to provide employees with waste handling procedures and guidelines.

The Group classifies its wastes into recyclable waste and non-recyclable waste:

Recyclable waste

- **Industrial waste:** scrap iron, waste wire and domestic garbage composed of waste paper and cartons

Non-recyclable waste

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

The “Waste Management Guidelines” has specified the procedures of transportation, storage and disposal for all types of wastes to avoid the potential risks of improper disposal of waste to the Group and its community.

Each department assigns a staff to collect the wastes generated in the department and store them in designated areas according to the types. Hazardous wastes should be labelled in its names. EHS Department cleans and assesses the classification of waste storage sites at any time to ensure the correctness of the waste classification.

The transfers of hazardous wastes to local hazardous waste disposal stations or handled by local qualified collectors must be approved by EHS department, to ensure the hazardous waste meet the discharge standards. The Administration Department takes the responsibility of the centralised storage and management of the remaining non-recyclable wastes. Each department must reuse or recycle the waste it generates from manufacturing. In addition, EHS Department is also responsible for verifying the qualification of hazardous waste collectors of each department and assessing its recycling sites. In order to assess the rationality and safety of waste classification, EHS Department verifies the management status of wastes from time to time and proposes improvement suggestions to departments.

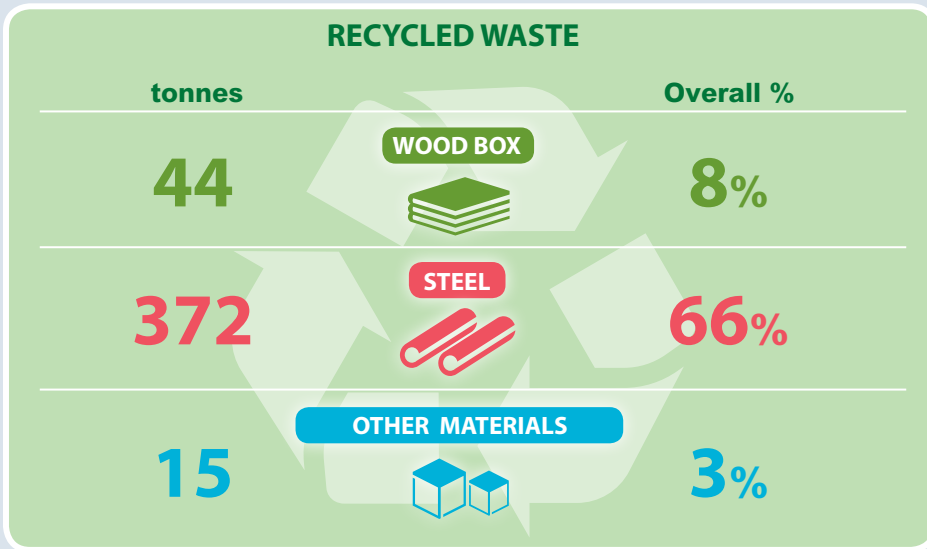
During the reporting year, D&G purchased paint bucket flattening machines to save storage space by flattening the waste paint buckets. Prior to squashing the paint buckets, staff would remove the remaining paint from the bucket for reuse, in order to reduce the cost of purchasing paint. D&G also newly built a standard hazardous waste warehouse to store and manage the hazardous wastes better.

	Unit	2018 ⁽¹⁾	2017
Total amount of hazardous waste	tonnes	47	77
General refuse	tonnes	130	-
Scrap steel	tonnes	0	438
Recycled steel	tonnes	372	6.2
Recycled paper	tonnes	6.4	7.7
Recycled wood box	tonnes	44	41
Other recycled materials	tonnes	8.5	0
Total waste recycled	tonnes	431	55
Total amount of non-hazardous waste	tonnes	561	493
% of recycled non-hazardous waste		77	11

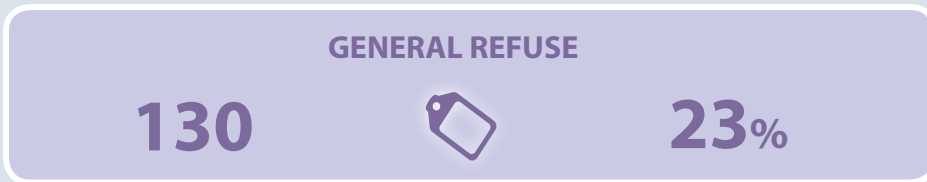
Note 1: Langfang site collected domestic wastes as non-hazardous waste starting from this reporting year.

NON-HAZARDOUS WASTE TYPE

RECYCLED WASTE



GENERAL REFUSE



Note 1: Langfang site collected domestic wastes as non-hazardous waste starting from this reporting year.

Through the improvement of waste management made during the year, the Group has developed countermeasures to recycle all the scrap steel generated in the production which has greatly improved the recovery rate. In addition, D&G's Langfang site has also started to count domestic waste as part of the non-hazardous wastes data to more effectively manage the recycling performance. The Group will strive to reduce its environmental footprint by lowering waste generation and recycling resources as much as possible.

5. ENVIRONMENTAL MANAGEMENT

Environmental initiatives

In addition to promoting various environmental protection measures throughout the production, D&G was also actively involved in various environmental related activities and jointly advocates to protect the environment with employees.

D&G Machinery World Environment Day

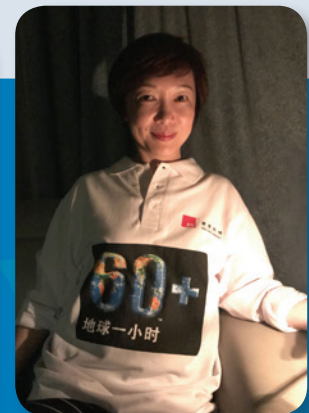
In response to the World Environment Day of the United Nations on 5th June each year, D&G's Corporate Culture Team had organised the activity, "D&G Machinery World Environment Day", and encourages employees to participate a contest regarding plastic pollution in the form of rewards to promote the environmental protection culture.



D&G participated in "Earth Hour"

Earth Hour is a global energy conservation initiative organised by the World Wide Fund for Nature ("WWF") to address global climate change issues. Family and business users are encouraged to watch unnecessary lights and power-consuming products for an hour starting at 20:30 local time on the last Saturday of March each year.

This was already the 6th year of D&G's participation in the event, indicating its support for climate change actions.



D&G employees participated "A Day with Food Angel"

Food Angel is dedicated to rescue edible surplus food from different sectors of the food industry that would otherwise be disposed of as waste, and process the food at central kitchen and redistributed to serve the underprivileged communities in Hong Kong.

In order to raise employees' awareness on the problem of food wastes and convey D&G's operating philosophy of cherishing resources and reducing waste, the Group organised employees to participate in "A Day with Food Angel" during the reporting year. D&G hoped to take this opportunity to encourage employees to appreciate the food and minimise food wastes.



Through such initiatives, the Group hopes to enhance employees' environmental awareness and team cohesion, and create an environmentally friendly corporate culture.

6. RECIPROCITY

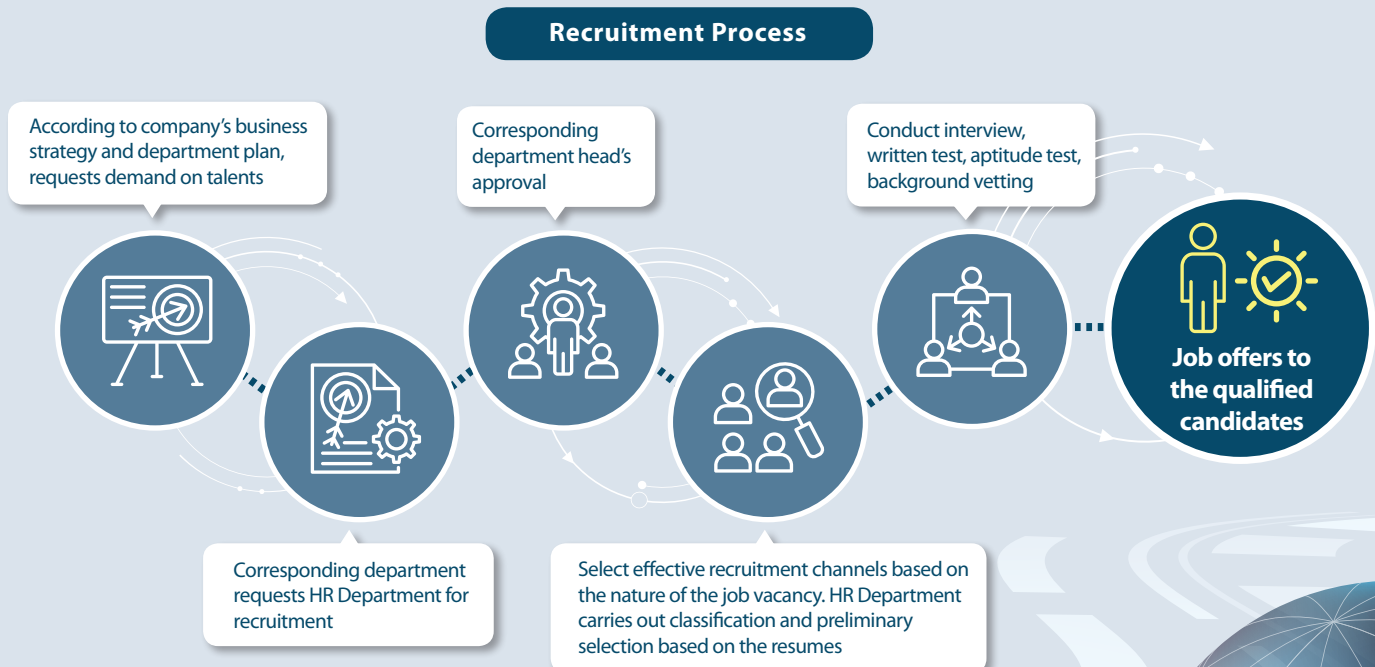
The promotion of circular economy and implementation of sustainable-related measures are not only dispensable to the business growth, but also beneficial to the welfare and development of the society to attain reciprocity. With the help of D&G's reliable and innovative employees, the Group's performance keeps shattering the record, which enables it to lead the industry and use its ability to pay forward to the society.

Our employees

In view of the importance of employees to D&G's success and operation, the Group sets exclusive standards in terms of employment, and based on whether the candidates' potential and personal career expectations are similar to those of D&G's business development policy. In view of this, D&G has established internal employment practices to select the most suitable candidates, protect employees' benefits and safety and cultivate talents to accomplish the business goal. Employees are important assets to D&G. In order to manage the practices effectively, the Group has assigned Human Resource ("HR") Department to set up various policies to comprehensively monitor the recruitment, development, welfare, promotion and retention of employees.

Corporate Culture

Along with increasing internationalisation of D&G, the Group believes fostering a diverse team can embed different working and management concepts into the Group, which beneficial to innovation. D&G acquires suitable talents with an open mind under principle of "open, fair, competition, merit". Each department has to draft a human resource acquisition plan according to their need in the upcoming year and submit to HR Department. HR Department develops a yearly recruitment plan according to the company annual development plan, composition of employees and the human resource acquisition plan of each department, and submits to the general manager for approval. HR Department selects candidates based on their technique, ability and the job nature, regardless on their background such as race, colour, gender, religion, descent. This measure provides equal opportunity to the candidates and eliminates discrimination.



6. RECIPROCITY

All admitted employees must pass the probation period, and the corresponding departments provide objective evaluations of new employees' performance to confirm whether they formally become employees of D&G. During the probation period, the corresponding departments evaluate the employees based on their work quality, skills, job adaptability and effectiveness. The results of these assessments are submitted to the General Managers to confirm whether the employees become regular staff.

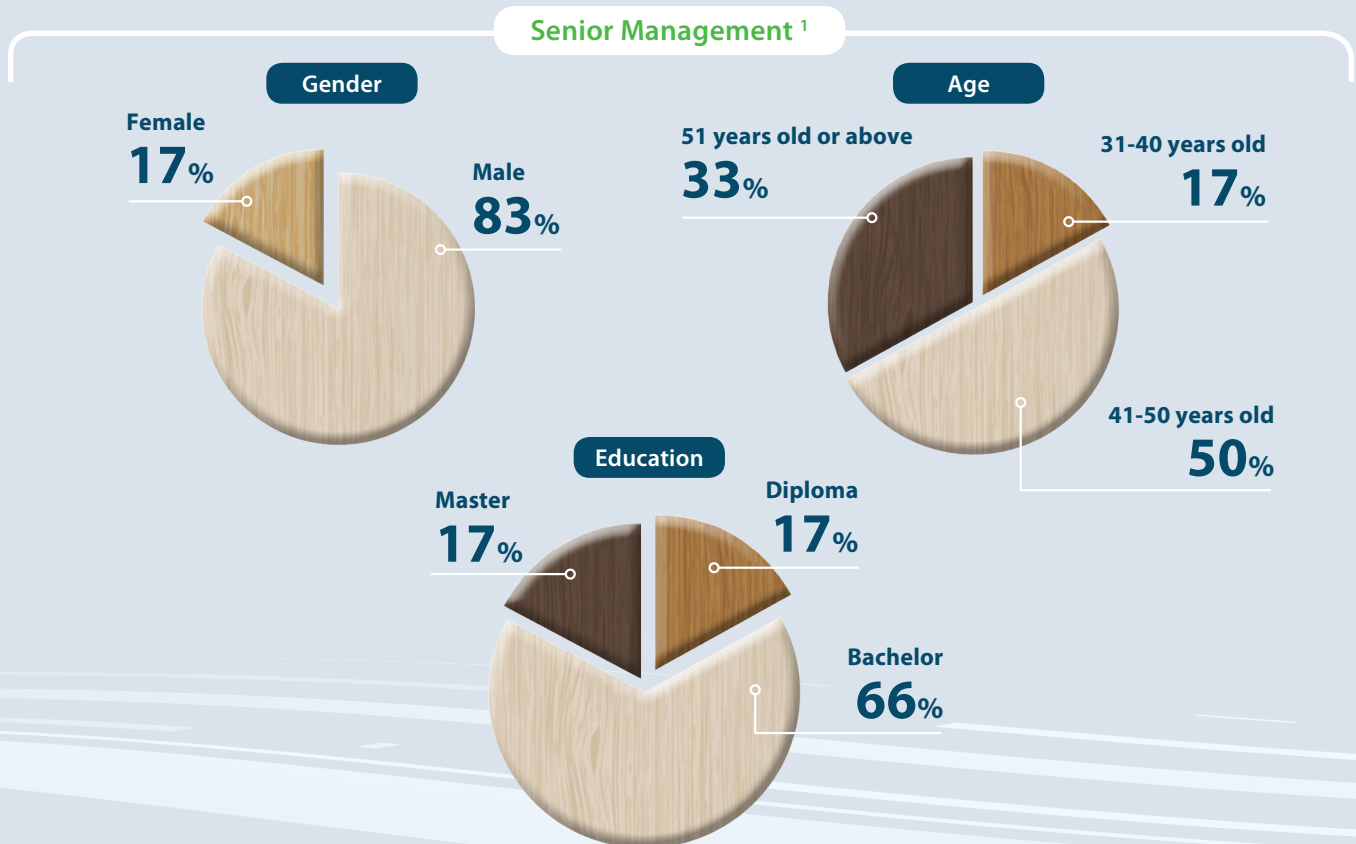
The Group respects human right, never employ any child and forced labour, and also require suppliers and/ or business partners to jointly object from these behaviours. D&G strictly abides to all relevant labour laws and regulations, and has formulated corresponding internal policies.

The HR Department is responsible for verifying the identification documents, age and labour rights of new employees. If the misuse of child labour is discovered, the Group will not only immediately terminate the labour contract, but will also help the individual to reenrol in school. The Group accepts other adult family members as a replacement to work until the child labour is qualified in age, in order to lower the impact on its household income. In addition, if the child is confirmed to be sick or injured during the employment period, the Group would arrange it to undertake treatment at qualified medical institutions, and all fees associated during the medical treatment period would be covered.

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

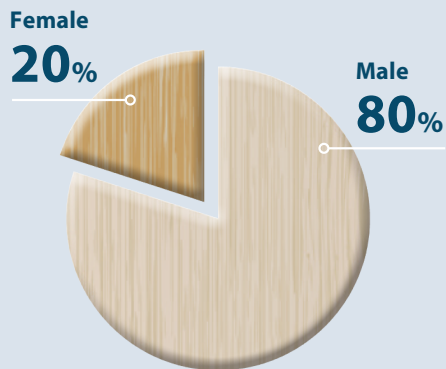
- **No fees may be charged to employees during recruitment**
- **No detain of employees' identification documents without their consent**
- **Employees could work overtime only on a voluntary basis**
- **Must not limit the reasonable behaviour of employees such as using restrooms and drinking water in the workplace**
- **Must not force employees through violations such as violence and threats**

If any forced labour behaviour is discovered, the management would intervene to cease the infringement actions and assess accountability, and make reasonable compensation to the relevant employee. With the effective execution of HR Department, the Group was not aware of any child labour or forced labour cases during the reporting year and its operation abides by all laws and regulation

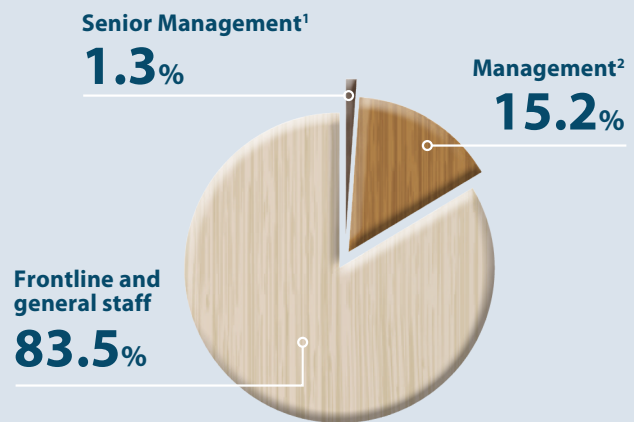


Employment information

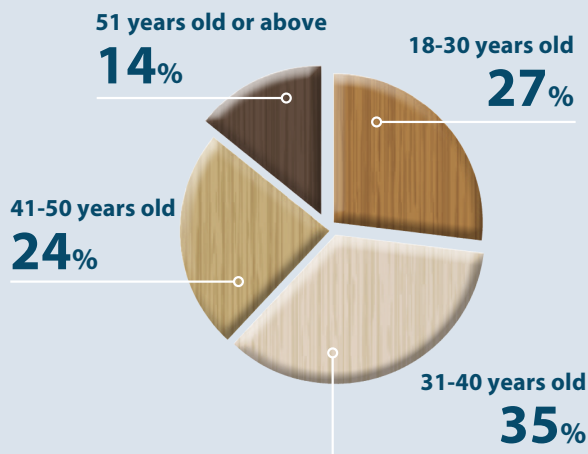
Gender



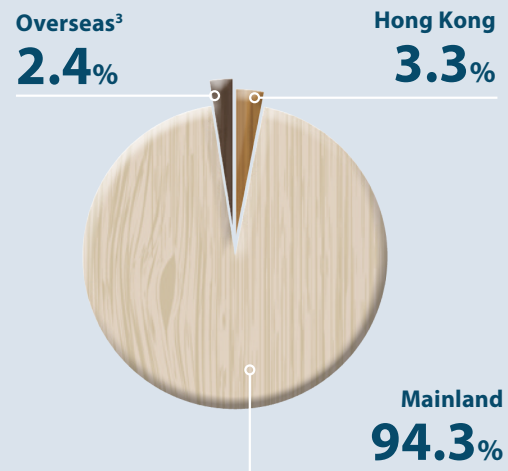
Employment position



Age



Location



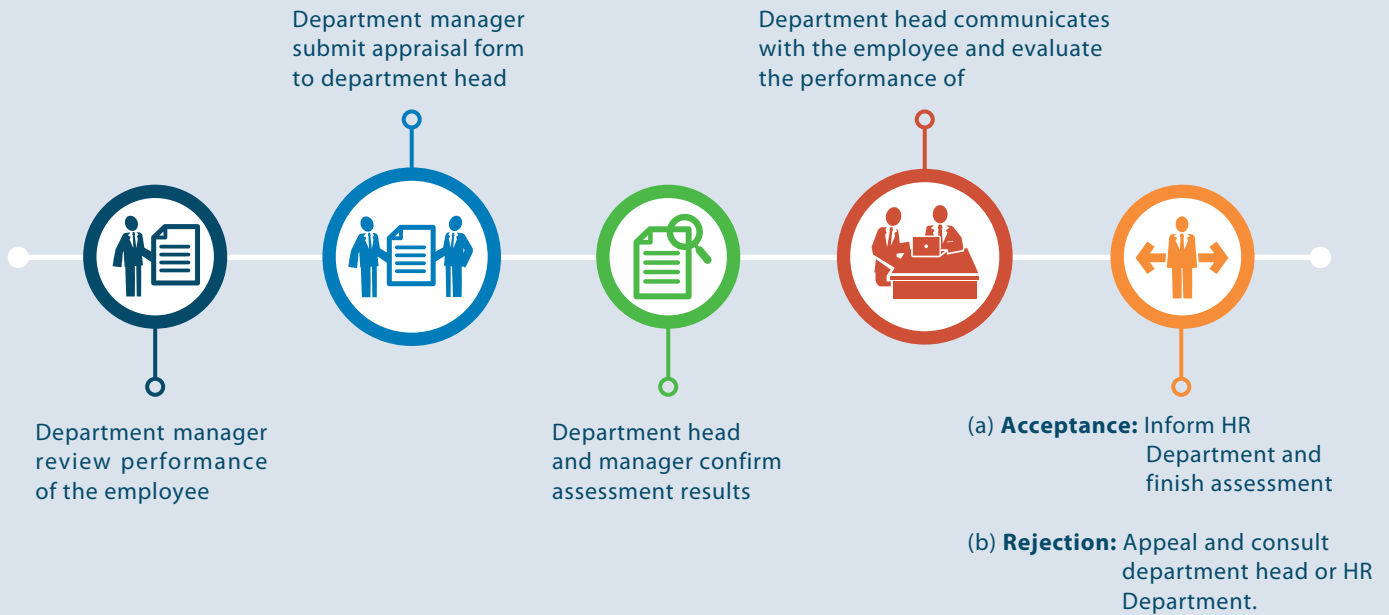
Note 1: Senior Management includes the Group's directors and chief financial officer

Note 2: Management includes employees ranked "Manager" but except senior management

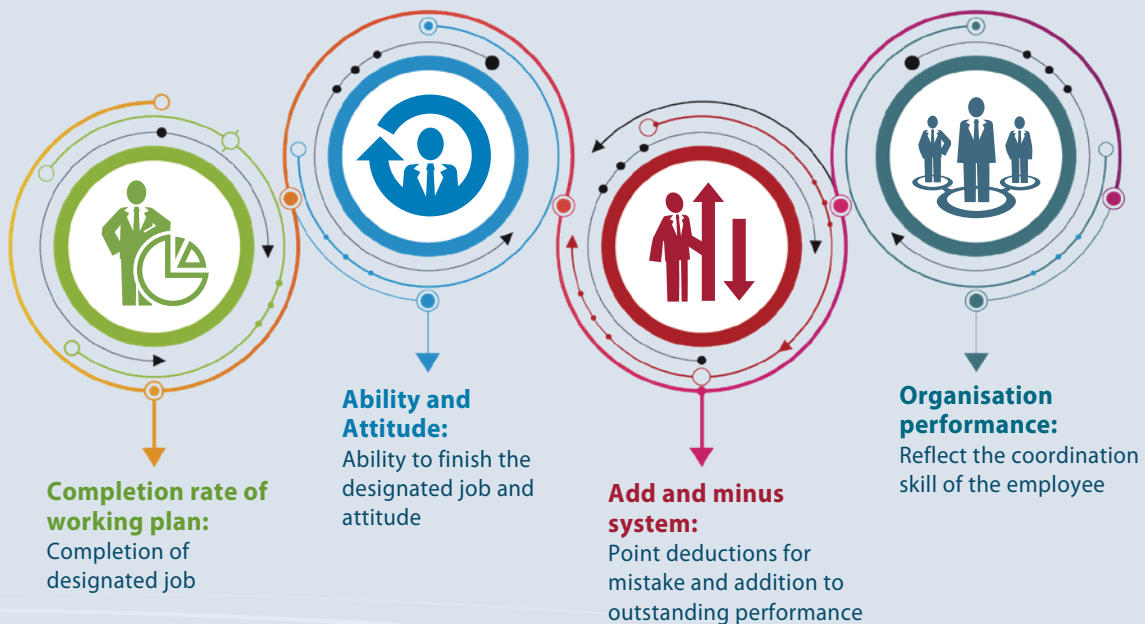
Note 3: Overseas includes Singapore, India and Pakistan

6. RECIPROCITY

The Group carries out review on official employees yearly and adjust the salaries of the employees and provide opportunity of promotion according to their performance. Annual assessment procedure is as below:



Each department representative has to conduct performance assessment according to the annual key performance indicator, including:



According to the results of the assessment and annual operational goal, supervisors have to communicate with subordinates to provide feedback and improvement plan. With the same vision, employees can attain the Group's operation goal.

The employee turnover rate of this reporting year is similar with previous reporting year. The Group manages recruitment, reward and punish, communications and resignations with rationality and respect. It also assigns HR Department to monitor the reasons and data of employee turnover to minimise the impacts of employee turnover on operation efficiency. In order to understand employees' opinions toward working environment and arrangement, HR Department is responsible for conducting annual employee satisfaction survey to allow employees to voice out their feedbacks.



6. RECIPROCITY

The questionnaire results will be summarized by the HR Department and submit to the management. The management will carefully consider the collected comments and, if necessary, the management will convey the arrangements and instructions, and respective departments must cooperate and implement the measures within a specified time.

The Group strives to foster a harmonious and healthy working environment for employees. It hopes the employees can build up team spirit and be physically and mentally healthy on top of working to achieve work-life balance. Apart from providing nutritious meals to employees in the staff canteens built within the manufacturing plant, the Group's Corporate Culture Team has organized a series of staff activities to promote physical exercises:

Badminton and table tennis competition

In order to promote health, the Group had organised staff badminton and table tennis competition during the year. In addition to increasing the cooperation between employees, the Group wishes employees can pay more attention to health while working hard.



"2018 Healthy Walking Campaign"

The Group values employees' physical and mental health and hopes that employees can pay attention to their health while working hard. Therefore, D&G held the "2018 Healthy Walking Campaign" during the year to encourage employees to exercise more often. This activity set employees to complete the tasks within a limited time to obtain rewards. D&G hopes to promote a healthy working atmosphere through such activities.



Parent-child carnival

In order to increase employees' sense of belonging, the Group had organised "Parent-child Carnival" to allow employees to bring their family members and participate in a series of parent-child activities in the office. This reinforces employee's interaction and communication.



Safeguarding talents

The Group recognises a responsible corporate should protect the occupational health and deserved benefits of its employees. In this regard, the Group has provided employees with reasonable benefits, remuneration and comprehensive safety measures in accordance with the local government's requirements. The HR and occupational safety policies of the Group mainly focus on the major operation site i.e. PRC premises.

The Group provides the benefits below to the employees:



- Pay social insurance and housing provident fund for employees
- Provide dormitory or shuttle bus for factory employees
 - Set up staff canteen at the factory base
- Offer presents or cash prize to employees as festival celebration
 - Enjoy national rest day and holiday
 - Organize birthday party with employees
- Provide communication support to employees who need external communication
 - Provide cooling snacks and drinks 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

6. RECIPROCITY

In terms of remuneration package, D&G adheres concept of “earn as you work” and rationally distribute the rewards to employees. Taking the principles of economy, legitimacy, comparability and competitiveness into account, employees’ salaries are determined based on job responsibilities, difficulties, techniques, labour intensiveness and market factors. Besides, employees who have worked for more than a year can enjoy annual bonus on a monthly basis in order to maintain the enthusiasm of employees. If the employees need to work overtime, employees should notify the manager and must gain approval before working overtime to obtain the overtime payments.

In order to allow employees to excel their skills securely, D&G endeavours to provide a safe working environment. As a member of manufacturing industry, the main occupational hazard of D&G comes from production in Langfang factory. Adhering the direction of “Safety first, focus of prevention, integrated governance”, D&G has obtained OHSAS 18001:2007 Occupational Health and Safety Management System certification and established safe production policies and measures of Langfang factory (Total number of employee: 335, account for 74 % of total number of the Group) according to the certification for employees to follow and protect their safety. This creates a safe working environment, and maintains operation efficiency. As occupational hazard is not material to offices, the management is only applicable to the factory.

In order to monitor the implementation of relevant policies and measures, the Group has established a leading organisation of safe production, the Safety Leading Group which composes of president or direct person in charge, production director and relevant department heads. This Group aims at eliminating risks in the production process, continuously enhancing employee’s awareness of safety and prevention, fostering a safe working environment and complying with all relevant laws and regulations.

In order to comprehensively manage occupational health and safety, the Group has established safety management framework, enabling each department to take up its role, implement and oversee relevant measures effectively:

Safety Leading Group



- Responsible for safe production management
- Research and develop safe production technology and labour protection plan
- Convey national laws and regulations related to occupational health and safety
- Conduct safety inspection and monitoring
- Investigate and handle accident
- Implement unit’s safe production emergency plan
- Review safe production planning and annual plan to set working target of safe production

EHS department



- Formulate risk source identification and control processes
- Confirm relevant measures of occupational health and safety to comply with laws and regulations
- Update relevant policies along with variation of business and laws
- Evaluate risk and formulate corresponding management approach or control plan
- Organise consultation and communication with external organisations
- Carries out safety inspection
- Formulate occupational health check plan of employees

HR Department



- Organise safety education such as safety training, fire and evacuation drill
- Promptly report to respective departments and conduct inspection and remedial work
- Organise the communication and contact with government labour department

Production Department



- Assign a manager to each team
- Provide safe production education to employees
- Implement on-site supervision of safe production
- Follow safety instructions of Safety Leading Group

Equipment Department



- Responsible for management of various buildings and building safety facilities measures of the entire company
- Determine qualified construction contractor and responsible for organizing communication with the corresponding units
- Responsible for daily inspection of various buildings and building safety facilities to ensure the intactness of all

Administration Department



- Responsible for managing the safety of drinking water and acquire water testing report irregularly
- Responsible for maintenance management of factories and offices air conditioning system to ensure the safety of the air
- Formulate contingency plan for food poisoning

Engineers and technicians



- Must ensure the accuracy of safety technology and occupation health technology prior to the approval of technical

6. RECIPROcity

As a responsible corporate, the Group regards the assurance of employees' health as one of its responsibilities. In the workplace, D&G allocates relevant equipment, safety preventive apparatus and protective tools to its employees based on the requirement of occupational health and safety management to ensure the resources are adequate to reduce occupational hazards. In addition, the Group provide safety and protection training including fire drills and relevant courses to its employees to explain the occupational hazards and safety practices in details.

The Group has identified its relevant health issues as occupational diseases including pneumoconiosis, eye diseases, ENT (ear, nose and throat) diseases, and chemical poisoning. In order to ensure the employees' physical conditions can cope with the job, the Group arranges body checks for employees before, during and after their discharge of job duties. The cost of medical examinations are included in EHS budget by EHS Department. Before entering the company, employees are required to undergo physical examinations. EHS Department will assign suitable positions to employees based on the results. Underage new employees are not allowed to work within occupational hazards; pregnant or lactating female employees are no exceptions in order to protect them, the fetuses or babies from injury. EHS Department arranges annual body checks to on-job period based on their posts to ensure their physical conditions are competent for their posts. Employees must undergo medical examinations before leaving the company to ensure the body condition is normal throughout the employment period. On top of being accountable to employees, it also prevents operation efficiency from disruption. Without the approval of the management, the relevant information is not allowed to be borrowed or copied to protect the employees' privacy. During the reporting year, the Group has not noticed any occupational hazards related health issues.

The Group conducts evaluation on management plan as a performance review mechanism every year, which includes reviewing compliance obligations, analysing the reasons for not meeting the targets, formulating improvement measures and management plans, and improving the occupational health and safety management system as needed. Employees can also place enquiries on occupational safety. Supervisors at all levels should have positive attitudes towards employees' enquires. They should not obstruct or retaliate against the enquiries to maintain a harmonious working atmosphere. In the view of work-related injuries cases, the Group adopts reward and punishment system that conducts twice-a-year assessment for each team and encourages employees to abide the relevant policies. For outstanding teams and individuals, bonuses are awarded as incentives; oppositely, the teams and individuals with poor performances will be criticised. In order to centralised the management of work-related injuries, the Group has classified accident in accordance with national law's accident grades, and implement corresponding measures at different levels to ensure each accident was properly handled.

In the reporting year, the Group had a total of 6 work-related injuries, and the injury rate per 1,000 employees was 15% lower than that of the industry (Summary of Occupational Safety and Health Statistics – 2018, Labour Department of the Government of the Hong Kong Special Administrative Region). In order to maintain and lower the probability of work-related injury at most, the Group has signed safety production responsibility with all levels of personnel and jointly promised to strictly implement safety production guidelines, strengthen the safety trainings effectiveness through inserting assessment section and set reducing the reoccurrence possibility of similar cases as a safety goal.

The Group will continue to protect employees' health and safety to attain target of safe production. In the future, D&G will closely monitor the associated performance and implementation through communication with different departments.

Nurturing talents

D&G believes sustainable training and education can effectively integrate the quality of employees and corporate management skills to become a boost of the business development. Therefore, the Group has formulated training strategy and integrate the needs of business and employees' career developments to provide training resources to every employee. The strategy adopts the following principles:



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



6. RECIPROCITY

In its formulated "Employee Training Management Guidebook", D&G designates HR Department to carry out annual survey on employees' training needs, and evaluates the training plans of different departments to design a training plan for the upcoming year. HR Department is also responsible for monitoring, organizing and implementing the training plans. In order to ensure the effectiveness of the trainings, HR Department distributes questionnaires after each training to collect the feedbacks and comments of employees, and takes it as a reference to the improvement plan. HR Department also assess the employees training outcomes through written test or in-site demonstration to ensure the effectiveness of trainings.

D&G's training plan mainly separated as 4 categories including occupational health and safety, management and operation, professional knowledge and environmental protection. During the reporting year, D&G arranged a series of trainings, which classified as:



Note 1: Senior Management includes the Group's directors and chief financial officer

Note 2: Management includes employees ranked "Manager" but except senior management

D&G hopes to enhance employees' working abilities and enthusiasm by providing standardized and well training programmes, and to convey its sustainable corporate culture to stimulate the developments of the Group and the employees themselves.

Our community

As a corporate citizen, D&G believes community is one of its responsibilities in addition to environment, employee and customers. Apart from environmental protection which was explained in the above, the Group mainly focuses on vulnerable groups including orphans and people with disabilities in the view of community investment.

A visit to welfare home

D&G has always regarded orphans as a vulnerable group in the community that worth caring. This year, the Corporate Culture Team had organised an activity of making a visit to welfare home under the theme of “holding hands into welfare home” and bring gifts, necessities and care to orphans during the year.



Based on the Group’s efforts on contributing the society, it has awarded the following certificates during the year:



The Group will continue to support the main focused social groups, regularly evaluate the impacts of its operation on the society and environment, pay attention to the community feeds, actively participate in local community activities and strive to add values to the community.

7. LOOKING FORWARD

With China's support on infrastructure industry and promotion of environmental protection, corresponding market demands and operation requirements are foreseen to be increased. Facing the unmissable opportunities and market for survival of the fittest, the Group will improve its sustainable development performance in the view of environment, social and economics to maintain its competitiveness. In this regard, the Group will review its performances and focus on material topics to make further improvement. D&G will make use of the established Sustainability Committee to assist the formulation of managing different topics in sustainability, in order to maintain the sustainability of the business development, enabling it to play its intended role. D&G just incorporated sustainable procurement as one of its corporate development strategies. The Group will make corresponding adjustments on procurement management and aim at establishing a supply chain that aligns with its development direction. In response to the increasing popularity of green development within the industry, along with the succeed application for green loan, the Group will move towards sustainable development projects through the adoption of circular economy operation model and create more opportunities for business expansion, and pave the way for long-term business development.



8. PERFORMANCE TABLES

Environmental Performance¹

Indicator	Unit	2018	2017	2016	2015
Materials					
Total weight of material consumption	tonnes	41,101	-	-	-
Total weight of material used is from recycled sources	tonnes	422	-	-	-
Material used is from recycled sources	%	-	-	-	-
Air pollutant emissions²					
PM	tonnes	0.61	0.53	7.80	2.90
SO ₂	tonnes	0.00	0.00	0.00	0.09
NO _x	tonnes	0.54	0.97	0.70	0.75
GHG Emissions³					
Scope 1: Direct GHG emission	tCO ₂ e	197	265	193	158
Scope 2: Indirect GHG emission	tCO ₂ e	3,121	3,104	2,103	1,579
Total GHG emissions	tCO ₂ e	3,318	3,369	2,296	1,737
GHG emissions intensity	tCO ₂ e/RMB'M Revenue	10.11	7.52	7.14	4.45
Energy Consumption					
Electricity Consumption	'000 kWh	4,379	4,090	2,770	1,975
Natural gas consumption	'000 kWh	3,632	4,892	3,564	2,894
Total energy consumption	'000 kWh	8,011	8,981	6,334	4,869
Energy Intensity	'000 kWh/RMB'M Revenue	24.41	20.05	19.70	12.50
Water Consumption					
Total water consumption	m ³	31,386	25,772	24,963	20,134
Water intensity	m ³ /employee	69.3	57.9	57.8	45.4
Hazardous waste					
Total hazardous waste	tonnes	47	77	48	-
Non-hazardous waste⁴					
General refuse	tonnes	130	-	-	-
Scrap steel	tonnes	0	438	191	-
Recycled materials	tonnes	431	55	12	-
Total non-hazardous waste	tonnes	130	438	191	-
Recycled non-hazardous waste	%	77	11	6	-

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

Note 2: Air emissions were calculated based on monitored concentrations and emission rates, and were calculated using dry gas flow and annual operating hours, respectively.

Note 3: The Group reported in accordance with the principles and methods of local and international carbon accounting standards. Scope 1 GHG emissions include GHG emissions from natural gas combustion owned or managed by the Group and were calculated in accordance with China's CO₂ emissions accounting and reporting guidelines. Scope 2 GHG emissions include the electricity purchased by the Group, the emission factors for electricity used in China was referenced to the 2015 China Regional Grid Baseline Emission Factor; for Hong Kong was referenced to the Hong Kong Electric Power 2017 Annual Report; for Singapore was referenced to the local Environment Bureau 2016 emission factor. The energy conversion factor for natural gas was calculated in accordance with China's CO₂ emissions accounting and reporting guidelines.

Note 4: Non-hazardous waste includes: scrap steel, wood and cardboard boxes; domestic waste data of the Langfang site has been disclosed since 2018.

8. PERFORMANCE TABLES

Social Performance

Indicator	Unit	2018	2017	2016	2015
Labour					
Total	No. of people	453	445	438	444
By gender					
Male	No. of people	363	356	358	365
Female	No. of people	90	89	80	79
By employment position					
Senior management	No. of people	6	7	7	8
Management	No. of people	69	67	55	60
Frontline and general staff	No. of people	378	371	376	376
By age group					
18-30	No. of people	122	126	146	178
31-40	No. of people	159	147	128	112
41-50	No. of people	108	106	106	108
51 or above	No. of people	64	66	58	46
By location					
Hong Kong	No. of people	15	14	13	12
Langfang	No. of people	335	331	334	334
Beijing	No. of people	49	52	53	64
Shanghai	No. of people	18	17	15	15
Guangzhou	No. of people	22	20	22	18
Xi'an	No. of people	1	1	0	0
Chengdu	No. of people	2	2	0	0
Singapore	No. of people	2	3	1	1
Pakistan	No. of people	5	4	0	0
India	No. of people	4	1	0	0
Senior Management Breakdown ¹					
By gender					
Male	No. of people	5	-	-	-
Female	No. of people	1	-	-	-
By age					
31-40	No. of people	1	-	-	-
41-50	No. of people	3	-	-	-
51 or above	No. of people	2	-	-	-
By educational level					
Diploma	No. of people	1	-	-	-
Bachelor	No. of people	4	-	-	-
Master	No. of people	1	-	-	-

Social Performance

Indicator	Unit	2018	2017	2016	2015
Employees Turnover Rate					
Overall	No. of people	51	43	73	28
	%	11.36	9.74	16.55	6.31
By gender					
Male	No. of people	42	37	60	19
	%	11.7	10.4	16.6	5.3
Female	No. of people	9	6	13	9
	%	10.1	7.1	16.4	11.6
By age					
18-30	No. of people	22	18	31	11
	%	17.7	13.2	41.2	6.3
31-40	No. of people	14	15	21	10
	%	9.2	10.9	17.5	8.7
41-50	No. of people	8	8	15	5
	%	7.5	7.5	14.0	4.6
51 or above	No. of people	7	2	6	5
	%	10.8	3.2	11.5	37.3
By region					
Hong Kong	No. of people	0	0	1	0
	%	0	0	8	0
Langfang	No. of people	45	38	60	42
	%	13.5	11.4	18	12.5
Beijing	No. of people	4	4	8	8
	%	7.9	7.6	13.7	12.5
Shanghai	No. of people	2	1	2	1
	%	11.4	6.3	13.3	6.7
Guangzhou	No. of people	0	0	2	1
	%	0	0	10	5.6
Xi'an	No. of people	0	0	0	0
	%	0	0	0	0
Chengdu	No. of people	0	0	0	0
	%	0	0	0	0
Singapore	No. of people	0	0	0	0
	%	0	0	0	0
Pakistan	No. of people	0	0	0	0
	%	0	0	0	0
India	No. of people	0	0	0	0
	%	0	0	0	0

8. PERFORMANCE TABLES

Social Performance

Indicator	Unit	2018	2017	2016	2015
Occupational Health and Safety					
Total number of work-related fatalities	No. of incident(s)	0	0	0	0
Total number of injuries	No. of incident(s)	6	3	6	6
Injury rate per 1,000 employees	-	14.0	6.8	13.7	13.5
Lost day(s)	Day(s)	207	32	237	28
Lost time incident rate (LTIR) ²	-	1.1	0.7	1.4	1.3
Training and Education ³					
Topics	No.	59	62	-	-
By types of topics					
Occupational health and safety	Hours	42	355	-	-
Management and operation	Hours	51	286	-	-
Professional knowledge	Hours	106.5	320	-	-
Environmental Protection	Hours	25	6	-	-
All types	Hours	224.5	967.5	-	-
Average Training Hours of Employees ⁴					
By gender					
Male	Hours	11.9	-	-	-
Female	Hours	11.0	-	-	-
By position					
Senior management	Hours	7.7	-	-	-
Management	Hours	11.4	-	-	-
Frontline and general staff	Hours	11.8	-	-	-
Geographical location of Suppliers ⁵					
China	No.	171	-	-	-
	%	99	-	-	-
Oversees	No.	2	-	-	-
	%	1	-	-	-
Community investment	RMB	5,302	7,952	-	-

Note 1: The Group has disclosed the breakdown of senior management since this reporting year.

Note 2: 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 3: In order to reflect the resources and efforts put into the overall development of employees, the Group has revised the strategy for employee training disclosure. Therefore, the data before 2017 was not disclosed.

Note 4: The Group has collected and analysed the average number of hours of training for employees by gender and position since 2018.

Note 5: The Group has provided data on the number and geographical location of suppliers since 2018.

9. GRI & ESG CONTENT INDEX

Disclosures		HKEx ESG Guide	Section/Statement	Page Number
102: General Disclosures				
Organizational profile				
102-1	Name of organization	-	About the Group	5
102-2	Activities, brands, products, and services	-	About the Group	5
102-3	Location of headquarters	-	About the Group	5
102-4	Location of operations	-	About the Group	5
102-5	Ownership and legal form	-	About the Group	5
102-6	Markets served	-	About the Group	5, 8
102-7	Scale of the organization	-	About the Group Governance	5 - 8
102-8	Information on employees and other workers	KPI B1.1	All employees are under permanent contract, please refer to Performance Table for employees' breakdown information.	45
102-9	Supply chain	KPI B5.1	Prudent Procurement	12 - 13
102-10	Significant changes to the organization and its supply chain	-	There was no significant changes to the organization's size, structure, ownership, or supply chain throughout the reporting year.	-
102-11	Precautionary Principle or approach	-	Risk Management	11
102-12	External initiatives	-	Industrial Partnership Environmental Initiatives Our Community	18 - 19, 29, 42
102-13	Membership of associations	-	Industrial Partnership	18
Strategy				
102-14	Statement from senior decision-maker	-	2 Chairman's Statement	2
Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	KPI B7.2	About the Group	12
Governance				
102-18	Governance structure	-	Governance	10
Stakeholder engagement				
102-40	List of stakeholder groups	-	Stakeholder Engagement	3 - 4
102-41	Collective bargaining agreements	-	Percentage of total employees covered by collective bargaining agreements was 95% in the reporting year.	-
102-42	Identifying and selecting stakeholders	-	Stakeholder Engagement	3 - 4
102-43	Approach to stakeholder engagement	-	Stakeholder Engagement	3 - 4
102-44	Key topics and concerns raised	-	Stakeholder Engagement Materiality Assessment	4
Reporting practice				
102-45	Entities included in the consolidated financial statements	-	Refer to the Group's Annual Report, 2018.	-
102-46	Defining report content and topic Boundaries	-	3 About this Report	3
102-47	List of material topics	-	3 About this Report	4
102-48	Restatements of information	-	Due to the restructure of training data disclosure and re-verification of employees' turnover rate, the relevant data in social performance table are renewed.	-
102-49	Changes in reporting	-	3 About this Report	3
102-50	Reporting period	-	3 About this Report	3
102-51	Date of most recent report	-	3 About this Report	3
102-52	Reporting cycle	-	3 About this Report	3
102-53	Contact point for questions regarding the report	-	3 About this Report	4
102-54	Claims of reporting in accordance with the GRI Standards	-	10 Verification Statement	52 - 53
102-55	GRI content index	-	9 GRI Standards and HKEx ESG Reporting Guide Content Index	48 - 51
102-56	External assurance	-	10 Verification Statement	52 - 53

9. GRI & ESG CONTENT INDEX

Disclosures		HKEx ESG Guide	Section/Statement	Page Number
200: Economic				
204: Procurement Practices				
103	Management approach	KPI B5.2	Prudent Procurement	12 - 14
204-1	Proportion of spending on local suppliers	-	Prudent Procurement	13
205: Anti-corruption				
103	Management approach	GD B7	Ethics and Integrity	12
205-3	Confirmed incidents of corruption and actions taken	KPI B7.1	Ethics and Integrity	12
206: Anti-competitive Behavior				
103	Management approach	-	Ethics and Integrity	12
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-	Ethics and Integrity	12
300: Environmental				
301: Materials				
103	Management approach	-	Use of Material 8 Performance Table	22, 44
301-1	Materials used by weight or volume	KPI A2.5	Use of Material 8 Performance Table	22, 44
302: Energy				
103	Management approach	GD A2 GD A3	Energy Consumption and GHG Emissions	23 - 24
302-1	Energy consumption within the organization within the organization	KPI A2.1	Energy Consumption and GHG Emissions 8 Performance Table	23 - 24, 44
302-3	Energy intensity	KPI A2.1	Energy Consumption and GHG Emissions 8 Performance Table	23 - 24, 44
302-4	Reduction of energy consumption	KPI A2.3	Energy Consumption and GHG Emissions 8 Performance Table	23 - 24, 44
303: Water				
103	Management approach	GD A2 GD A3	Water Consumption and Wastewater Management	26
303-1	Water withdrawal by source	KPI A2.2 KPI A2.4	Water sourcing is not material to operations	26
305: Emissions				
103	Management approach	GD A1 GD A3	Energy Consumption and GHG Emissions Air Pollutants Emissions	23 - 26
305-1	Direct (Scope 1) GHG emissions	KPI A1.1 KPI A1.2	Energy Consumption and GHG Emissions 8 Performance Table	23 - 24, 44
305-2	Energy indirect (Scope 2) GHG emissions	KPI A1.1 KPI A1.2	Energy Consumption and GHG Emissions 8 Performance Table	23 - 24, 44
305-4	GHG emissions intensity	KPI A1.2	Energy Consumption and GHG Emissions 8 Performance Table	23 - 24, 44
305-5	Reduction of GHG emissions	KPI A1.5	8 Performance Table	44
305-7	NOx, SOx, and other significant air emissions	KPI A1.1	Air Pollutants Emissions 8 Performance Table	25 - 26, 44

9. GRI & ESG CONTENT INDEX

Disclosures		HKEx ESG Guide	Section/Statement	Page Number
306: Effluent and Waste				
103	Management approach	GD A1 GD A3 KPI A2.5	Water Consumption and Wastewater Management Waste Management	26 - 28
306-2	Waste by type and disposal method	KPI A1.3 KPI A1.4 KPI A1.6	Waste Management 8 Performance Table	27 - 28, 44
306-4	Transport of hazardous waste	KPI A1.6	Waste Management	27
307: Environmental Compliance				
103	Management approach	GD A1	5 Environmental Management	-
307-1	Non-compliance with environmental laws and regulations	-	There was no non-compliance with environmental laws and regulations in the reporting year.	-
308: Supplier Environmental Assessment				
103	Management approach	GD B5	Prudent Procurement	13
308-1	New suppliers that were screened using environmental criteria	KPI B5.2	Prudent Procurement	13 - 14
400: Social				
401: Employment				
103	Management approach	GD B1	Our Employees	30 - 37
401-1	New employee hires and employee turnover	KPI B1.2	The Group shall incorporate new hired employees' records and disclose in the following reporting year. 8 Performance Table	46
403: Occupational Health and Safety				
103	Management approach	GD B2	Our Employees	37 - 39
403-2	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	KPI B2.1 KPI B2.2 KPI B2.3	Our Employees 8 Performance Table	39, 47
404: Training and Education				
103	Management approach	GD B3	Our Employees	40 - 41
404-1	Average hours of training per year per employee	KPI B3.1 KPI B3.2	Our Employees 8 Performance Table	41 - 47
405: Diversity and Equal Opportunity				
103	Management approach	-	Our Employees	30 - 34
405-1	Diversity of governance bodies and employees	KPI B1.1	Our Employees 8 Performance Table	30 - 34
406: Non-discrimination				
103	Management approach	-	Our Employees	30
406-1	Incidents of discrimination and corrective actions taken	-	Our Employees	30

9. GRI & ESG CONTENT INDEX

Disclosures		HKEx ESG Guide	Section/Statement	Page Number
408: Child Labor				
103	Management approach	GD B4	Our Employees	31
408-1	Operations and suppliers at significant risk for incidents of child labor	KPI B4.1 KPI B4.2	Our Employees	31
409: Forced or Compulsory Labor				
103	Management approach	GD B4	Our Employees	31
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	KPI B4.1 KPI B4.2	Our Employees	31
413: Local Communities				
103	Management approach	-	Our Community	42
413-1	Operations with local community engagement, impact assessments and development programmes	-	Our Community Performance Table	42, 47
414: Supplier Social Assessment				
103	Management approach	GD B5	Prudent Procurement	13
414-1	New suppliers that were screened using social criteria	KPI B5.2	Prudent Procurement	13 - 14
416: Customer Health and Safety				
103	Management approach	-	Quality Assurance	15 - 17
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	KPI B6.1 KPI B6.4	Quality Assurance	17
417: Marketing				
103	Management approach	-	Quality Assurance	15 - 17
417-2	Incidents of non-compliance concerning product and service information and labelling	KPI B6.2 KPI B6.3	Quality Assurance	16 - 17
418: Customer Privacy				
103	Management approach	GD B6	Quality Assurance	17
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	KPI B6.5	Quality Assurance	17
419: Socioeconomic Compliance				
103	Management approach	-	Risk Management	10 - 12
419-1	Non-compliance with laws and regulations in the social and economic area	-	There was no non-compliance with social and economic laws and regulations in the reporting year.	-

10. VERIFICATION STATEMENT



Verification scope

Allied Environmental Consultants Limited (“AEC” or “our Company”) was engaged to undertake an independent verification for D&G Technology Holdings Company Limited (the “Group” or “D&G”) 2018 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, Xian, Chengdu, Singapore, Pakistan and India and main manufacturing plant and adjacent employees’ dormitory located in Langfang, Hebei from 1 January 2018 to 31 December 2018.

Verification standards and methodology

This report is verified in accordance with GRI Standards and the Environmental, Social and Governance (“ESG”) Reporting Guide (“the ESG Reporting Guide”) set out in Appendix 27 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). In order to ensure the report adheres to the reporting principles and standards, the following activities were designed and undertaken to gather evidence before drawing the conclusion:

- Conduct review of material issues and assess the relevance of those to the Group’s business
- Conduct meetings with staff involved in sustainability management, report preparation and provision of report information
- Provide advice on stakeholder engagement activities with no direct contact with the stakeholders
- Conduct review of supporting evidence for claims made in the report
- Verify all calculated and disclosed data in this report
- Evaluate D&G’s reporting and management processes concerning this report against the principles of Inclusivity, Materiality and Responsiveness

Assurance level

Our Company provided Type 1 Moderate Level of Assurance in our review is defined by the scope and methodology described in this statement.

Conclusion

After the review conducted based on the “ESG Reporting Guide” and GRI Standards sustainability reporting guidelines, our Company has confirmed the three categories’ (economic, environmental and social) social responsibility and sustainability indicators in the report fulfil HKEx’s ESG Reporting Guide disclosure requirements and have followed the following reporting principles:

10. VERIFICATION STATEMENT



◇ Inclusivity

D&G had stated in the report that its daily operations involves different communication channels for stakeholder engagement including satisfaction questionnaire, site visits, seminars, meetings, interviews, Group's website, annual general meeting, annual report and interim report and so on in different ways. This report covers the economic, environmental and social areas of concern to both the Group and its stakeholders, and is disclosed at a fair level of disclosures. Based on our Company's professional opinions, D&G adhered to the principle of Inclusivity in preparation of this report. Our company's view in area for enhancement to the report was adopted by D&G prior to the issuance of this verification statement.

◇ Materiality

This year is the fourth time that D&G publishes its sustainability report that enables stakeholders to make informed judgements about D&G's sustainability management and performance. The topics disclosed were those that are identified as important topics as material aspects through appropriate method. Area for enhancement to the report was adopted by D&G prior to our Company issuance of this verification statement. As this report was prepared by our Company, during the verification process, the senior management of D&G had participated in the review process of the report to ensure the report's Materiality, and was finally verified by our Company. Therefore, as our Company's professional opinion, the report had adhered to the principle of Materiality.

◇ Responsiveness

In response to the expectations and opinions of stakeholders, D&G has set up various channels including various questionnaires and corporate e-mail for different stakeholder groups under its management mechanism. Based on our Company's professional judgement, the report had adhered to the principle of Responsiveness.

Competency and independence

AEC was engaged as an independent consultant to provide report assurance services which ensured compliance with GRI Standards and the ESG Reporting Guide set out in Appendix 27 of the Listing Rules on the Stock Exchange. The assurance team which was appointed to deliver the described services is composed of sustainability and environmental consultants that are experienced in the industrial sector, and are trained in a range of related standards including GRI G4, GRI Standards, GRESB, AA1000, HKEx ESG Guide, carbon audit, ISO 9001, ISO 14001, and so on. Throughout the report compilation process, AEC has verified all disclosed data, content and compliance with the reporting standards as provided by D&G.

Ms. Kwok May Han Grace

Managing Director of Allied Environmental Consultants Limited

Hong Kong

28 June, 2019



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