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D&G TECHNOLOGY

2016 SUSTAINABILITY REPORT

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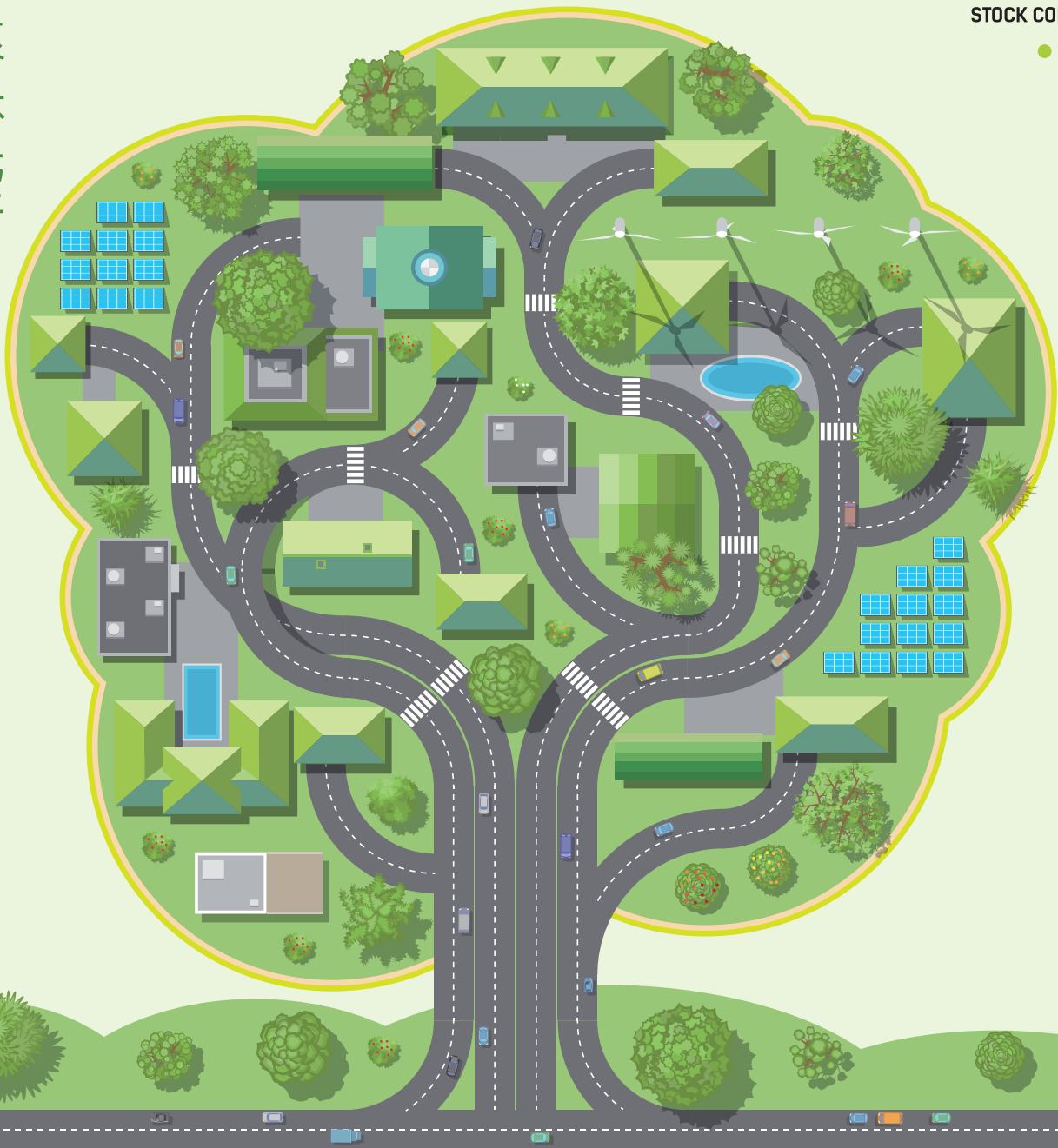
D&G TECHNOLOGY HOLDING COMPANY LIMITED

<INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY>

STOCK CODE 1301



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1. SUSTAINABILITY HIGHLIGHTS

The Group believes that the healthy growth of an enterprise, or a sustainable business, is dependent on a balance between business economics, environmental protection and social contributions. The Group highly values the concept of sustainability and has undertaken various measures over the years to imbed this concept into the mindset of the organization as a whole. Top management has undertaken additional measures this past year and initiated multiple activities and campaigns to promote environmental protection and social wellbeing. The vision for these activities and campaigns go beyond any tangible results: to educate and engage the entire organization to think from a sustainable perspective.

Under the theme of "Paving the way to a sustainable future", the contents of this Sustainability Report revolve around 3 topics: Fostering a culture of sustainability, leading the path in technological innovation and leaving an eco-friendly footprint.

The sustainability highlights include the following:



- Zero Fatal Incident (2nd consecutive year since record)
- 1.4 Lost Time Injury^{note(1)}



- 7.14 tCO₂/RMB'M revenue (Greenhouse Gas emission intensity)
- 12 tons of waste recycled
- 20 kWh ('000)/RMB'M revenue (Energy intensity)



- Zero Customer Complaints (2nd consecutive year since record)
- 49 Registered Patents (4 invention patents)
- 22 Software Copyrights



- Green Corporate Awards
- Green Initiatives
- Green Corporate Membership

Remarks:

⁽¹⁾ D&G experiences 1.4 Lost Time Injuries for every 200,000 hours worked, which is equivalent to around 100 persons working for one year



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 2016.

Our strategy of sustainable development has considered the PRC government policies and the "One Belt One Road" initiative. Aligning with the 13th "Five-year Plan" of China, we foresee the growth in demand not only for asphalt mixing plants required for road construction and maintenance projects, but also for more environmentally-friendly and energy efficient equipment in achieving the environmental protection plan promulgated. To meet these foreseeable demands, we have invested in the construction of a R&D building at our production base at Langfang, Hebei. The R&D building is anticipated to be completed by 2017, which would facilitate the Group's research and development process and upgrade the quality and eco-friendliness of our equipment as a whole.

In capturing the business opportunities along the "One Belt One Road" initiative, the Group has sought to develop and expand on the upstream and downstream related businesses. During the year, the Group has continued to develop the business of R&D, manufacturing and sale of burner combustion equipment (one of the essential components of asphalt mixing plants). The Group has also set up wholly-owned subsidiaries in India and Pakistan to carry out operating lease of asphalt mixing plants to local customers. Moreover, the Group has established a wholly-owned subsidiary in China engaging in the manufacture and sale of asphalt mixtures, which can further leverage our expertise in asphalt mixtures production for the development of downstream related business.

Beyond economic perspective, the Company has actively cultivated to raise sustainability awareness and promote a greener corporate culture. The proactive green governance philosophy of the Group has been rewarded with multiple awards in the past year, including the "Belt and Road Environmental Leadership Recognition Award" and "EcoChallenger" in BOCHK Corporate Environmental Leadership Awards organized by the Federation of Hong Kong Industries and Bank of China (Hong Kong), and the "Corporate Green Governance Award – Environmental Monitoring and Reporting" organized by Hong Kong Green Council. Moreover, our management team and staff have participated in numerous environmental and social activities in the past year including but not limited to WWF-initiated Earth Hour to turn off lights for an hour, World Environment Day to set up booths for public education and community engagement and Coastal Cleanup in Hong Kong. Through the participation of these social activities, the Group is further united under the green governance philosophy and paved the way to a sustainable future.

Lastly, on behalf of the board of directors of the Company, I would like to express my gratitude to our management team and staff for their effort and support in driving the Company towards sustainable development.

Choi Hung Nang
Chairman

22 June 2017



3. ABOUT THIS REPORT

3.1 About the Group

D&G is a leading medium-to-large-scale asphalt mixing plant manufacturer and service provider in China. The Group's core products include conventional hot-mix asphalt mixing plants ("conventional plants") and hot-mix asphalt mixing recycling plants ("recycling plants"). Asphalt mixtures produced by D&G's plants are used in road construction and maintenance projects, including the construction and maintenance of all grades of roads and highways. The Group also offers asphalt mixing plant customer services including sales of spare parts and components and provision of equipment modification services and leasing of asphalt mixing plants through operating leases.

3.2 Reporting Scope

The scope of the report covers D&G's **Hong Kong, Beijing, Shanghai, Guangzhou** and **Singapore** offices and main manufacturing plant and adjacent employees' dormitory located in **Langfang, Hebei**, as the operations undertaken are representative of the Group's overall efforts towards ESG-related aspects.

This is the Group's second published Sustainability Report covering the financial reporting period from **1 January 2016 to 31 December 2016**. All ESG-related activities during the reporting period are presented in this report.

3.3 Reporting Framework

This report makes reference to The Stock Exchange of Hong Kong Limited's (the "Stock Exchange") Environmental, Social and Governance Reporting Guide (ESG Guide), under **Appendix 27** of the Main Board Listing Rules. The Group follows the principles of Materiality, Quantitative, Balance and Consistency to report on the measures and performances in this reporting year. A Content Index is attached at the back of this report as a tool to navigate readers to the specific sections corresponding to the ESG Guide requirements. Corporate governance is discussed more in depth in the Annual Report in accordance with **Appendix 14** of the Main Board Listing Rules.

The Group appointed Allied Sustainability and Environmental Consultants Group Limited (stock code: 8320) to prepare for this report.

The Group's senior management team has been engaged in the report preparation and has approved this Sustainability Report. The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, in contributing to this report and to the environmental and social performances throughout the year.

3.4 Questions and Feedback

We welcome any feedback and suggestions for not only the Sustainability report but also the overall sustainability strategies. Feel free to contact us through: info@dgtechnology.com



3. ABOUT THIS REPORT

3.5 Stakeholder Engagement

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



Stakeholder visits

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

Stakeholder Groups	Specific Stakeholders	Engagement Methods
Investors	<ul style="list-style-type: none"> • Shareholders 	<ul style="list-style-type: none"> • Site visit tours at Langfang • Online media
Employees	<ul style="list-style-type: none"> • Senior management • Staff • Potential and new recruits 	<ul style="list-style-type: none"> • ESG surveys and meeting • Employees satisfaction surveys • Online media
Customers	<ul style="list-style-type: none"> • Road construction companies • Road construction machinery distributors • Sales agents • Finance leasing companies 	<ul style="list-style-type: none"> • Satisfaction surveys • Site visit tours at Langfang • Client site visits • Seminars • Online media
Suppliers	<ul style="list-style-type: none"> • Material suppliers • Subcontractors 	<ul style="list-style-type: none"> • Supplier site visits • Online media
Education and Research Partners	<ul style="list-style-type: none"> • Universities • Research Institutes • Industry Associations 	<ul style="list-style-type: none"> • Collaborative forums • Technical seminars • Online media
Government and Other Public Bodies	<ul style="list-style-type: none"> • County and local governments • Regulators 	<ul style="list-style-type: none"> • Site visit tours at Langfang • Online media
Community	<ul style="list-style-type: none"> • Local community • Neighboring residents • Local community organizations 	<ul style="list-style-type: none"> • Seminars • Public consultations • Online media
Business Partners	<ul style="list-style-type: none"> • Distributors • Exclusive Dealers • Joint Venture partners 	<ul style="list-style-type: none"> • Seminars • Training • Meetings and visits • Online media
Professional Associations	<ul style="list-style-type: none"> • Industry Associations 	<ul style="list-style-type: none"> • Industrial seminars • Online media
Media	<ul style="list-style-type: none"> • Industrial magazines • Industrial web platform 	<ul style="list-style-type: none"> • Collaboration and cooperation • Online media



3. ABOUT THIS REPORT

3.6 Materiality Assessment

The content of the Sustainability report is developed based on materiality assessment. The Group has conducted another round of internal stakeholder workshop to discuss environmental and social material issues relevant to the Group's operations. The objective of the workshop engaged department heads in the discussion of material issues and areas of improvement and emission reduction measures. Based on the discussions during the workshop, the Group was able to prioritize material issues to be highlighted in the Sustainability Report.



▲ D&G staff participate in materiality assessment workshop



▲ D&G staff participate in discussions in materiality assessment workshop

3.7 Ethics

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

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

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



3. ABOUT THIS REPORT

3.8 Awards and Recognition



As a result of the high quality and reputation of its products, its creditworthiness and its contribution to the community, D&G including the Group's CEO, Ms. Glendy Choi, has been awarded the following awards, authentication and recognition in the reporting period, as shown as follows:

Organizer	Award / Certificate
<p>China General Chamber of Commerce</p> <p>And</p> <p>China Foundation of Consumer Protection</p>	 <p><i>Certificate for Brand Certification</i></p>
<p>Imjx.net</p> <p>And</p> <p>Cmo2o.com</p>	 <p><i>2015 China Best 10 Asphalt Mixing Equipment Brand</i></p>







3. ABOUT THIS REPORT

Organizer	Award / Certificate
<p>Federation of Hong Kong Industries</p>	 <p><i>BOCHK Corporate Environmental Leadership Awards 2015- EcoChallenger</i></p>
<p>Federation of Hong Kong Industries</p>	 <p><i>Belt and Road Environmental Leadership Recognition Award (2015)</i></p>
<p>The Community Chest</p>	 <p><i>Community Chest Award – President's Award 2015/2016</i></p>
<p>Organizing Committee of T50 Summit of World Construction Machinery Industry</p> <p>And</p> <p>China Construction Machinery Magazine</p>	 <p><i>Rank 20th in the China Top 30 Construction Machinery Manufacturer</i></p>



3. ABOUT THIS REPORT

Organizer	Award / Certificate
<p>Green Council</p>	 <p><i>Hong Kong Green Awards 2016 – Corporate Green Governance Award (Environmental Monitoring and Reporting)</i></p>
<p>Quam IR</p>	 <p><i>Quam IR Awards 2015 – First Year After Listing Category</i></p>
<p>Dragon Design Foundation</p>	 <p><i>The 11th (2016) China Design Festival Award Bronze Award</i></p>
<p>CMRA And China Construction Machinery Industry Association Leasing Chapter</p>	 <p><i>2016 China Construction Machinery Leasing Industry Excellent Management Award</i></p>



3. ABOUT THIS REPORT

Organizer	Award / Certificate
<p>IQNet And CQM</p>	 <p><i>ISO 9001:2008 Standard Certificate</i></p>
<p>IQNet And CQM</p>	 <p><i>OHSAS 18001:2007 Standard Certificate</i></p>
<p>IQNet And CQM</p>	 <p><i>ISO 14001:2004 Standard Certificate</i></p>



3. ABOUT THIS REPORT

Organizer	Award / Certificate
Federation of Hong Kong Industries	 <p data-bbox="751 789 1300 853"><i>Young Industrialist Awards of Hong Kong 2016 - Ms. Glendy Choi</i></p>
Enterprise Asia	 <p data-bbox="659 1483 1377 1515"><i>Asia Pacific Entrepreneurship Awards 2016 – Ms. Glendy Choi</i></p>



FOSTERING A CULTURE OF SUSTAINABILITY



4. FOSTERING A CULTURE OF SUSTAINABILITY

4.1 People-Oriented Culture

D&G believes that a sustainable future depends on perspectives on the earth and its depleting resources, people's well-being and on caring for communities in need. To put action behind words, a number of campaigns have been carried out in the reporting period to raise awareness on environmental protection and community service. In line with the spirit of well-being for the environment and society, the Group is committed to employee rights and well-being, to ensure a healthy and safe working environment, fair employment practices and employee development opportunities.

4.2 Putting Action behind Words

Sustainable Lifestyle for a Sustainable Future – D&G's Earth Hour Participation

On 19 March 2016, D&G encouraged all staff to participate in the WWF-initiated Earth Hour, a world-wide campaign to turn lights off for one hour. D&G's participation in this campaign highlighted the corporate's efforts to support on "energy conservation, consumption reduction and emission reduction". All unnecessary lights were switched off at all company premises and offices and staff family homes for one hour from 20:30 to 21:30.

This meaningful event not only communicated the awareness for resource conservation across all D&G staff, but also echoed the message of resource conservation in the Group's products and daily operations.



Staff at Langfang production base joined Earth Hour ▲



▼ Ms. Glendy Choi, CEO of the Group, took part in the campaign



▶ Mr. Tiger Liu, Deputy General Manager of D&G Machinery joined the campaign with his family



4. FOSTERING A CULTURE OF SUSTAINABILITY

Promotion of World Environment Day in Hong Kong and Langfang

D&G participated in the World Environment Day held on 5 June 2016, also known as Hong Kong Green Day, which involved a series of green activities organized to spread the message of "Go Green, Act Green". To show support for this green event, D&G contributed as the Green Leader Sponsor of the Hong Kong Green Day 2016. Mr. Derek Choi, the Group's Executive Director, was one of the officiating guests at the Hong Kong Green Day Kick-off Ceremony 2016.

Apart from sponsoring the event, the Group has also helped in promoting the message of environmental protection within the company and to the public by arranging a series of activities. Activities included encouraging staff to wear and display green in their clothing and accessories on 5 June 2016, preparing promotional boards on energy saving tips, arranging internal training on low carbon environmental protection and waste separation, and distribution of gifts with environmental tips to the public in Langfang community.

Through public education and community engagement, the Group aimed to take a lead in increasing the awareness for environmental responsibility and protection.



Mr. Derek Choi (right fourth), Executive Director of the Group is the officiating guest at Hong Kong Green Day



D&G Machinery, the subsidiary of the Group, promoted the message of environmental protection in the Langfang community on 5 June 2016

4. FOSTERING A CULTURE OF SUSTAINABILITY



◀ *D&G staff promote the message of environmental protection in the Langfang community*

D&G Supports No Car Day 2016 in Hong Kong

To raise the awareness of vehicular air pollution and carbon emission, D&G joined with more than 140 organizations in Hong Kong on 22 September 2016 in support for the “No Car Day 2016”, an initiative set up by Friends of the Earth. Management and staff were encouraged to take public transportation instead of driving in order to reduce the amount of vehicular pollution on the roads. Vehicular pollution accounts for a large amount of carbon dioxide emissions, too much of which would be detrimental to our planet’s health. A way to counteract is to generate carbon sinks- absorber of carbon dioxide. The Group has donated for growing trees at Dongjiang headstream as an active approach to increase carbon sinks.

D&G support of No Car Day 2016 ▶



4. FOSTERING A CULTURE OF SUSTAINABILITY

D&G Supports Coastal Cleanup in Hong Kong

Ocean and waterway trash ranks as one of the most serious pollution problems choking the planet. D&G supported the International Coastal Cleanup 2016 Hong Kong campaign, a global event initiated by Ocean Conservancy since 1986. A cleanup was organized in the end of September to help clean Sandy Bay, a beach on Hong Kong Island. A majority of Hong Kong staff volunteered to participate in this meaningful activity and a total of 60kg rubbish was collected during the activity. This humbling experience was a demonstration of the Group's commitment and support on environmental protection.



Staff participate in coastal cleanup



D&G Plants for a Greener Future

The Group's sustainability stance is to develop into a green company through connecting with the nature. To demonstrate the Group's commitment to green operations and align with the corporate environmental and sustainability objectives, the Group participated in the Friends of the Earth's Trees COOLiving campaign as "Friends of Seedlings" to donate 300 trees in Jiangxi province. The Group hoped to arouse the hearts of others through this green action. The Group is committed to connect with stakeholders to create a greener future.



4. FOSTERING A CULTURE OF SUSTAINABILITY

4.3 Employee Well-being

The well-rounded reception in the abovementioned campaigns is a reflection of top management commitment and employee participation. While it is one thing to have an idea and vision, it is the hands and feet that bring changes and life. The Group acknowledges the importance of employee well-being and are focused on efforts to ensure workplace safety, sustainable employment practices and continual staff development and training.



◀ *D&G's Staff participate in training session*

Health and Safety

Health and safety of employees in a manufacturing business is of utmost priority. D&G is committed to providing a safe and healthy working environment for all employees and everyone who comes into contact with the business. The Group has safety policies in place that abide by relevant laws and regulations in regards to occupational health and safety.

All staff entering the Group must receive training on safety precautions, facility and equipment operation and maintenance prior to actual work. Department heads were placed in charge of overseeing and implementing safety policies of the Group, and to carry out necessary disciplinary measures shall safety protocols be violated. The following summarize some of the safety measures undertaken to guarantee a safe working environment:

- **Emergency plans and status assessment**
- **Annual occupational hazards inspections**
- **Monitoring reports of occupational working environment**
- **Frequent safety checks, drills and exercises relating to health and safety**
- **Employee trainings on occupational health and safety, including the correct use of Personal Protective Equipment (PPE)**
- **Health screening for all employees**
- **Archive of employees' medical files, pre-work, during-work and post-work**



4. FOSTERING A CULTURE OF SUSTAINABILITY



◀ Fire safety training



▶ Seminar of safe manufacturing

Under the strict observance of the safety protocols, D&G recorded no fatal incident in the reporting period. The Group has adopted the use of Lost Time Injury Rate (LTIR), which is defined as the sum of fatal incidents, lost-time incidents and cases multiplied by 200,000 (equivalent to around 100 persons working for one year) and divided by the total number of man-hours worked. In 2016, D&G recorded 6 injuries, a total of 237 days lost due to work injury. The calculated LTIR is 1.4. The figures accounted for all employees in Langfang factory only.



4. FOSTERING A CULTURE OF SUSTAINABILITY



Employee meeting



The monitoring and implementation of the Group's employment practices is headed by an experience team of individuals at the Human Resources department. The Group is an equal opportunity employer committed to fair and equal treatment in all areas of human resources, including recruitment and promotion, compensation and dismissal, working hours, diversity and other benefits and welfare. A set of guidelines were specified on management approaches to each of the areas of human resources listed above, in order that employees receive a fair and transparent understanding of the Group's expectations.

D&G also strictly abide by the prohibition of child labor laws and regulations. Human Resources department would screen through all recruits to ensure compliance with all laws and regulations, ensure employment contracts are duly signed and report to the local labor department. The Human Resources department would undertake all necessary measures to prevent and resolve any practices that do not conform to child labor laws.



D&G staff participate in training



4. FOSTERING A CULTURE OF SUSTAINABILITY

The Group has carried out Employee Satisfaction Survey every year since its inception in 2015. The objective of the survey is to enhance communications within the Group, i.e.: to understand employees thoughts and suggestions so as to allow the Group's management to make necessary policy adjustments. The survey covered topics such as staff training and development, remuneration package, company management and employee lifestyles and well-being (for those living in the adjacent dormitory provided by the Group). The findings of the survey allow the Group to realize areas of employee satisfaction and reassess areas of improvement.

This particular year marks the 10th year anniversary of D&G Machinery in Langfang. A celebratory evening was held in December 2016 that included entertainment and foods, speeches from the chairman and the CEO at the beginning of the event, and also an award ceremony recognizing staff who have served the Group over 10 years. The evening celebrated D&G Machinery's achievements, rewarded employees for their services and dedication to the Company and also served to promote the Group's core values of a family-oriented company culture.



◀ *Chairman and CEO pose for a picture for D&G Machinery's 10th year anniversary*



▶ *CEO and recipients of awards who have been with the company for 10 years*



◀ *Staff performances*



4. FOSTERING A CULTURE OF SUSTAINABILITY

Development and training

Sustainable business requires continual development in skills and knowledge in the industry. D&G holds a high value in team building and individual development, which would help promote a learning culture and bolster a unified team. Through various team building activities, staff were able to build on stronger connections with one another and create a friendly atmosphere conducive to better interpersonal communications and a better working environment.

A broad range of training topics were covered in the reporting period in order to equip a well-rounded staff team with technical knowledge and soft skills for better management of the company's operations. Some of the training topics include: risk management for manufacturing industry, the internet and big data, business development, product quality control, safety training for equipment usage, fire drill training and environmentally friendly designs of asphalt mixing plants. The Group believes in supporting staff development on a personal and professional level and thus would provide the funding and assistance as needed for staff to participate in various training and development sessions.

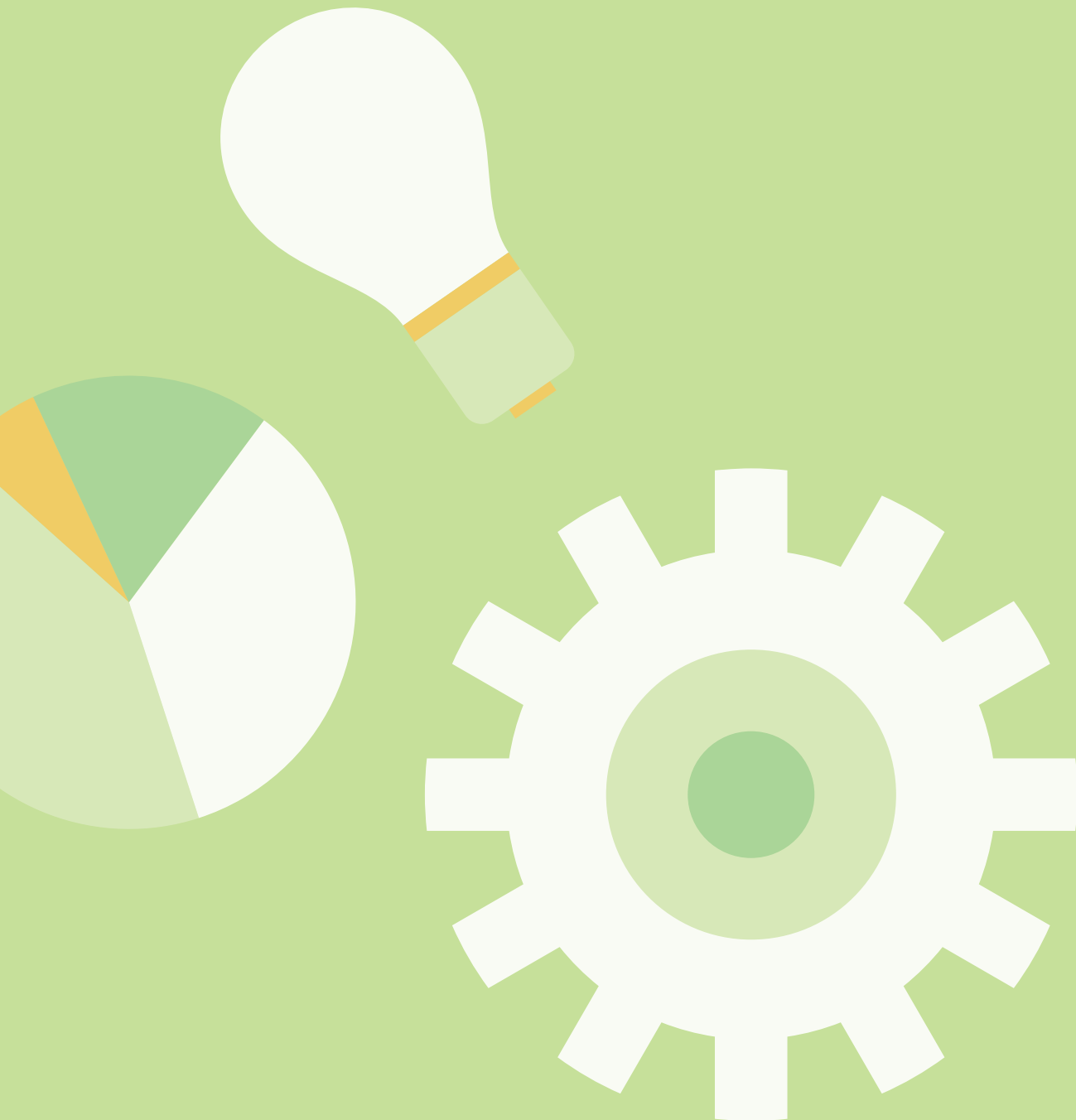


◀ Team building activity

Fire drill training ▶



Leading the Path in Technical Innovation



5. LEADING THE PATH IN TECHNICAL INNOVATION

5.1 Advancement in Technology

The core of D&G's successful business model lies in the technical innovation. The Group had provided upgrades to its latest inventions in order to improve capacity and minimize environmental footprint. In order to cater to research and development expansion, the Group has also begun construction of a state-of-the-art R&D Center in Langfang next to existing production facilities.

D&G's asphalt mixing plant are eco-friendly and multifunctional

Functions:

- Production capacity 100-400 t/h
- Production temperature for warm mix asphalt is 30-40 °C lower than hot mix asphalt producing temperature which is 150-180°C
- 15-50% Recycle Asphalt Pavement (RAP) addition

Environmental performance with warm mix:

- 10-35% fuel reduction

Reduced emissions:

- CO₂ – 60%
- SO₂ – 70%
- VOC – 50%
- CO – 10-30%
- NO_x – 60-70%
- Particulates – 20-25%



▲ D&G Monoblock Recycling Plant



▲ D&G Eco Series Plant



5. LEADING THE PATH IN TECHNICAL INNOVATION

5.2 DG LEAP and iCloud Technology

D&G has designed an automatic control system, called “DG Leap”, installed in all new asphalt mixing plants. The system allows a remote control of the asphalt mixing plant by D&G engineers to better maintain and provide technical support.

100% of new asphalt mixing plants sold during the reporting period has been equipped with DG Leap, ensuring system reliability and production continuity of the asphalt mixing plants.

As a measure of innovation, DG Leap has been upgraded to incorporate iCloud technology. Over 22% of new asphalt mixing plants sold contains iCloud technology, which essentially allows D&G staff to provide more solutions or extended service for customers based on data stored on iCloud.



5.3 Establishment of a new Research and Development Center

The Group is committed to continued excellence in the area of product research and development. Sensing the need to improve the working environment and create a more creative and open-minded atmosphere for staff, the Group has begun constructing a new research and development building at the Langfang production facilities.

The new R&D building will have a gross floor area of 4000 square meters and will consist of state-of-the-art facilities for testing for quality control and measurement of performance for hot mix plants. Consistent with the Group’s commitment to green development, multiple environmentally-friendly design measures have been adopted in the new R&D building such as:

- **Ground source heat pump- a central heating/cooling system that transfers heat to or from the ground- a sustainable source of energy**
- **LED lighting- energy-efficient artificial lighting**
- **Solar panels- converts solar energy to electrical energy**



▲ *Establishment of the “Institute of Innovative Science & Technology” in February 2016 to promote technological innovation and enhance our competitive edge*



5. LEADING THE PATH IN TECHNICAL INNOVATION

5.4 Ensuring Product Quality and Safety (B5 and B6)

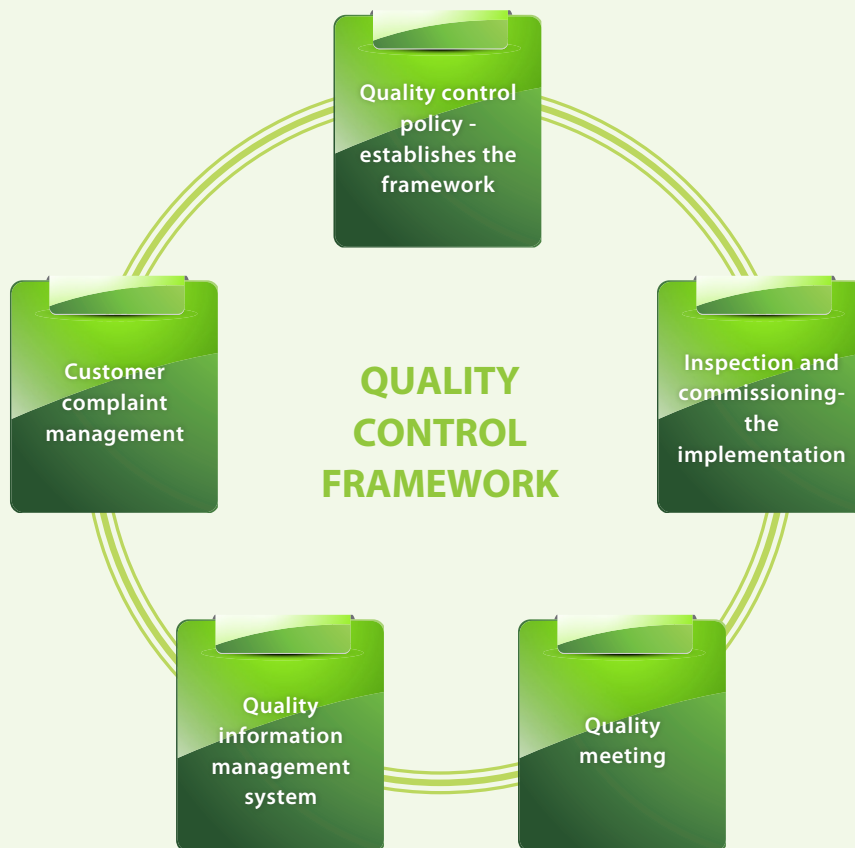
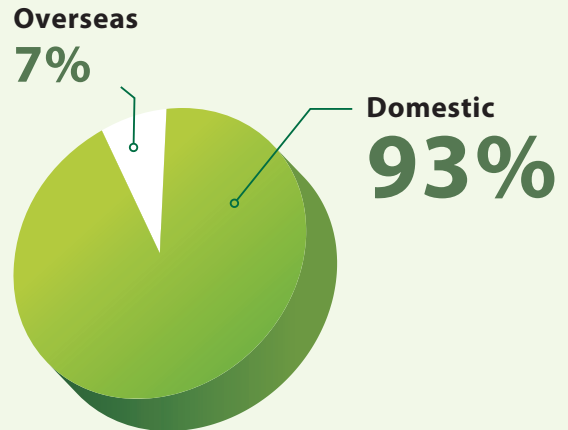
As D&G continues to develop higher quality and more efficient products, the control on supply chain and quality procedure must be reviewed periodically.

The Group purchases raw materials, packing materials, as well as parts and components from an approved list of suppliers. The selection of suppliers was based on product quality, technical support, production capability, environmental, health and safety matters. Should a supplier be found to have high environmental and social risks, the procurement team would carefully assess, keeping in line with the Group's vision and values.

The Group has a total of 140 suppliers, with 93% of suppliers coming from China. The sourcing from local suppliers shows support to the local economy and also cuts down on environmental emissions from transportation.

During the production process, the Group exercised all care and diligence to ensure quality is maintained throughout. The quality control framework undertakes the following procedures.

140 Suppliers by Region



5. LEADING THE PATH IN TECHNICAL INNOVATION

The iterative process ensures constant review of procedures and policies and look for room for improvement.

In the case of complaint, the Group undertakes the following handling method

- **Classify the complaint and refer to related department**
- **Conduct investigation and develop effective solution**
- **Conduct site visit (if necessary) as soon as possible to ensure smooth implementation**



Customer
Complaints

ZERO



Customer
Satisfaction Rate

91%

As a result of the Group's stringent quality control measures, there were no products sold being recalled nor customer complaints.

The Group designated a business administration department to handle all customer-related information in order to manage and protect customer privacy information. Only authorized personnel are able to access.

The Group holds numerous intellectual properties (IP) in the PRC. These IP are approved by the State Intellectual Property Office of the PRC and Trademark Office of The State Administration for Industry & Commerce of the PRC.

Up to the date of this report, D&G has 49 registered patents, of which 4 were invention patents, 45 were utility model patents. There are 22 software copyrights. 4 patents and 1 software copyrights are pending registration.



REGISTERED
PATENTS



INVENTION
PATENTS



UTILITY MODEL
PATENTS



SOFTWARE
COPYRIGHTS



5. LEADING THE PATH IN TECHNICAL INNOVATION

5.5 Industry Partnerships

D&G has been proactively involved and encouraged green innovation and development in businesses. Aligning with the Group's initiatives, the Group is one of the founding members of "GreenTech Alliance" hoping to provide a platform in which stakeholders can communicate, promote and share leading green approaches and accomplishments.



Representatives of advisory committee and founding members of "GreenTech Alliance" together with CEO of Green Council

The Group also partners with the following institutions for continued research and development:

Research Entity	Research Project Areas
Institute of Tsinghua University, Hebei	<ul style="list-style-type: none"> • Burning system design • Energy Consumption optimization • Energy-saving, emission reduction, environmental protection and recycling aspects of resources recycling
Hebei Asphalt Pavement Intelligent Equipment Technology Research Center	<ul style="list-style-type: none"> • Burning system design • Energy Consumption optimization • Energy-saving, emission reduction, environmental protection and recycling aspects of resources recycling • "Asphalt Pavement Recycling Technology Equipment and Demonstration"
The Research Institute of Highway, the Ministry of Transport	<ul style="list-style-type: none"> • "Asphalt Pavement Recycling Technology Equipment and Demonstration" • Monoblock recycling asphalt mixing plant



Leaving an Eco-Friendly Footprint



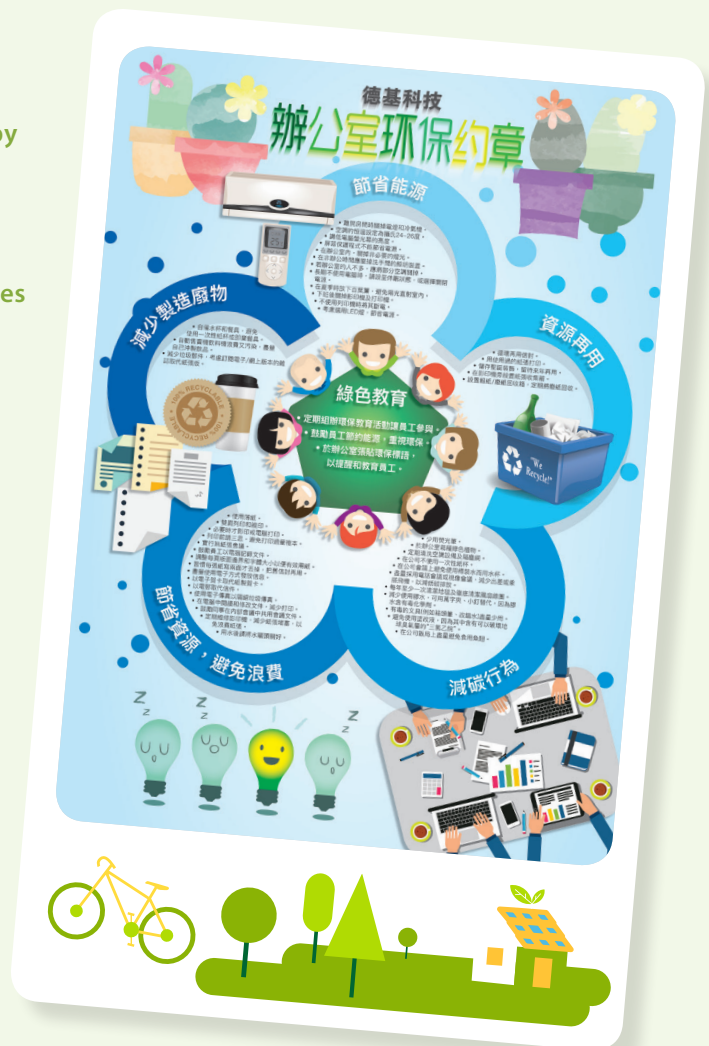
6. LEAVING AN ECO-FRIENDLY FOOTPRINT

6.1 Green-Minded Management

D&G is cognizant of developing more environmentally-friendly products and implementing low-carbon lifestyle. Leading by example, the Hong Kong headquarter office has established an internal green policy in order to create a green office atmosphere.

The green policies revolve around 5 main themes of energy reduction, waste reduction, resource (re)usage, low-carbon activities and conservation of resources. These policies aim to adjust staff behavior such that concepts of resource conservation and environmental protection may be developed within each employee. Some of the internal green policies include:

- Air conditioning temperature set at 24-26°C
- Turn off air conditioning and lights when leaving a room
- Reuse envelopes as far as practicable
- Recycle papers
- Prevent using once-off drinking cups or cutlery by bringing own drinking cups and cutlery
- Printing on double-sided papers
- Reduce the use of glue, which has toxic substances



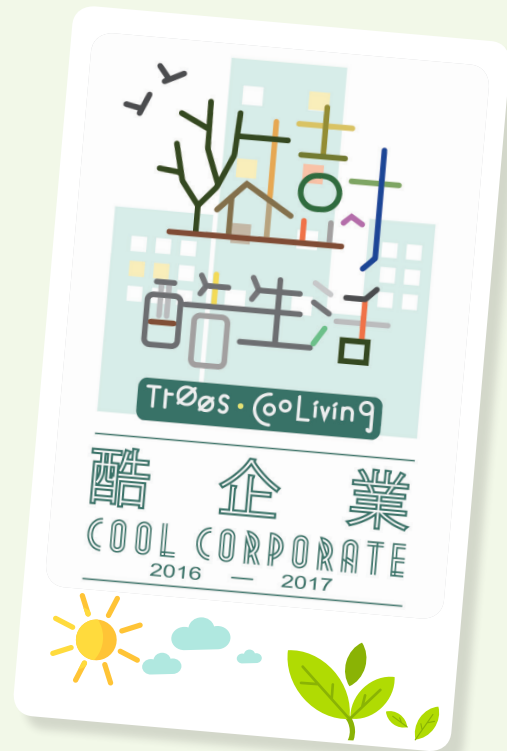
D&G Green Policy poster



6. LEAVING AN ECO-FRIENDLY FOOTPRINT

The Group has joined the “COOL Corporate Membership Scheme” established by the Friends of the Earth (HK) to step up its efforts to reduce carbon emission. As one of the first groups to join this membership scheme since its inception on 2016 Earth Day (22nd April), the Group has actively participated in seminars on waste reduction, urban farming and healthy corporate culture. These seminars allow the Group to have a broader spectrum and education on ways to promote green living.

D&G's COOL Corporate membership ▶



Additionally, the Group has joined the Corporate Membership Programme of WWF-Hong Kong (WWF) as a demonstration of the support to environmental conservation and corporate social responsibility. Being a corporate member of WWF, the Group would be more actively involved in conservation efforts. It is D&G's vision to spread the message of conservation within the organization and engage in more conservation-related activities in the future.

◀ *Ms. Sandra Ng, Assistant to CEO of D&G, received the trophy of bird model from Mr. Peter Cornthwaite, CEO of WWF-Hong Kong*



6. LEAVING AN ECO-FRIENDLY FOOTPRINT

The Group has also represented as the Vice President of “Beijing Association of Green Design and Green Manufacturing Promotion”. The benefits of being in this association will assist the Group in implementing eco-friendly designs and manufacturing; promotion of these endeavors through forums, exhibitions, seminars and publications; and establish platform for international communication and cooperation on green designs and manufacturing. Through the active participation in this association, the Group hopes to garner more technical knowledge on green manufacturing, implement such knowledge into its technological upgrades of equipment and thereby moving towards a more eco-friendly and sustainable development.

For manufacturing operations at Langfang factory, a stepwise green management approach is taken under the principles of clean production, energy saving, pollution prevention and continuous improvement. Policies in emission and resource conservation are covered in the following green management protocol:



The efforts of environmental protection must be accomplished through a progressive and systematic approach. D&G commit to be a responsible corporation in managing environmental impacts, and to continue development in a sustainable manner. During the reporting period, the Group has complied with all relevant laws and regulations with regards to air pollution, wastewater pollution and waste generation.



6. LEAVING AN ECO-FRIENDLY FOOTPRINT

6.2 Air Pollution Control

The main sources of air pollution from the Group's activities come from Langfang's manufacturing facilities, and are summarized in the following, with respective mitigation measures for proper air pollution control:

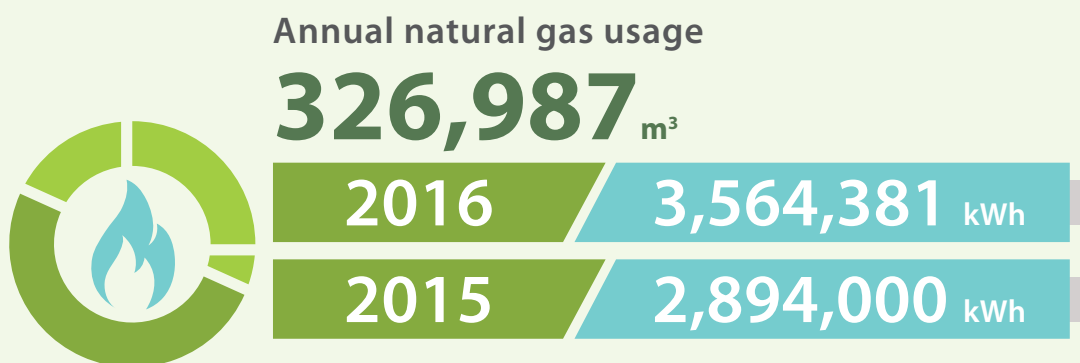
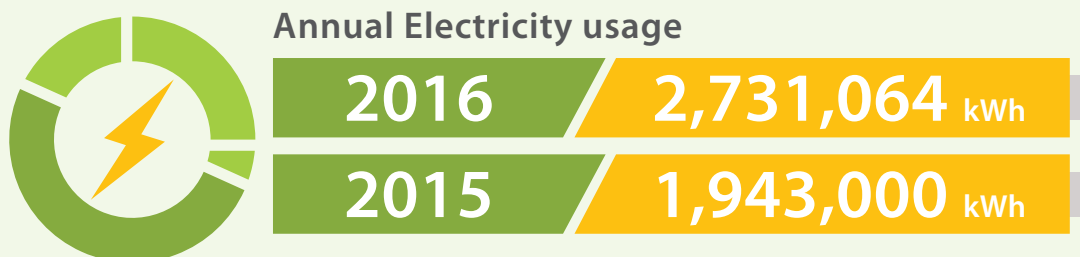
- Welding fumes are extracted by exhaust fan and passes through a purifier before emission
- Particulates generated from grinding wheel and shot blasting collected by pulse bag dust collector before emission
- Metal dusts are collected and recycled for use
- Volatile organic compounds (VOC) gas emitted from paint spraying removed through the use of water curtain and carbon adsorption before emission into the atmosphere
- Cooking fumes from cafeteria extracted through a fume purifier and promptly removal of oily fume and odor before discharge

The Group undertakes to further reduce potential air pollution and enhance working environment.

6.3 Greenhouse Gas

The major source of greenhouse gas emission from the Group's operations includes energy consumption.

The Langfang manufacturing facilities and adjacent dormitory utilize electricity and natural gas from the government grid.



6. LEAVING AN ECO-FRIENDLY FOOTPRINT

Measures to reduce energy consumption:

Replacement of lighting at factories with **LED lighting**

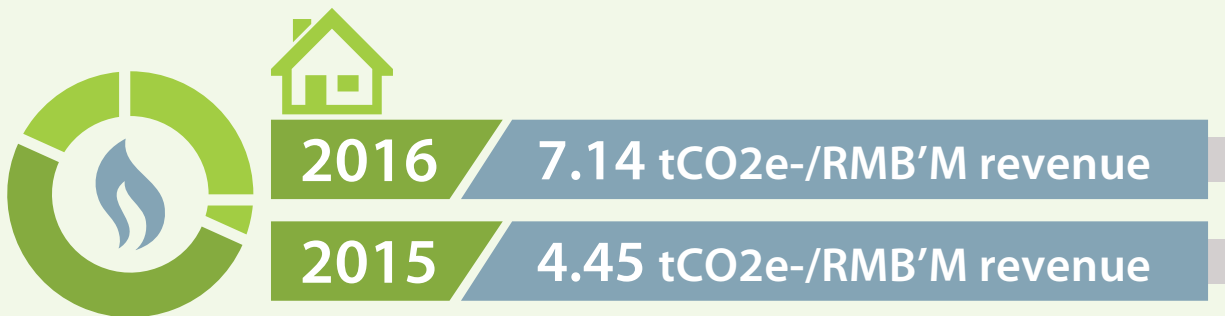
Pre-heating processes before welding has replaced electric heating pad (power rating: 180kW) with electromagnetic induction heating (power rating: 80kW);

energy reduction by **56%**

The electricity consumption for the Hong Kong office is a recorded 28,000 kWh, a drop from the previous year's 32,000 kWh. This may be attributed to the implementations to the energy-saving policies established in the reporting period. The total annual electricity consumption for the offices* are 38720 kWh.

** Excluding Beijing Office as data is not available*

The total greenhouse gas emission for the Group in the reporting period is 2296 tCO₂e- or in terms of intensity:



6.4 Water Usage

The manufacturing process at Langfang production site does not require a large amount of water. The main water use is by the dormitory, of which the sewage generated would be discharged to county sewage treatment facilities. The Langfang site has consumed an annual 24940m³ of water in the reporting period.

The water consumption for the offices* is 23.4m³.

**Excluding Beijing, Shanghai, Guangzhou offices as data are not available*

The total water consumption is 24,963m³.



6. LEAVING AN ECO-FRIENDLY FOOTPRINT

6.5 Waste Management

D&G's main hazardous waste include paint bucket, paint slag, filter cotton, used mineral oil and cartridge. A total of 48.43 tonnes of hazardous waste was generated in the reporting period and sent to qualified hazardous waste processing companies.

The Group has generated a total of 196.4 tonnes of non-hazardous waste this reporting period, of which 5.78 tonnes of cardboard and 6.2 tonnes of steel has been recycled.

6.6 Green Awards

As a reflection of the Group's endless efforts to promote environmental protection and conservation, multiple awards has been given.

"Belt and Road Environmental Leadership Recognition Award" and "EcoChallenger"

D&G Technology is committed to the research and development of environmental friendly asphalt mixing plants which can reduce the energy consumption and emission of dust, smoke and noise. The eco-friendly products have been exported to various countries along the Belt and Road region, including India, Brunei, Vietnam, Cambodia, Kazakhstan, Turkmenistan, etc.

The Group is honored to receive "Belt and Road Environmental Leadership Recognition Award" which was held for the first time. The award is in recognition of the outstanding performance of the enterprise implementing environmental protection measures in the regions along "Belt and Road".

The Group also completed a number of environmental projects last year, and some were selected for the BOCHK Corporate Environmental Leadership Awards Programme to compete the awards with more than 450 participating enterprises. The awards aim to encourage enterprises to implement environmental protection measures and reduce environmental pollution, and commend those enterprises to contribute in environmental protection. The Group's environmental contribution was applauded with the "EcoChallenger" award.

Ms. Glendy Choi, CEO, and Mr. Derek Choi, Executive Director, attended the ceremony to receive the BOCHK award



7. THE DEDICATION AS A RESPONSIBLE CORPORATION CONTINUES

D&G understands the road to sustainable development requires dedication and innovation. Through the leadership of the senior management, the Group has endeavored to foster a culture of sustainability, lead the way in technology innovation and leave an eco-friendly footprint. Additionally, the One Belt One Road initiative by the PRC has presented enormous economic opportunities to the Group's business, thus the Group has responded by expanding its business and R&D capacity in order to better position itself to seize these opportunities. The Group will continue to equip, expand, educate and dedicate itself in the strive towards paving the way to a sustainable future.



8. PERFORMANCE TABLE

Environmental Performance

Indicator	Unit	2015	2016
Gaseous Emissions¹			
Particulate Matter	Tonnes	2.9	7.8
Sulfur Dioxide (SO ₂)	Tonnes	0.086	0.00
Nitrogen oxides (NOx)	Tonnes	0.75	0.70
Greenhouse Gas (GHG) Emissions²			
Scope 1: Direct emission	Tonnes of CO ₂ equivalent (tCO ₂ e-)	158	193
Scope 2: Indirect emission	tCO ₂ e-	1,579	2,103
Total	tCO ₂ e-	1,737	2,296
GHG Intensity	tCO ₂ e- / RMB'M revenue	4.45	7.14
Hazardous Waste			
Total	Tonnes	40.5	48.4
Non-Hazardous Waste³			
Total	Tonnes	229.7	196.4
Energy Usage			
Electricity	kWh ('000)	1,975	2,770
Gas	kWh ('000)	2,894	3,564
Total	kWh ('000)	4,869	6,334
Energy intensity	kWh ('000) / RMB M' revenue	12.5	19.7
Water Consumption			
Total	m ³	20,134	24,963
Water consumption intensity	m ³ / no. employee	45.4	57.8

¹Gaseous emissions calculated based on monitored concentration and emission rate, and converted using the dry gas flow rate and annual operating hours, respectively

²The Group reports GHG in accordance with the principles and methodologies of local and international carbon accounting standards. The emission factor used for cities in China is referenced from < 2015 中國區域電網基準線排放因子 >; for Hong Kong is referenced from Hong Kong Electric; for Singapore is referenced from the Singapore National Environment Agency's "Information on Emission Factors".

³Non-hazardous waste recorded include: steel scrap, wood, paper carton boxes



8. PERFORMANCE TABLE

Social Performance

Indicator	Unit	2015	2016
Workforce			
Total	No. of people	444	438
By Gender			
Male	No. of people	365	358
Female	No. of people	79	80
By employment position			
Senior management	No. of people	8	7
Managers	No. of people	60	55
Frontline and general staff	No. of people	376	376
By age group			
18-20	No. of people	6	3
21-30	No. of people	172	143
31-40	No. of people	112	128
41-50	No. of people	108	106
51-60	No. of people	43	52
61 or above	No. of people	3	6
By Location			
Hong Kong	No. of people	12	14
Langfang	No. of people	334	333
Beijing	No. of people	64	53
Shanghai	No. of people	15	15
Guangzhou	No. of people	18	22
Singapore	No. of people	1	1
Employee turnover¹			
By Gender			
Male	No. of people	19	60
	%	5.3	16.6
Female	No. of people	9	13
	%	11.6	16.4
By age group			
18-20	No. of people	0	1
	%	0	22.2
21-30	No. of people	11	30
	%	6.3	19.0
31-40	No. of people	10	21
	%	8.7	17.5



8. PERFORMANCE TABLE

Indicator	Unit	2015	2016
41-50	No. of people	5	15
	%	4.6	14.0
51-60	No. of people	4	5
	%	8.7	10.5
61 or above	No. of people	1	1
	%	28.6	22.2
By Location			
Hong Kong	No. of people	0	1
	%	0	8
Langfang	No. of people	42	60
	%	12.5	18.0
Beijing	No. of people	8	8
	%	12.5	13.7
Shanghai	No. of people	1	2
	%	6.7	13.3
Guangzhou	No. of people	1	2
	%	5.6	10.0
Singapore	No. of people	0	0
	%	0	0
Health and Safety			
Total number of work-related fatalities	No. of people	0	0
Lost days due to work injury	Days	28	237
Lost Time Injury Rate (LTIR) ²	Unit	1.3	1.4
Training			
By gender			
Male	%	100	85
	hours	33.7	35.8
Female	%	67	69
	hours	22.7	39.2
By employment position			
Senior management	%	67	50
	hours	13.7	39
Managers	%	100	81
	hours	30.5	54
Frontline and general staff	%	89	88
	hours	10.3	36

¹ Turnover is defined as employees who leave the company voluntarily or due to retirement, dismissal or other reasons. The turnover rate is calculated based on the following formula:

$$\text{Turnover \%} = \frac{\text{NELDY}}{(\text{NEBY} + \text{NEEY}) / 2}$$

Where:

NELDY = Number of Employees who Left During the Year

NEBY = Number of Employees at the Beginning of the Year

NEEY = Number of Employees at the End of the Year

The turnover rate refer to the total number of employee turnover of the respective category (gender/age group/location) per the total number of employee of the corresponding category (gender/age group/location).

² Lost Time Injury Rate (LTIR), which is defined as the sum of fatal incidents, lost-time incidents and cases multiplied by 200,000 (equivalent to around 100 persons working for one year) and divided by the total number of man-hours worked.



9. ESG CONTENT INDEX

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A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	Sec 8	39
A1.3	Total hazardous waste produced and, where appropriate, intensity	Sec 8	39
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A2 Use of Resources			
A2	General Disclosure	Sec 6.1 - 6.4	31 - 35
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A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Sec 6.4	39
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	N/A – No packaging	N/A
A3 The Environment and Natural Resources			
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B. Social			
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B2.2	Lost days due to work injury.	Sec 8	41
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Sec 4.3	19



9. ESG CONTENT INDEX

	Aspect / Description / KPI	Statement/Section	Page No.
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B3.2	Average training hours completed per employee by gender and employee category	Sec 8	41
B4 Labour Standard			
B4	General Disclosure	Sec 4.3	21
B4.1	Description of measures to review employment practices to avoid child and forced labour	Sec 4.3	21
B4.2	Description of steps taken to eliminate such practices when discovered	Sec 4.3	21
B5 Supply Chain Management			
B5	General Disclosure	Sec 5.4	27
B5.1	Number of suppliers by geographical region	Sec 5.4	27
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Sec 5.4	27
B6 Product Responsibility			
B6	General Disclosure	The Group strictly complies with relevant laws and regulations to protect customers' privacy and intellectual property rights, designs are kept confidential.	N/A
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Sec 5.4	28
B6.2	Number of products and service related complaints received and how they are dealt with.	Sec 5.4	28
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B7 Anti-Corruption			
B7	General Disclosure	Sec 3.7	8
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Sec 3.7	8
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Sec 3.7	8
B8 Community Investment			
B8	General Disclosure	Sec 4.2	15 - 18
B8.1	Focus areas of contribution	Sec 4.2	15 - 18
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