



YUSEI HOLDINGS LIMITED 友成控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 00096)

2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



* For identification only

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ABOUT THE GROUP

Yusei Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group” or “we”) are principally engaged in the design, development and fabrication of precision plastic injection moulds, and the manufacture of plastic components in the Peoples’ Republic of China (the “PRC”). The Group also provides services for certain assembling and further processing of plastic components for its customers. The Group’s customers are mainly the manufacturers of branded auto parts and components, office equipment and plastic components in the PRC.

ABOUT THIS REPORT

The Environmental, Social and Governance (“ESG”) report describes various activities in support of the principle of sustainable development of the Group and its performance in corporate governance in 2019.

All the information contained herein reflects the performance of the Group on environmental protection and social care from the year from January 2019 to December 2019.

REPORTING STANDARDS

This report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “Guide”) set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and uses the following four reporting principles as the basis for preparing the report.

Reporting Principle	Definition	Application of the Reporting Principle
Materiality	Focusing on environmental, social and governance issues that have a significant impact on the Group and its stakeholders.	The management of the Group identified significant environmental, social and governance issues of the year based on the degree of environmental and social impacts of the manufacturing and sales process, and made key disclosures in the Report.
Quantitative	Key performance indicators should be measurable and, where appropriate, comparable.	The Group records and estimates quantitative data and compares it with past performance where feasible. The quantitative data of social key performance indicators in the Report is derived from the statistical records of the relevant departments of the Group.
Balance	The Report should present the Group’s environmental, social and governance performance in an objective manner that avoids selection and omission.	The Report is presented in an objective and unbiased manner to ensure that the information disclosed herein gives a true representation of the Group’s overall environmental, social and governance performance.
Consistency	Environmental, social and governance (ESG) reports should be prepared in a consistent manner, including disclosure of statistical methods, so that indicators can be compared and corporate performance can be understood.	Wherever feasible, the Group uses consistent statistical methods. In the event of any changes that may affect comparisons with previous reports, the Group has annotated the Report accordingly.

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The information contained herein has been sourced from official documents and statistics of the Group, and was consolidated and compiled with the information on control, management and operations information as provided by the companies under the Group in accordance with the Group's relevant policies.

This report is prepared in both Chinese and English and is available on the Group's website at www.yusei.cn and the Stock Exchange's website at www.hkexnews.hk. In case of contradictions or inconsistencies between the Chinese and the English versions, the Chinese version shall prevail.

FEEDBACK

Our continuous improvement relies on your valuable opinions on our performance and reporting method. If you are in doubt or have any recommendations concerning this report, you are welcome to send us your advice via email at zl-chen@yusei.cn for the continuous improvement of our performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRUCTURE

The board of directors of the Group directly supervises ESG matters and is responsible for formulating and implementing management strategies. The Group has an ESG working committee mainly formulates related management systems, organizes the preparation of reports and continuously optimizes the management system. The Group also provides clear guide to define the terms of reference of the ESG working committee to assist the committee in carrying out ESG related matters. The committee has an ESG working group, which is composed of the heads of various departments. Its main responsibilities are to implement and execute relevant ESG policies and measures, and to collect relevant data for report disclosure.

RISK MANAGEMENT

To ensure good corporate governance of the Group, the Group has formulated an enterprise risk management mechanism and internal control system. The Group has established a risk management organizational framework and is composed of the Group's board of directors, audit committee and senior management. The board of directors is responsible for determining the risks to be undertaken by the Group's policy objectives and reviewing the effectiveness of its system through the audit committee. During the year, the Board of Directors believed that the Group's risk management and internal control systems were effective.

MATERIALITY ASSESSMENT

Management and employees of the Group participated in preparing this ESG Report and assessing and reviewing its operating practices with regards to environment, social and governance aspects, as well as how these operating practices are material to our business operations and stakeholders. Pursuant to the ESG Guide, the ESG Report provides a quantitative description of the effectiveness of our ESG-related practices, together with general disclosure of these practices. During the Reporting Period, no KPI target was set; however, to the best knowledge of the Board, our environmental and social impact was, if any, within the industry standard and maximum limit placed by the government authorities.

COMMUNICATION WITH STAKEHOLDERS

To the Group, stakeholders refer to the groups or individuals who have significant impact to or are impacted by the business of the Group. The stakeholders of the Group include the management, the employees, as well as the customers, suppliers, business partners, investors, regulators and various community groups. In the past year, the Group maintained communication with key stakeholders through different channels. Through communication with stakeholders, the Group is able to understand the views of the stakeholders to identify the important ESG issues.

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CARE FOR EMPLOYEES

QUALITY OF WORKPLACE

Employees are our most precious asset. As the Group expands, loyal and industrious employees are presented with many opportunities for career advancement. The Group adopts non-discriminatory employment practices and provides a safe and healthy workplace. In 2019, the Group is committed to cultivating excellent employees and rewarding them based on their respective performance and productivity. The Group will review staff's remuneration packages every year to ensure that employees' pay returns are fair and competitive. The Group purchases comprehensive medical care and disability insurance for employees and provides retirement plans. Employees can also redeploy among companies of the Group as needed.

WORKING CONDITIONS

A safe, efficient and comfortable working environment is very important for companies to achieve sustainable development. In addition to complying with international labor standards and the laws of the region where the business is located, the Group's operating companies have their own internal guidelines and systems to ensure the health and safety of employees.

We are committed to providing a work environment free from any form of discrimination on the basis of ethnicity, gender, religion, age, disability or sexual orientation. We provide equal opportunities for all personnel in respect of hiring, pay rates, training and development, promotion and other terms of employment. The concept of diversified personnel will help to strengthen the Group, bringing different talents and skills.

The Group seeks to attract and retain talented employees through providing a work environment that promotes values such as fair play, respect and integrity. Compensation packages are competitive, and the promotion and rewards of employees are based on merits and the contributions that they can bring to the Group.

In order to improve the physical and mental health of the staff, the Group has set up a number of facilities such as basketball courts, table tennis rooms, and trade union activities rooms inside the factories to encourage employees to actively participate in the balance of work and life activities. Activities include a variety of cultural activities, staff outdoor activities. For example, as an annual regular event of the Group, the Group organizes the annual dinner and staff's picnic every year around the Lunar New Year and in Spring in China. It aims to provide a platform for the employees of the Group to show their artistic talents and to build up the morale. During the year, the Group also organized internal sports activities such as sports days.

Externally, in 2019, we organized teams to participate in various competitions organized by the government and other organizations, including basketball, table tennis, and martial art competition organized by trade unions.

As at 31 December 2019, the Group had approximately 2,200 employees in which 68% are male and 32% are female. Approximately 48% of employees are aged under 30, 32% are aged between 30 – 39, 16% are aged between 40 – 49 and only 4% aged 50 or above. Staff costs during the year ended 31 December 2019, including directors' and chief executive's emoluments, amounted to approximately RMB203,000,000.

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HEALTH AND SAFETY

The Group provides a healthy and safe workplace for all employees, in line with established internal guidelines and systems.

We adopt international best practices in occupational health and safety. Our subsidiaries in China also comply with “Work Safety Standardisation” in China, a standard established by State Administration of Work Safety. In addition, various activities and training courses were organised to elevate our employees’ awareness about occupational health and safety. The design, operations and maintenance of our industrial parks also comply with the relevant government regulations in respect of occupational safety and fire prevention.

DEVELOPMENT AND TRAINING

The Group focuses on personal and professional development of its employees and provides opportunities for development and promotion for employees who are dedicated to their work while expanding business. We emphasise on the career development of our employees, which translates into extensive trainings for them. Comprehensive and structured programmes are organised for new employees to familiarise them with our industry. Based on the needs of each department, appropriate training courses are formulated to meet the market needs. These training courses include internal and external training courses, e-learning courses and other on-the-job training. In addition, the Group regularly assigns technical staff and lower level management to Japan for training, so that they are able to learn Japanese techniques, and management skills for production aspects. Ongoing training programmes are offered to existing employees from front line staff up to top management (including executive directors) for the purpose of refreshing and developing their knowledge and skills. Professional training includes various lectures and seminars to explore leadership, corporate governance and the latest legal development issues to update and expand their knowledge and skills. The Group believes that investing in employees is of paramount importance to the company’s future development.

In addition, as one of our traditional events, we organised our annual performance accreditation in April 2019 to give compliments to outstanding employees, so that these outstanding employees can become the role models and thereby creates a value for excellence among the employees of the Group.

LABOUR STANDARDS

We fully understand that the exploitation of child and forced labour is universally condemned, and therefore take the responsibilities against child and forced labour very seriously. We strictly comply with all laws and regulations against forced and child labour. Internal policies are also in place to ensure that no person who is underage or under coercion is hired and, if any such case is identified during the recruitment process, it is reported to the relevant authorities.

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ENVIRONMENTAL MANAGEMENT

The Group is committed to minimising the impact of business activities on the environment, and supporting environmental protection programmes. In particular, a number of initiatives designed to conserve resources were introduced to promote employee awareness of the need to achieve efficient utilisation of resources.

We fully understand the importance of environmental protection and environmental friendly production. We take up social responsibilities, and cooperate with our stakeholders including suppliers and customers to make contributions to the conservation of the environment. We implement stringent controls on all manufacturing procedures covering product design, purchases of raw materials, production and deliveries. Accordingly, our manufacturing procedures comply with international standards on environmental management in all aspects.

The Group is a pioneer in environmental management. Since 2002, the Group have been accredited with ISO14001 environmental management system certificate, and therefore have been ISO14001 compliant since then.

EMISSION AND WASTE MANAGEMENT

During the year ended 31 December 2019, the Group's greenhouse gas emission included carbon dioxide (CO₂) of approximately 74,000 tonnes (including scope 1-Direct greenhouse gas emission of 9,000 tonnes and scope 2 energy indirect gas emission of 65,000 tonnes), methane (CH₄) of approximately 900 tonnes and nitrogen oxide (N₂O) of approximately 100 tonnes. With the target of minimising greenhouse gas emission, all of our key production equipment are driven by electricity instead of being fueled by diesel. Greenhouse gas (CO₂) is mainly generated from transportation activities and certain ancillary equipment. As one of our emission reduction initiatives, we have a policy of phasing out those ancillary equipment fueled by fossil energy and replace them with new equipment driven by electricity or natural gas. With a view to reducing the frequency of product transportation, relevant employees are required to plan the product delivery logistics in a more efficient manner and, if necessary, temporary warehouses are rented in the proximity of our customers. As a result, our emission was maintained at a low level.

During the year ended 31 December 2019, the Group generated non-hazardous wastes such as metals, degradable plastics, wooden boxes and other non-chemical wastes of approximately 300 tonnes (2018: approximately 300 tonnes), or approximately 0.23 tonnes per RMB1 million of output. The Group aims to operate our industrial facilities with maximum resources efficiency by minimizing the materials used throughout the manufacturing processes and increasing the recycling rate and the use of reusable materials. We keep track on the materials that we use, aiming to reduce unnecessary waste of materials. Moulds, which are manufactured by ourselves for subsequently producing components, are carefully designed with a target of minimising material wastage in the component production processes. Throughout our production, we have also developed and installed devices to further reduce the consumption of excessive parts and materials. In order to increase our recycling rate and maximise our resources efficiency, we have set up recycling corners at all factories, where staff collect and compact recyclable materials, including cardboard and metals. Recyclable materials are recycled at material recycling corners. We also work closely with our suppliers by returning recyclable materials to suppliers for reuse.

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During the year ended 31 December 2019, the Group generated hazardous wastes such as waste electrical and electronic items and waste chemicals of approximately 20 tonnes (2018: approximately 20 tonnes), or approximately 0.02 tonnes per RMB1 million of output. To meet our stakeholders' expectations and our environmental goals, it is critical to ensure that we have the high degree of safety in treating our hazardous wastes, as well as compliance with relevant laws and regulations.

With a view to minimising the use of materials that generate hazardous wastes, we maintain close dialogue with customers and suppliers with a view to always exploring the possibility of using alternate materials in the manufacturing processes. Procurements of materials that generate hazardous wastes are closely monitored and approved by higher level of management for the purpose of minimising unnecessary purchases and reducing the generation of hazardous wastes.

USE OF RESOURCES

The Group consumed approximately 81 million kwh (2018: approximately 79 million kwh), or approximately 62,000 kwh (2018: approximately 62,000 kwh) per RMB1 million of output, of electricity during the year ended 31 December 2019. Since electricity is the major energy source in our manufacturing processes, energy use efficiency has become one of the most important selection criteria in the procurement of production equipment. Further, each of our factories has its own resources conservation team which consists of relevant staff such as production floor managers and equipment technicians. The resources conservation teams conduct regular patrols throughout our manufacturing and dormitories areas to identify any cases of energy waste. All demerit points recorded by the resources conservation team are reported to the appropriate level of management and affect the monthly performance appraisal of the responsible employees, and the responsible employees are also required to prepare corrective action plans for improvements.

The Group consumed approximately 190,000 litres (2018: approximately 240,000 tonnes), or approximately 146 tonnes (2018: approximately 190 tonnes) per RMB1 million of output, of water during the year ended 31 December 2019. Clean water is a valuable resource, which the Group is committed to conserving. The Group had not encountered any issue in sourcing water that is fit for purpose. We only use water supplied from municipal sources and do not have any on-site wells or boreholes. To control water pollution, the Group continuously reinforces waste water treatment by strictly following ISO14001 requirements and carrying out measurements of required items in order to meet the waste water standards in ISO14001. In addition, we have been carrying out various water saving campaigns at dormitories and manufacturing areas with a view to increasing the awareness of conserving water resources among our employees.

During the year ended 31 December 2019, to reduce the use of one-off packaging materials, we have increased our internal reuse rate by taking the initiatives of eliminating the use of disposable cardboard boxes and disposable dividers and replacing them with the durable plastic ones. Additionally, we also reuse plastic bags and cardboard dividers that are collected at our recycling corners as internal packaging materials in order to better utilise our resources.

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OPERATIONAL MANAGEMENT

SUPPLY CHAIN MANAGEMENT

The Group has the greatest respect for the laws and regulations that govern the way we go about our business. The Group always adheres to international best practices and conducts fair and unbiased tender processes when dealing with suppliers.

We adhere to the principle of transparency and implement the values of honesty, integrity and fairness in our supply chain management. Our procurement procedures provide directions and guidelines on evaluation and engagement when dealing with suppliers of goods and services to ensure business is conducted with legally, financially and technically-sound entities. In addition, approval procedures are in place to ensure that supplier engagements are monitored and approved by the appropriate level of management. When selecting suppliers, the Group takes into account factors such as quality of services and products, past performance, financial standing and market share assessment. The Group expects major suppliers to observe the same environmental, social, health and safety and governance policies in their operating practices as those adopted by the Group. Procurement teams are trained to take into account each and every aspect of such policies when assessing suppliers and tendering procedures are carefully and thoroughly communicated to vendors.

PRODUCT RESPONSIBILITY

A high priority for the Group is to ensure customer satisfaction in terms of our products and services. Strenuous efforts are made to ensure compliance with the laws and regulations relating to product health and safety, advertising, labelling and privacy matters of the jurisdictions in which we operate. We require our people to comply with applicable governmental and regulatory laws, rules, codes and regulations. To ensure product quality and safety, the Group has an internal department which meet regularly with policies about product quality and safety and compliance with laws and regulations are clearly communicated to our employees. In addition, the Group runs training sessions for relevant staff members, third-party suppliers and business partners in respect of product responsibilities. Orientation training is conducted for new employees, while refreshment training is provided for all employees on a regular basis.

The Group adopts international best practices in the area of product quality management, and has been accredited with ISO9001 certification since 2002, and TS16949 certification. Various initiatives have also been introduced as part of our efforts to continuously improve the quality, reliability and safety of our products and services. During the year, the Group continued to implement total improvement activities which require the participation of all employees from front line staff to senior management to identify, analyse and implement areas of improvement in our production processes. We are committed to product quality and safety, and therefore we have received numerous accolades from many reputable customers for the quality and reliability of our products and services for years.

ANTI-CORRUPTION

The Group has established a sound internal control structure and strict policy to set up an audit monitoring team, and implement thoroughly to prevent corruption and fraud. The audit team and the management never tolerate corruption and fraud. The values of honesty, impartiality, transparency and accountability are reflected in the Group's policies and operating procedures.

At the same time, the Group expresses its firm stance on anti-corruption and fraud to its employees and also includes appropriate provisions in the contracts with third-party suppliers to clarify the Group's requirements. The Group's internal audit department will carry out independent audit work, to effectively improve the overall mechanism.

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In addition, any event or suspicion will be immediately reviewed by the relevant department, and will be reported to the audit monitoring team and the management, if necessary, and investigated by the internal audit department. The Group also provides anonymous channels of inquiry, investigating suspicious or actual violations, and fully cooperating with any law enforcement agencies.

The Group remains fully alert against constant changes in corruption and fraud, and continues to seek and implement more effective preventive measures. The Group will understand the causes, processes and solutions of the irregularities by analyzing trends and events, and organize regular internal seminar for exchange of relevant knowledge, skills and experience.

In conclusion, the Group's firm stance on anti-corruption and fraud is an important part of the overall corporate governance and is prepared to use sufficient resources to protect the assets and interests of the shareholders. The Group and its employees strictly abide by the relevant legal and ethical standards. In 2019, there is no material violations against the relevant standard, rules and regulations. In addition, in 2019 there was no litigation in relation to the corruption involved in the Group or its employees.

COMMUNITY INVOLVEMENT

The Group emphasizes building a harmonious and cohesive relationship with the community where it is located, and understanding the community needs through active participation in the activities of the community and taking practical action to ensure that the Group's business activities have taken into account the interests of the community. We are proud of the work we do for the community. As part of the community, the Group is committed to fulfilling corporate social responsibility and seeking well-being for the region.

SPORTS

The healthy lifestyle is important to the Group's employees and the development of the community. Over the years, we have been active in corporate social responsibility and have been involved in various social welfare activities, participating in sports activities or encouraging communities to actively improve the quality of their personal health. In order to promote sports and healthy lifestyle, to promote the martial arts into the community and into the school. Since 2014, the Group sponsored a number of public sports activities including hosted an international martial arts event, a national martial arts competition, Xianghu International Martial Arts Culture Forum. The Group co-operates with Wushu Research Institute of the State Sports General Administration to build a national martial arts research institute (湘湖講武堂), to assist in building health consciousness in China, to serve citizens with national-wide strategy and to promote the comprehensive development of martial arts.

SERVING THE COMMUNITY

In addition to participating in various community services, the Group also encourages fellow to contribute to the community through its influence in the industry. As a corporate member of the China Mould Industry Association (中國模具工業協會), the Group is also a vice president of the Equipment Manufacturing Industry Association (裝備製造業協會), which sponsored and formed a mould association in 2015 for contribution to the development of the mould industry.