



**友聯船廠(香港)**  
YULIAN DOCKYARDS(HONGKONG)

# **Environmental, Social and Governance (ESG) Report 2023**



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# About the Report

This is the first Environmental, Social, and Governance Report of Yiu Lian Dockyards Ltd (hereinafter referred to as “Yiulian Dockyards (Hong Kong)”, “the Company”, or “we”). This report discloses the Company’s concepts, practices, and performance in the fields of economy, environment, social responsibility, and corporate governance. It is designed to facilitate communication and exchanges with stakeholders and to respond to their expectations and concerns.

## Reporting Scope

This report covers Yiu Lian Dockyards Ltd. Should there be any special circumstances, the report will clarify the specific statistical scopes applied to certain data.

## Reporting Period

This report covers the period from January 1, 2023, to December 31, 2023 (referred to as “the reporting period”). To enhance the report’s completeness and comparability, some disclosed content may extend beyond this period.

## Preparation Basis

- GRI Standards
- Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-ESG 5.0)
- United Nations' 2030 Sustainable Development Goals (SDGs)

## Languages

This report is available in both Chinese and English. In case of any discrepancies, the Chinese version shall prevail.

## Data Sources

The data and cases provided in this report are derived from the Company’s formal operational records. The currency unit used in this report is the Hong Kong Dollar (HKD). The economic data originates from the Company’s financial report for the year 2023. Should there be any discrepancies, the figures from the audited financial report will prevail.

## Title Description

For ease of expression and reading, “Yiu Lian Dockyards Ltd” is referred to as “Yiulian Dockyards (Hong Kong)”, “the Company”, or “we” in this report.

## Reliability Assurance

The data utilized in this report are derived exclusively from the company’s formal documents, statistical reports, or publicly available sources. There are no false or misleading statements in the content of this report.

## Access to the Report

This report is available in electronic format in both Chinese and English. In case of inconsistencies, the Chinese version shall prevail. For inquiries about the report’s content, please email at ylxzsw@cmhk.com or call +852-24367800.

## Message from the Chairman

Relying on the strong support from China Merchants Group and our parent company, China Merchants Industry Holdings Co., Ltd. (CMI), Yulian Dockyards (Hong Kong) continuously explores and expands the business market, improves the management level, strengthens service awareness, upgrades the equipment and consistently drives economic performance. We unwaveringly adhere to the commitment to "customer first, quality foremost," consistently delivering high-quality, fast, safe, and environmentally friendly services including annual maintenance, dock repairs, special inspections, voyage repairs, conversions, emergency marine damage repairs, and port tug services for all types of ocean-going, coastal, and inland river vessels.

### Energy Transformation and Green Technology:

We actively promote distributed photovoltaic power generation projects, introduce clean energy, and accelerate the transformation of the dockyard's energy consumption structure. We are also exploring new green business models, focusing the maritime supply of green methanol and hydrogen energy. Additionally, we are accelerating the digital and intelligent transformation of our dockyards, pushing for technological upgrades in ship repair, and vigorously building green factories.

### Social Responsibility:

We actively engage in Hong Kong's social initiatives, fulfilling our duties as a central state-owned enterprise in Hong Kong. By focusing on building volunteer teams and training outstanding employees, we aim to cultivate a new generation of political talent and encourage young employees to participate in transportation, shipping, technology, and community activities. We

are dedicated to providing sincere and effective services to residents and grassroots citizens, thereby earning their heartfelt support.

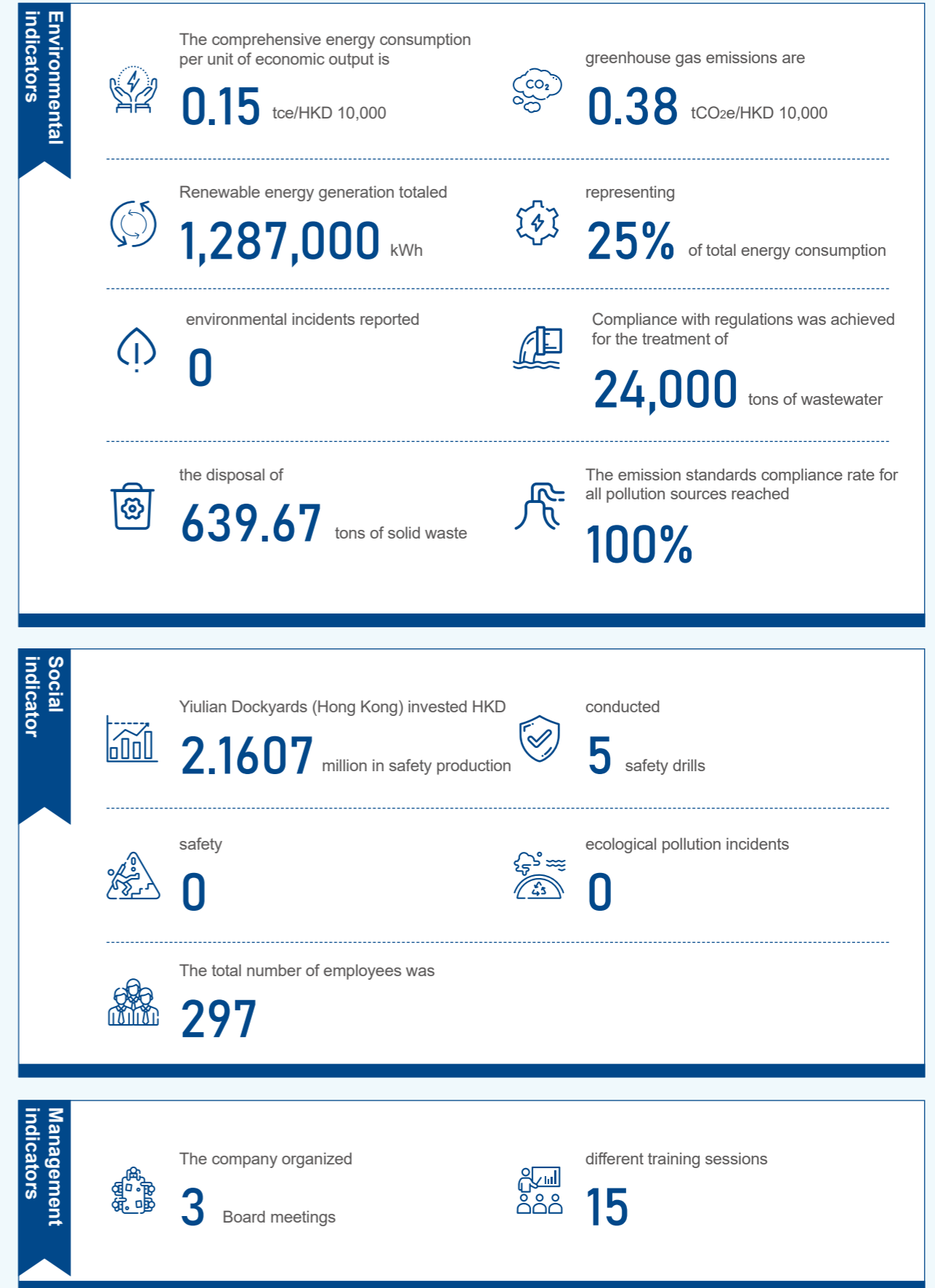
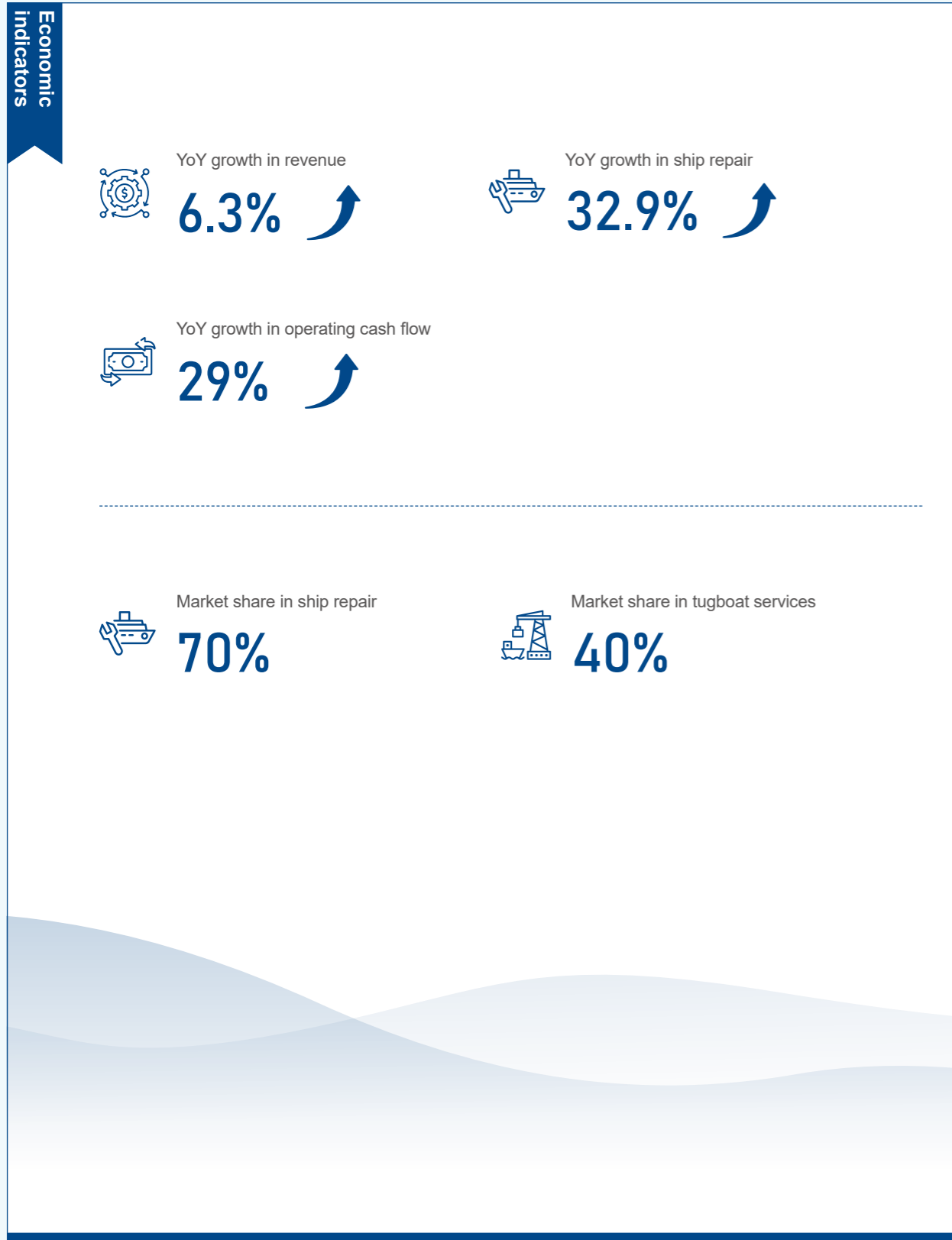
### Corporate Governance and Fine Management:

We continuously optimize our organizational structure, clarify departmental roles and responsibilities, and empower all employees to participate in improving quality and efficiency. We are pushing forward with reforms and innovations in management, emphasizing market competition, and fostering a culture of technological innovation. We approach our tasks systematically and comprehensively.

Reflecting on 2023, we aligned closely with national strategies and made significant innovative breakthroughs. Looking ahead, we will adhere to strategic guidance, implement new development concepts, deepen our commitment to high-quality growth, and focus on our core responsibilities and business. Yulian Dockyards (Hong Kong) will live up to the expectations of this era, taking on responsibilities and creating greater value for our employees, shareholders, and society, contributing to the building of a strong maritime nation.

Chung Ying

# Performance and Indicators in 2023






## About Yiu Lian Dockyards (Hong Kong)

### Introduction


Yiu Lian Dockyards (Hong Kong), established in October 1964, is a wholly owned subsidiary of China Merchants Industry Holdings Co., Ltd. (CMI), a first-level enterprise under China Merchants Group. The company boasts a professional ship repair shoreline of about 550 meters and a 150,000-tonnage dock, making it the largest ship repair base in Hong Kong and one of the leading ship repair yards in the Far East. Adhering to the principle of “Customer First, Quality Foremost,” Yiu Lian Dockyards (Hong Kong) provides repair and conversion services for various ocean-going, coastal, and inland vessels. In recent years, the company has expanded its services to include offshore platforms, special vessels, dock facilities, and offshore engineering, while also growing its offshore tugging operations. This expansion has transformed the company from a single-function ship repair business into a strong, diversified, and comprehensive enterprise, making it a key entity under the brand of Yiu Lian Dockyards across Hong Kong SAR.



The company boasts a professional ship repair shoreline of about

# 550

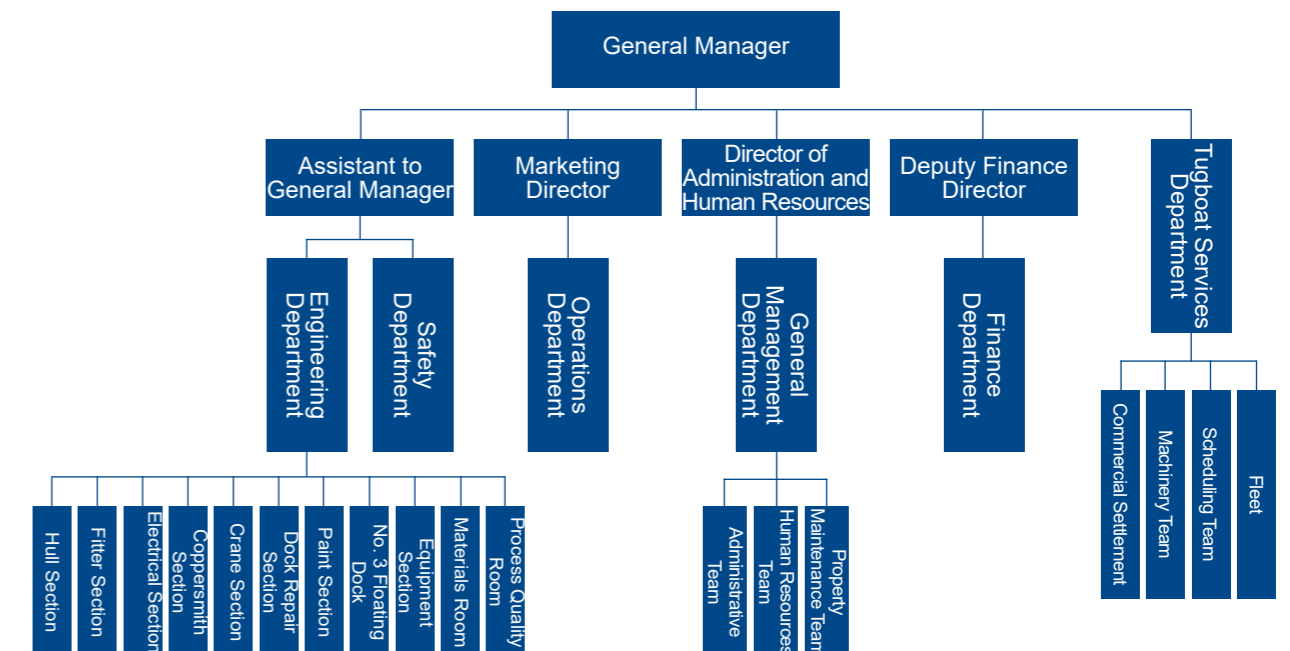
meters



# 150,000

tonnage dock

### Organizational structure



## Core business

### Ship repair and conversion

Yiulian Dockyards (Hong Kong) is dedicated to the repair and conversion of all types of vessels, along with the maintenance of engineering ships and onshore mechanical engineering projects in Hong Kong. The company primarily focuses on routine docking repairs of container ships and emergency repairs for various vessels.

### Tugboat business

Established in 1987, our tugboat division began with just three small horsepower tugs and has grown significantly. Currently, the fleet includes two 7,000-horsepower tugs, three 5,000-horsepower tugs, and seven 4,000-horsepower tugs. Our main services include 24-hour mooring, escorting, anchoring, guarding, and non-powered towing for visiting vessels; services for container ships, bulk carriers, cruise ships, vessels at the Hong Kong LNG terminal, and cruise terminals; services for visiting naval and government vessels; and emergency response services for infrastructure projects in Hong Kong and the surrounding region during extreme weather conditions such as typhoons. The Yiulian Tugboat Team complies with the People's Republic of China's regulations on the safe operation and pollution prevention of ships and meets the ISO9001:2015 standards.

## Corporate culture

Embracing the century-old cultural heritage of China Merchants Industry, Yiulian Dockyards (Hong Kong) upholds the group's cultural philosophy as its guiding principle, aiming to become a diversified and top-tier shipyard.



# 01

## Standardized Governance and High-quality Operation

- Corporate governance
- Legal compliance
- Risk control
- Materiality analysis





## Corporate governance

### Setting up Board of Directors

Since April 2022, Yiu Lian Dockyards (Hong Kong) shifted from being directly managed by the China Merchants Industry (CMI) to autonomous decision-making. The responsibilities and powers of the Board of Directors regarding major decisions have been clarified, and the “Three Major, One Big” decision-making system has been established in accordance with the Measures for Implementing the ‘Three Major, One Big’ Decision-making System by China Merchants Industry Holdings Co., Ltd.

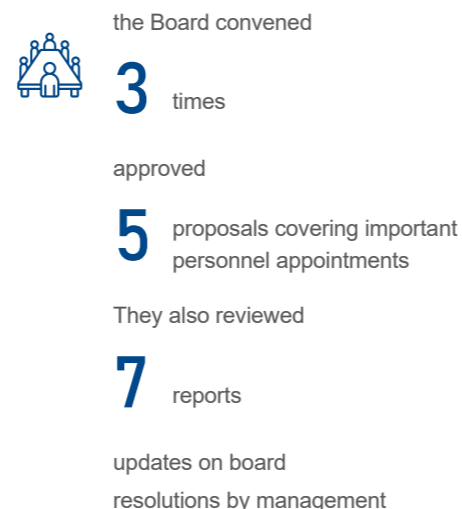
The Board consists of five members, including four internal directors and one equity director. Each director possesses extensive experience in fields such as business management, economics, finance, procurement, and ship engineering, ensuring a diverse range of industry knowledge for more comprehensive and accurate decision-making analysis.

Currently, there are four operational systems for the Board, with one new system introduced and one revised for improvement in 2023.



### Board of Directors’ performance

The Board engages in various activities such as holding meetings, receiving reports, conducting specialized research, and reviewing reports to monitor the business operations and development across departments, thereby strengthening their oversight role and making management decisions on ESG matters. In 2023, the Board convened three times and approved five proposals covering important personnel appointments and dismissals, key business projects, and significant project investments. They also reviewed seven reports, including five updates on board resolutions by management, one on the company’s operational status, and one from the internal audit institution.



### Establishing specialized committees

The Board has established comprehensive committees including the Strategy and Investment Committee, Nomination, Remuneration, and Evaluation Committee, and the Audit, Risk, and Supervision Committee. Additionally, an Office of the Board of Directors has been set up with a secretary appointed to support both the company and the Board directly. The Board continues to adhere to the principle of lawful business management, playing a pivotal role in the development of an integrated risk management system and ensuring the company’s ongoing healthy growth.



## Legal compliance

Legal compliance is the foundation for ensuring the company’s lawful operations and societal trust. Over the past year, Yiu Lian Dockyards (Hong Kong) has adhered to the compliance philosophy of the Industrial Group, which includes “compliance starts at the top, everyone actively complies, and compliance creates value.” According to the compliance policies and procedures of the Industrial Group and tailored to the company’s specific business needs, Yiu Lian Dockyards (Hong Kong) has gradually supplemented and perfected its independent compliance management system.

### Improvement of rules and regulations management

In 2023, the company established a regular review mechanism for rules and regulations involving business departments and compliance management personnel. This involves regularly sorting out business processes, identifying potential compliance risks, enhancing compliance reviews at critical points, and strengthening process controls. An independent position for risk and internal control specialists has been established. Through various internal and external inspections, non-compliant behaviors are promptly identified and corrected. The company also implements periodic compliance training and education to enhance employees’ awareness of compliance and risk prevention capabilities. In 2023, a total of 580 participations were recorded in 21 training sessions, lectures, and seminars conducted by external bodies such as the Labour Department, the Occupational Safety and Health Council, as well as safety training organized by the factory.

### Strengthening external oversight and internal supervision

The company conducts compliance reviews and approvals of contracts. In 2023, Yiu Lian Dockyards (Hong Kong) achieved nearly 100% review and approval of key contracts through the legal affairs system.

The company emphasizes the monitoring of integrity risks, particularly focusing on non-merchants online platform procurement projects, strictly controlling supplier access, and implementing dynamic assessments to avoid sole sourcing. For offline procurement, the company rigorously applies the procurement approval system and focuses on evaluations during the year-end audit.

Standardizing employee management is crucial due to the diverse makeup of the company’s workforce, which includes employees from Hong Kong, Chinese mainland, immigrants under the ASMTTP and QMAS programs, and staff internally appointed from the CMI. This complexity can lead to issues such as labor rights protection, salary distribution models, and the adaptability of management systems. The company actively conducts training on labor laws and regulations to enhance legal awareness among employees and consults external professionals on specific legal matters related to employment contracts and regulations. Additionally, the company has refined its employee handbook and management systems, resulting in the publication of the Yiu Lian Dockyards Ltd Employee Handbook. In 2023, there were no labor disputes or legal proceedings.



## Risk control

The Company continuously strengthens the identification, assessment, and control of various risks, constructing a separate and complete risk management system. In 2023, we established risk control matrices for 10 processes including asset management, capital management, comprehensive budget management, financial and reporting management, materials procurement and warehousing management, human resources management, ship repair engineering management, tug management, leasing management, and safety management. Yiu Lian Dockyards (Hong Kong) carried out comprehensive diagnostics of internal control management issues and identified internal control defects, followed by rectification of these defects. We also developed a rectification tracking statistic table for the identified internal control defects, ensuring timely and effective rectification, and achieving closed-loop management.

In accordance with the Basic Norms of Enterprise Internal Control and considering factors such as company size, industry characteristics, risk preference, and risk tolerance, internal control deficiencies are classified into major deficiencies, significant deficiencies, and generally significant deficiencies. In 2023, the Company completed its initial internal control self-assessment, identifying no major or significant deficiencies in non-financial and financial internal controls, and rectified one generally significant deficiency.

### Conducting risk screening in daily operating and management activities

In January 2023, following the guidance of the CMI in the Warning Letter of Risks to Management Deficiency Reflected from Material and Important Audit Findings, the Company launched a special activity focusing on risk screening in three areas: accounting information quality management, risk prevention and internal control management, and post-investment project management. This activity involved self-inspections by departments, cross-departmental mutual inspections, and comprehensive random inspections, exploring potential problems and weaknesses in these areas from multiple angles and comprehensively. The screening revealed that since 2020, the company has maintained standard accounting practices with real, reasonable, reliable, and practical accounting information, has effectively implemented internal control management, and post-investment management has been quite complete, meeting the standards of continuity, prudence, and timeliness.

## Materiality analysis

### Materiality issues management

During the reporting period, based on an analysis of the significance of impacts on the economy, environment, and society, and considering the demands and suggestions of stakeholders, we identified 10 material issues that significantly affect both the Company and its stakeholders. These are assessed in light of the internal and external conditions facing the company's development.

Extremely important	Highly important	Important
<ul style="list-style-type: none"> <li>Standardized operations</li> <li>Quality of products and services</li> <li>Safety in production</li> <li>Compliance with laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>Emission standards compliance</li> <li>Biodiversity protection</li> <li>Occupational health and safety</li> <li>Serving the economic and social development</li> </ul>	<ul style="list-style-type: none"> <li>Mutual benefit in cooperation</li> <li>People-oriented approach</li> </ul>

## Responsibility communication

We highly value the expectations of all stakeholders and have established a regular communication mechanism to earnestly respond to their expectations and concerns.

Stakeholders	Concerns	Communication Channels and Methods
 Government/Regulatory Bodies	<ul style="list-style-type: none"> <li>Serving the economic and social development of Hong Kong</li> <li>Legal tax compliance</li> <li>Compliance in operations</li> </ul>	<ul style="list-style-type: none"> <li>Supervision and assessment</li> <li>Regular reporting/disclosure</li> <li>Reporting/surveys</li> <li>Policy implementation</li> <li>Compliance audits</li> <li>Timely information disclosure</li> <li>Implementing a dual-carbon strategy</li> </ul>
 Investors	<ul style="list-style-type: none"> <li>Risk prevention in operations</li> <li>Return on investment</li> <li>Transparency of information</li> </ul>	<ul style="list-style-type: none"> <li>Annual reports and announcements</li> <li>Investor communications</li> <li>Regular meetings</li> </ul>
 Clients	<ul style="list-style-type: none"> <li>High-quality products and services</li> <li>Information security protection</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring consistent quality of products and services</li> <li>Developing green and low-carbon products</li> <li>Stable delivery</li> <li>Product transformation and upgrades</li> <li>Strengthening information security systems</li> </ul>
 Partners	<ul style="list-style-type: none"> <li>Business ethics</li> <li>Mutual benefit in cooperation</li> <li>Promoting industry development</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing disciplinary inspection and supervision</li> <li>Legally compliant contract fulfillment</li> <li>Improving supply chain management</li> <li>Engaging in strategic collaborations</li> <li>Participating in setting industry standards</li> </ul>
 Employees	<ul style="list-style-type: none"> <li>Safeguarding basic rights and interests</li> <li>Occupational health and safety</li> <li>Training and development for employees</li> </ul>	<ul style="list-style-type: none"> <li>Legally compliant compensation and benefits system</li> <li>Implementing occupational health and safety management</li> <li>Comprehensive career progression systems</li> </ul>
 Communities	<ul style="list-style-type: none"> <li>Community welfare initiatives</li> <li>Public welfare activities</li> <li>Addressing climate change</li> <li>Emission control</li> <li>Biodiversity protection</li> </ul>	<ul style="list-style-type: none"> <li>Organizing volunteer activities</li> <li>Supporting rural revitalization</li> <li>Establishing educational scholarships and grants</li> <li>Constructing green factories/dockyards</li> <li>Protecting coastal ecology</li> <li>Enhancing pollution control facilities</li> </ul>
 Employees and Local Residents	<ul style="list-style-type: none"> <li>Addressing climate change</li> <li>Emission control</li> <li>Biodiversity protection</li> </ul>	<ul style="list-style-type: none"> <li>Constructing green factories/dockyards</li> <li>Executing the "Dual Carbon" strategy</li> <li>Enhancing pollution control facilities</li> <li>Protecting coastal ecology</li> <li>Innovating and producing sustainable, low-carbon products</li> </ul>

# 02

## Technology Leadership and Business Development

- Equipment and facility upgrades and modifications
- Introducing green environmental protection technologies
- Upgrading intelligent system management



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

In 2023, Yulian Dockyards (Hong Kong) continually explored new markets and enhanced management levels by upgrading its hardware facilities and technological processes. The main improvements included:

## Equipment and facility upgrades and modifications

### No. 3 floating dock upgrade and re-commissioning

The No. 3 floating dock, purchased from Germany in 1989, has been in full-load operation for over thirty years. To ensure production capacity and safety, maintenance, and upgrading were carried out in April 2022, costing HKD 49.5 million. The project included replacing the deck, overhauling electromechanical equipment, renewing pipelines, repairing the liquid level display system, and installing a new high-pressure water jet connection box. After the upgrade, the dock could accommodate 3 to 5 ships simultaneously for repairs, significantly enhancing the company's service capacity. The dock resumed operations in June 2022, and at peak times, it could service up to 5 local vessels or 4 waste treatment transport ships simultaneously, achieving a 100% utilization rate.



No. 3 Floating Dock

### New low-temperature dust-free workshop

To penetrate the LNG ship repair and modification market, the company converted part of the existing electrical workshop into a low-temperature dust-free workshop in 2023. The workshop covers a total area of about 480 square meters, consisting of three sections: a low-temperature dust-free area, a valve cleaning workshop, and a valve testing workshop.

#### The low-temperature dust-free area spans

approximately 210 square meters and is equipped with a 3T+3T double hook gantry crane, a rail cart, and a dehumidifier, ensuring a constant temperature and humidity environment primarily for repairing cryogenic pumps and other precision equipment.

#### The valve cleaning workshop occupies

about 200 square meters and is equipped with a 5T crane and two variable-frequency water chillers, providing dust-free and thermally insulated conditions mainly for valve repairs.

#### The valve testing workshop

covering around 70 square meters, is equipped with a 2T crane, and is primarily used for various tests on valves as the final process after repairs.

The workshop has been successfully constructed and put into operation, achieving breakthroughs in LNG ship repairs and related supportive services. It can now provide retrofit and repair services for high-value ships such as LNG, FLNG, and FSRU vessels. In August 2023, it completed emergency repairs on the MARAN GAS LNG ship, earning high praise from the shipowner.



Dust-free Workshop

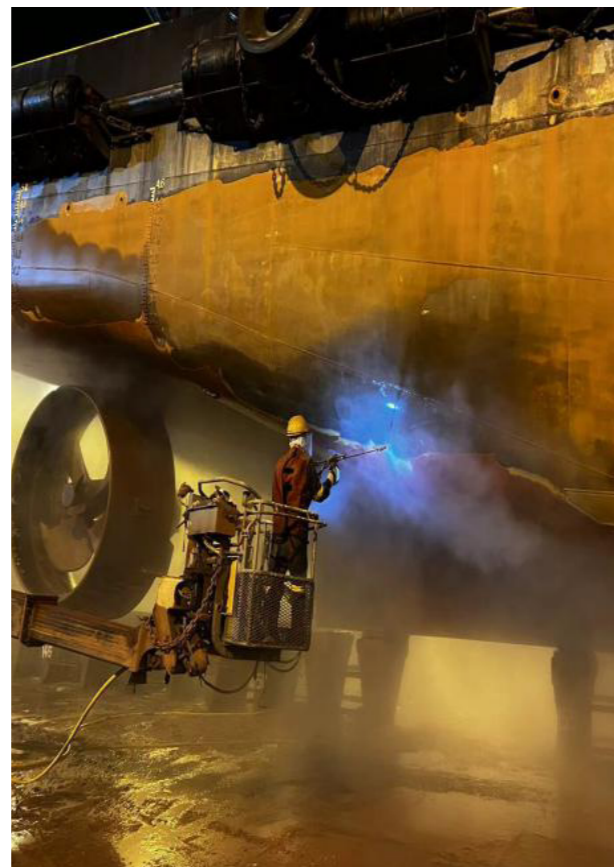
## Introducing green environmental protection technologies

The company focuses on green ship repair technologies, having introduced ultra-high pressure water blasting and Internet of Things (IoT) system equipment since 2021. This technology differs from traditional manual rust removal and sandblasting, which are labor-intensive, produce significant dust, and yield poorer rust removal results. Ultra-high pressure water blasting uses pure water jets for paint and rust removal, offering benefits such as lower cost (reduced by about 40%), no dust production, and mildness to the ship's surface. Additionally, it comes with an IoT-based intelligent monitoring system that allows real-time tracking of equipment energy consumption, work orders, consumables, and maintenance, facilitating refined usage and maintenance of the equipment.

By the end of 2023, the company had introduced four ultra-high pressure water rust removal devices and achieved rust removal over an area of 13,000 square meters, accounting for about 85% of the total rust removal area. For 2024, the plan includes introducing three ultra-high pressure water robots, with two currently being tested at Yulian Dockyards (Shekou) Limited, expected to become operational in the second half of 2024.



Hyper-pressure Water Blasting Rust Removal



## Upgrading the management system for intelligent operations

The company continues to advance its digitalization efforts. In response to issues such as slow response, frequent loading errors, and stalled functionality expansion in the original ERP system, a new ERP system was introduced in 2023. The new system retains key modules from the previous system, such as material management, business management, and engineering management, while expanding critical business modules. It now features integrated and visualized scheduling for the tugboat sector, ship repair settlements, and one-click access across Chinese mainland and Hong Kong. The new system was fully implemented in November 2023, improving efficiency by approximately 50% per work order compared to the original system.

# 03

## Low-carbon Transition and Green Development

- Green development goals
- Environmental management system
- Legally-compliant discharge
- Energy conservation and emission reduction
- Responding to climate change



## Green development goals

The company adheres to the principle of balancing operation development with environmental protection, guided by the national ecological civilization and the “Dual Carbon” strategy, as well as Hong Kong’s environmental protection requirements. During its operations, it emphasizes the protection of water resources, soil, air, and marine biodiversity, actively fulfills corporate responsibilities, and strives towards the goal of “green ship repair.”

## Environmental management system

In 2023, we established an environmental management system according to the ISO 14001 standard, which mandates the minimization of pollution and damage to the surrounding environment throughout the production cycle. The company has also established a policy where the top executive takes direct and full responsibility for environmental matters, promoting the development and implementation of comprehensive environmental management strategies, policies, and goals. Furthermore, we have developed procedure documents and regulations such as the Environmental Factors Identification, Evaluation and Control Procedures, Solid Waste Control Procedures, Environmental Factors List, and Key Environmental Factors List. A designated officer is responsible for coordinating, supervising, and implementing environmental protection measures.



Yiu Lian Dockyards (Hong Kong) obtained certification of its environmental management system in compliance with GB/T24001-2016.

## Legally-compliant discharge

The company adheres to regulations such as the Waste Disposal Ordinance (Cap. 354 of Laws of Hong Kong), the Merchant Shipping (Prevention and Control of Pollution) Ordinance, and the Merchant Shipping (Prevention of Oil Pollution) Regulations for managing waste and pollutants.

The bilge oil and oily wastewater are collected in bilge wells and handed over to a third party for harmless treatment during ship repairs. In 2023, we collected and processed 24,000 liters of bilge oil and oily wastewater, a reduction of about 28% from the previous year.

Shipboard domestic wastewater is discharged at a speed of no less than 4 knots and at least 12 nautical miles from the nearest land.

In the facility, domestic wastewater is treated at the sewage station before being discharged into the sea, with self-inspections conducted monthly and third-party inspections quarterly, ensuring consistent compliance with the discharge standards for residential and commercial sewage set by the Environmental Protection Department of Hong Kong. In 2023, a total of 24,000m<sup>3</sup> of wastewater was discharged.

General industrial solid waste, such as waste steel sand, is collected and transported to landfill sites. In 2023, we transported 639.67 tons of solid waste and recorded no environmental pollution incidents or administrative penalties.

we collected and processed liters of bilge oil and oily wastewater

24,000

a reduction of about from the previous year

28%

A total of wastewater was discharged

24,000 m<sup>3</sup>

solid waste

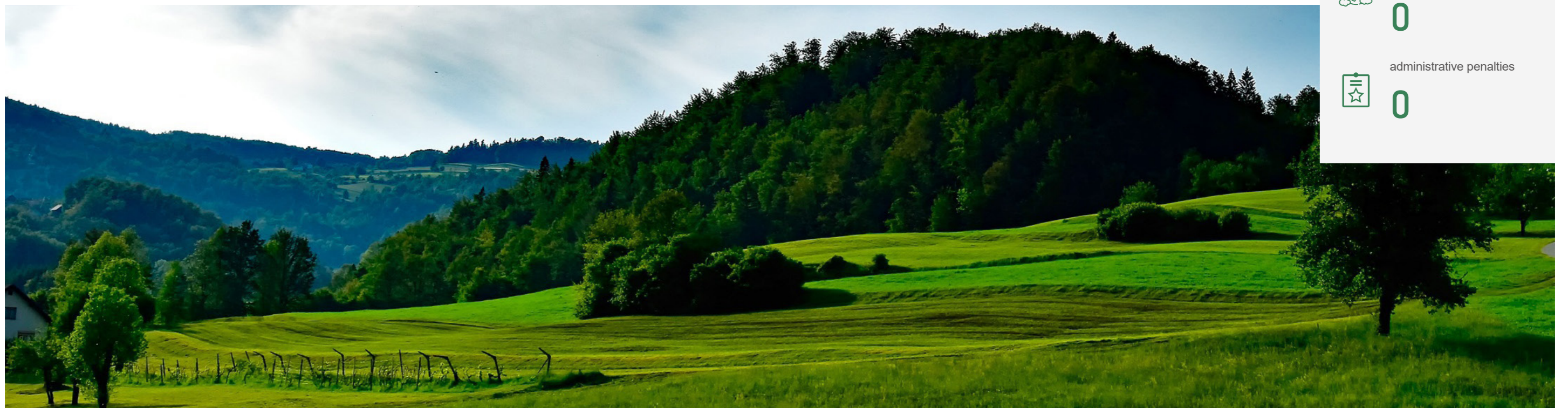
639.67 tons

environmental pollution incidents

0

administrative penalties

0



## Energy conservation and emission reduction

PV roofs. The company has fully utilized the extensive rooftops of its plant, office buildings, and dormitories to implement photovoltaic power generation. Solar panels covering 8,500 square meters with a generation capacity of 1,800 kW have been installed, producing approximately 2 million kWh annually. The project was connected to the grid in March 2023, generating a total of 1.287 million kWh in 2023, accounting for 25% of the total electricity used by the company. It is expected that by 2024, this will increase to 40% of the company's total electricity consumption.



In 2023, generating a total of **1.287** million kWh the total electricity used by the company **25%** It is expected that by 2024, the company's total electricity consumption **40%**



Tugboat fuel saving. To further achieve energy conservation and consumption reduction, the company has launched the Yulian Tugboat Fuel Saving Implementation Plan (Trial), which applies to all tugboats. The plan includes measures such as optimizing tugboat operation scheduling, standardizing tugboat operations, and maximizing the use of shore power.

### Optimizing tugboat operation scheduling

1. Rationally arrange tugboat operations nearby to minimize empty running.
2. Upon completion of operations, promptly coordinate with the dispatch room and await further instructions at a nearby berth.
3. Prioritize combined operations.
4. Issue operation orders in advance and navigate at a controlled speed.

### Standardizing tugboat operations

1. Improve skills for precise operation, such as avoiding rapid acceleration; anticipate maneuvers to achieve one-step positioning; dock and undock quickly and accurately to reduce frequent engine and rudder movements.
2. Navigate at economical speeds, adhering to the "safety first, service foremost" principle, without compromising service quality and safety.
3. Enhance equipment management by rigorously implementing annual and daily maintenance of tugboats; monitor equipment parameters closely to ensure all machinery is in optimal condition.

### Maximizing the use of shore power

Connect tugboats to shore power immediately upon berthing at the dock; connect transport boats to shore power if they are berthed for more than 30 minutes.

To ensure effective implementation of the fuel-saving plan, the company has established KPIs for fuel savings, set annual fuel consumption targets for each tugboat, and provided corresponding fuel-saving incentives and clear assessment criteria.

Vessel Name	Kun/Peng	5000 HP	An/Tai/Min/Lian	You/Tong/Da	3200 HP	YL28
KPI Fuel Consumption Rate Indicator (L/h)	200	180	160	170	140	103

the company's tugboat division reduced total fuel consumption by year-on-year, demonstrating significant fuel-saving results.

**16%**

decrease from the previous year **13%** energy consumption per unit of output value decreased by **16.14%**

reduction from the previous year **11%** greenhouse gas emissions per unit of output value decreased by **15.91%**



# Responding to climate change

## Governance

Yiulian Dockyards (Hong Kong) integrates climate-related risk management within its comprehensive environmental management system, establishing indicators for energy conservation, emission reduction, and environmental protection in its daily operations. The company's top management is responsible for climate change response strategies and performance, reviews climate change risk control strategies and risk assessment reports, and guides the development of sustainable development strategies, objectives, and management guidelines.

## Strategies

Based on the characteristics of the ship repair and tugboat services and global shipping trends, the company proactively identifies climate-related risks and potential financial impacts. It develops various strategic plans for responding to climate change based on different climate change scenarios and business development. These plans include, but are not limited to, reducing carbon emissions, decreasing resource consumption, improving energy efficiency, developing green technologies, establishing partnerships, regularly evaluating, and reviewing progress, and continuous improvement. Through these strategies, the company further analyzes the business and financial impacts related to identified climate risks.

## Objectives

In response to national initiatives, by 2030, the ship repair business will achieve substantial success in its green transformation, reaching an internationally advanced level of energy efficiency.

By 2060, a fully established economic system of green, low-carbon circular development and a clean, low-carbon, safe, and efficient energy system will be in place. The energy use efficiency will reach an internationally advanced level, the consumption of non-fossil energy will exceed 80%, the goal of carbon neutrality will be smoothly achieved, significant progress will be made in ecological civilization, and a new era of harmonious coexistence between humans and nature will be pioneered.

## Measures



Reduce greenhouse gas emissions from the factory by optimizing production processes and operations. This includes adopting more efficient production equipment, using cleaner fuels, and implementing energy management and conservation measures.



Enhance the factory's energy efficiency through improved design and production processes. This may involve using environmentally friendly materials, optimizing shipbuilding and repair procedures, reducing unnecessary waste, and employing more advanced production equipment and technologies.



Use renewable energy sources as much as possible, such as solar and wind energy. In 2023, the company constructed a 1.8MW photovoltaic power generation facility to reduce the use of non-renewable energy, with the project expected to save more than 5% in annual energy consumption upon completion.



Reduce the factory's resource consumption by optimizing production processes and minimizing waste. This may include adopting a circular economic model, recycling, and reusing materials, and implementing water resource management plans.



Enhance employee environmental awareness through training and educational activities, helping them understand the importance of climate change and encouraging them to take actions for energy saving and emission reduction.



Establish partnerships with other organizations and enterprises to collaboratively address climate change. This may include cooperation with government agencies, NGOs, research institutions, and others to drive industry transformation and sustainable development.



Regularly evaluate and review the factory's climate change response strategies to ensure they remain effective and relevant. This may involve collecting and analyzing data, comparing targets with actual outcomes, and adjusting strategies to adapt to changing conditions.

## Achievements

Yiulian Dockyards (Hong Kong) has incorporated climate-related risk management into its comprehensive environmental management system. The company has established benchmarks focused on energy savings, emissions reduction, and environmental protection within its routine operations. The senior management assumes responsibility for the organization's climate change response strategies and performance. They also review strategies for controlling climate change risks and assess risk evaluation reports, directing the development of sustainable strategies, goals, and management guidelines.

**Table 1: Energy consumption data**

Energy Type	Unit	YOY Data Changes (2023 vs 2022)
Electricity	10,000 kWh	Increase of 8.91%
Diesel	t	Decrease of 15.97%
Carbon dioxide	t	Increase of 15.10%
Acetylene	m <sup>3</sup>	Decrease of 25.14%
Energy consumption (equivalents)	tce	Decrease of 13.26%

**Table 2: Greenhouse gas emissions**

Indicator	Unit	YOY Data Changes (2023 vs 2022)
GHG emissions	Scope 1 GHG emissions	Decrease of 15.94%
	Scope 2 GHG emissions	Increase of 6.68%
	Total GHG emissions (Scope 1 + Scope 2)	Decrease of 11.07%

**Table 3: Greenhouse gas emission intensity**

Indicator	Unit	YOY Data Changes (2023 vs 2022)
Direct (Scope 1) GHG emission intensity	tCO <sub>2</sub> e/HKD 10,000	Decrease of 24.56%
Indirect (Scope 2) GHG emission intensity	tCO <sub>2</sub> e/HKD 10,000	Decrease of 2.33%
Total GHG emission intensity	tCO <sub>2</sub> e/HKD 10,000	Decrease of 19.76%

# 04

## Win-win Cooperation and Customer First

- Focusing on customer satisfaction
- Ensuring logistics services for shipowners

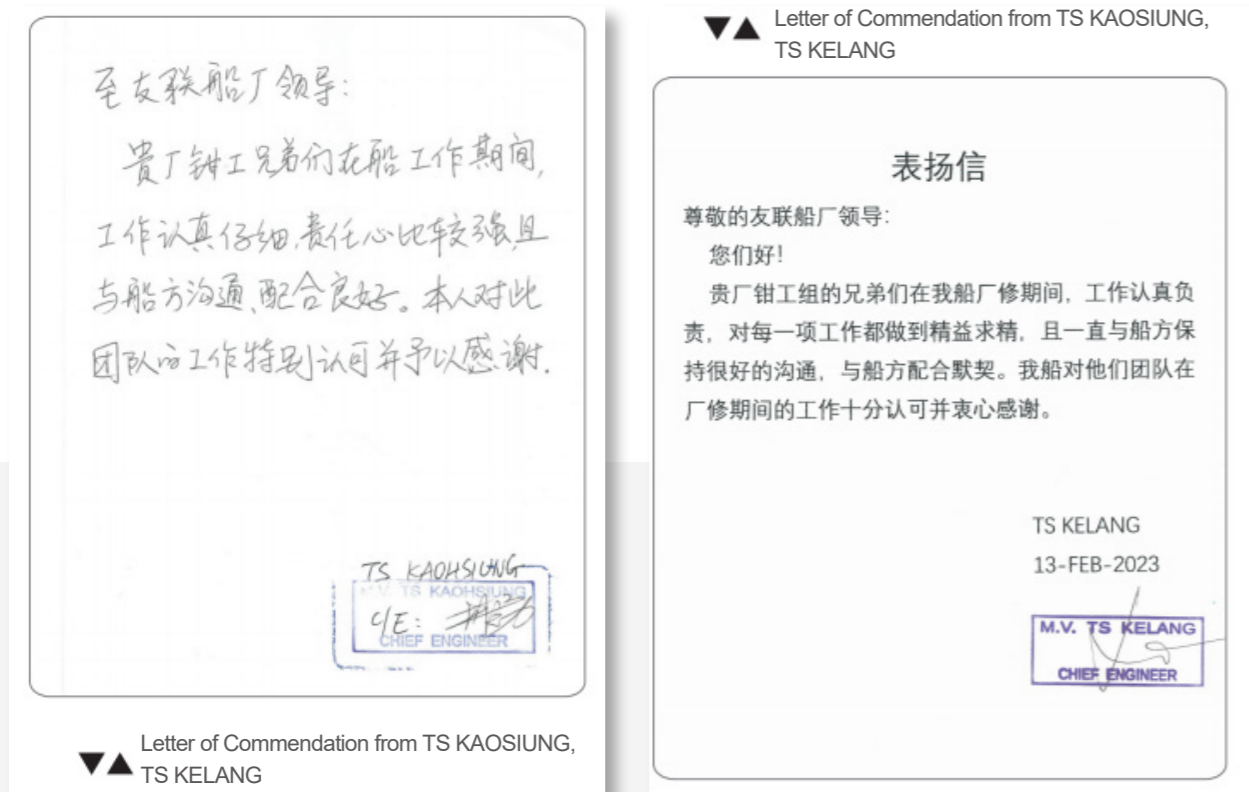


## Focusing on customer satisfaction

The company has established "Customer Satisfaction Survey Procedures" and conducts a satisfaction survey annually.

In the ship repair business, feedback is gathered for each individual ship after maintenance is completed, and a customer satisfaction assessment is carried out. The assessment criteria include safety, environment, production scheduling, service, and quality, with ratings classified as "Excellent", "Good", "Average", "Acceptable", and "Unacceptable". In 2023, 98 ship repair project evaluations were received (covering 157 ship repair items), with 64 rated as "Very Satisfied" and 35 as "Satisfied", achieving 100% of evaluations at "Satisfied" or better, and maintaining a satisfaction rate of over 95% for five consecutive years.

The tug service evaluations include aspects such as the timeliness of tug services, coordination with pilots or customers, service attitude, and safety of the service process, along with other feedback. The evaluation results are classified as "Very Satisfied", "Satisfied", "Generally Satisfied", and "Dissatisfied". In 2023, the overall customer evaluation of the tugboat service was "Very Satisfied".



## Ensuring logistics services for shipowners

The company enhances infrastructure, adds new offices for shipowners to improve their working environment, provides vehicles for shipowners for convenience in plant mobility, and ensures timely maintenance of these vehicles.



# 05

## People-Centered and Harmonious Development

- Serving the development of Hong Kong
- Social responsibility
- Safeguarding employees' rights and interests
- Supporting employee growth
- Providing safety and health guarantees
- Enhancing corporate culture building
- Improving the plant environment



# Serving the development of Hong Kong

## Supporting Hong Kong's economic development

Yiulian Dockyards (Hong Kong)'s tugboat services were established to protect the national ocean-going fleet and has thrived alongside the development of China's ocean shipping industry. It provides critical support for a variety of maritime activities in the Guangdong-Hong Kong-Macao Greater Bay Area, particularly in Hong Kong. These activities include port operations, emergency rescue, equipment towing, and resumption of work. Yiulian Dockyards (Hong Kong) has notably participated in significant projects such as the construction of the third runway at Hong Kong International Airport, the establishment of an offshore LNG receiving station in Hong Kong, and emergency responses to typhoons, receiving commendation from the Hong Kong Marine Department for its outstanding performance in typhoon disaster response.



Yiulian Dockyards (Hong Kong) emergency tugging



The Marine Department recognized our efforts during Typhoon Mangkhut in 2018, where our team rescued 15 crew members from two ships in distress.

## Supporting the training of Hong Kong youth

### Case Study

Yiulian Dockyards (Hong Kong), in collaboration with the China Merchants Foundation, organized the Hong Kong Youth Maritime Culture Journey. The event was attended by over 130 representatives from the China Merchants Foundation, China Merchants Industry Holdings, Wuhan University of Technology, Jiangsu University of Science and Technology, and members of Hong Kong's shipping and educational sectors. The program included summer camps in Jiangsu and Wuhan, and assisted students in applying to universities on the mainland.



### Case Study

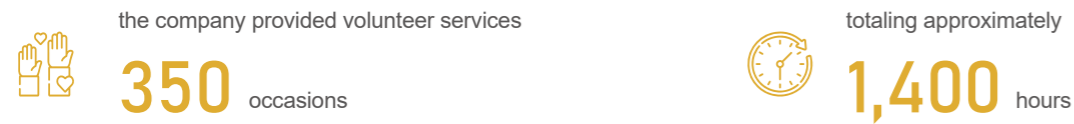
On the occasion of the 74th anniversary of the founding of the People's Republic of China, the company organized a cultural exchange for Hong Kong's young employees, taking 16 participants to Nanjing, Yangzhou, the CMI Haimen Base, and Shanghai. The event focused on experiencing China's rich traditional culture and fostering Yiulian's values.



From October 19 to 22, 2023, a cultural exchange for Hong Kong youth was held in Chinese mainland.

## Social responsibility

V Volunteer Service. Yiu Lian Dockyards (Hong Kong) continuously improves its volunteer team and carries out social welfare activities. In 2023, the company provided volunteer services on 350 occasions, totaling approximately 1,400 hours.



### Warmth during Dragon Boat and Mid-Autumn Festivals

The company organized visits to the Ngau Tau Kok community on the eve of the Dragon Boat and Mid-Autumn Festivals, delivering festive gifts to homebound elderly residents.



### Visiting retired colleagues before the Mid-Autumn Festival and National Day

On September 26, 2023, the company visited retired colleagues in their homes in Tsing Yi and Kwai Fong, providing Mid-Autumn Festival gifts and expressing gratitude for their contributions to the company's development.



### Our young volunteers participated in the "Grow with CMI, Accompany You" volunteer project by CMI Hong Kong Youth Association

serving as growth mentors for primary and secondary school students. They provided guidance and care in both life and studies, and organized company tours for the students.



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Our volunteer team organized a beach cleaning activity on Cheung Chau Island to protect the marine ecological environment.

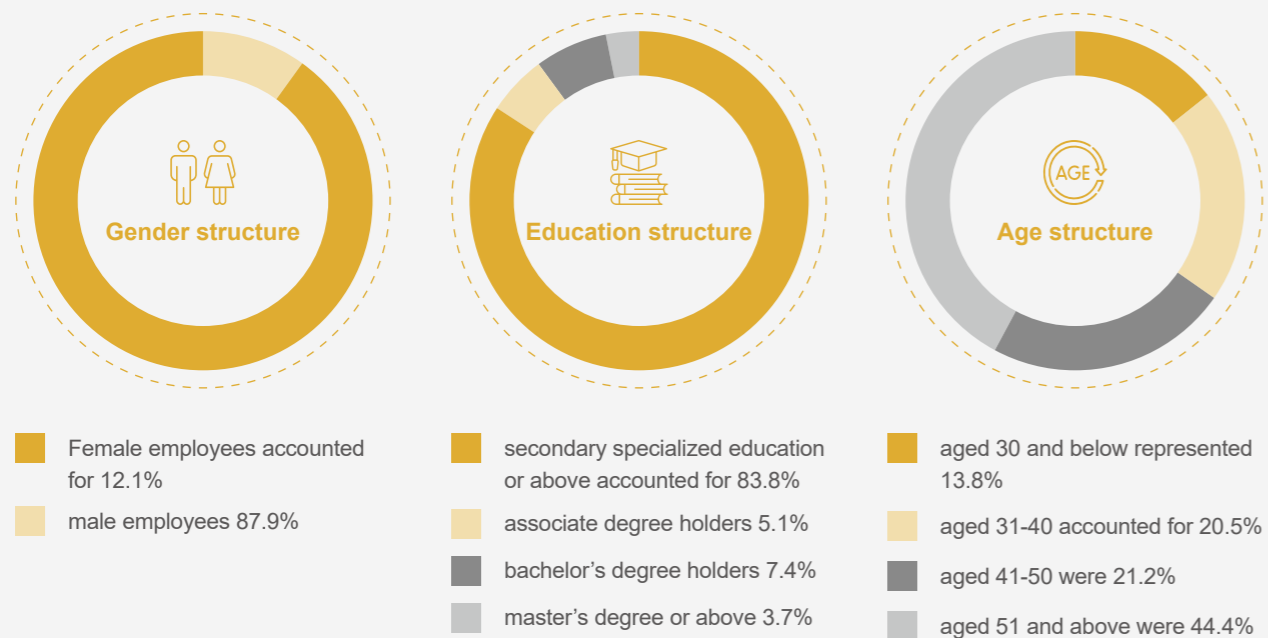


## Safeguarding employees' rights and interests

The company strictly adheres to national labor laws and regulations, standardizes employment practices, opposes discrimination, and forced labor, offers competitive compensation, promotes democratic management, encourages employee participation in group management, and effectively safeguards the legitimate rights and interests of employees.

### Fair and impartial recruitment

We recruit and manage talent with an inclusive and open approach, fully respecting employees from diverse backgrounds and ensuring there is no discrimination based on nationality, ethnicity, gender, or age. We strive to create an equal opportunity work environment for every employee. In 2023, the company employed a total of 297 staff; among them, 13 were mid-level and above managers, including 1 female, representing 7.7%. We recruited 43 new employees, had an employee turnover rate of 33.4%, and achieved a 100% rate of contract signing.



### Comprehensive remuneration system

We comprehensively enhance the top-level design of our remuneration management, offering five types of insurance and two funds, statutory holidays, paid annual leave, paternity leave, marriage leave, bereavement leave; along with entertainment allowances, medical subsidies, maternity support, bereavement compensation, and holiday subsidies. Additionally, we provide free shuttle services and meal subsidies, maximizing benefits to ensure employees enjoy their work and life. Social insurance and employee health check coverage are both at 100%.



## Promoting democratic management

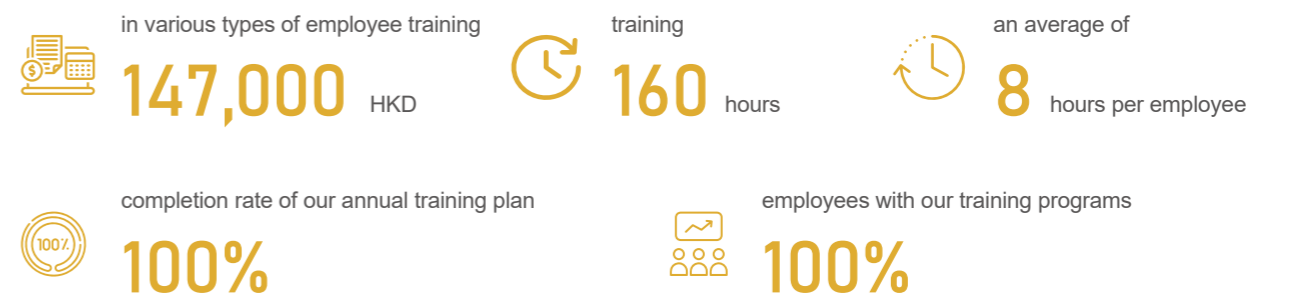
We ensure employees' participation in democratic management and supervision, perfecting the democratic management system primarily through the workers' congress. We also facilitate an online channel for employees to submit their concerns, effectively safeguarding their rights to information, participation, expression, and oversight. The union membership rate among our employees is 100%.

## Supporting employee growth

We always adhere to the principle that "talent is our most important resource", vigorously promoting the construction and development of our talent echelon and facilitating open career development paths for employees to create a high-quality, professional, and dynamic team. We are committed to achieving the corporate vision of "becoming a powerful industrial force in the deep blue".

### Enhancing talent training

We continuously strengthen the training of professional talent, empower employee development, and improve our training curriculum, offering sessions focused on safety, environmental protection, and business skills. In 2023, we invested a total of HKD 147,000 in various types of employee training, amounting to approximately 160 hours of training, with an average of 8 hours per employee. We achieved a 100% completion rate of our annual training plan and covered 100% of employees with our training programs.





## Facilitating career development

We strive to build a modern corporate talent system, enhance horizontal talent exchanges between units, and establish comprehensive performance evaluation and compensation incentive mechanisms to stimulate the enthusiasm and creativity of all employees, fostering the mutual development of employees and the company.

Yiulian Dockyards (Hong Kong) won several awards at the 2023 “Deep Blue Awards” ceremony organized by Merchants Industrial, including one Special Contribution Award, one Deep Blue Outstanding Individual Award, one Deep Blue Outstanding Team Award, and two Deep Blue Craftsman Awards.



Yiulian Dockyards (Hong Kong) held the “2023 Excellent Employee and Loyalty & Dedication Awards” ceremony.



Group Photo of Excellent Employee Award Winners



Group Photo of Loyalty & Dedication Award Winners

## Caring for employees’ lives

We actively help employees overcome practical difficulties, striving to create a better living environment, enhance team cohesion, and boost their sense of happiness and achievement.

We provide heartfelt care for employees through activities that help those in difficult situations and offer encouragement. A sustainable support mechanism for employees in need has been established within the group. Throughout the year, we distributed holiday and birthday gifts to 400 employees, visited and provided assistance to 5 hospitalized employees, and organized 520 union activities.

we distributed holiday and birthday gifts to



**400** employees

organized



**520** union activities

## Balancing work and life

We organize training sessions, cultural and sports events, and hobby clubs, catering to the diverse needs of our employees. These initiatives provide opportunities for employees to showcase their talents and ensure that association activities are consistently refreshed and engaging each year.

## Providing safety and health guarantees

We steadfastly adhere to the principle of safe development, strengthen our “red line” consciousness, and solidify our “bottom line” thinking, ensuring a stringent focus on safety in production. We have established safety management guidelines that prioritize “safety first and prevention foremost.”

## Constantly establishing and improving safety management systems

The company rigorously implements the Factories and Industrial Undertakings (Safety Management) Regulation by the Hong Kong Government and the safety production management regulations of the CMI. We have compiled a Safety Management Manual that includes comprehensive safety management regulations such as Fire Safety Management for Ship Repair, Safety Regulations for Working at Heights, Safety Regulations for Confined Spaces, and Crane Operation Safety Regulations. In 2023, we made 9 revisions to the Manual.



Yiulian Dockyards (Hong Kong) has obtained the GB/T45001-2020 Occupational Health and Safety Management System certification.

## Launching comprehensive safety inspections

Company leaders and department heads conduct thorough frontline special safety inspections, covering CMI’s 21 main risk sources including fire safety, work at height, heavy lifting safety, electrical safety, machinery operation, hazardous chemical handling, marine operations, and the condition of emergency equipment. Throughout the year, we conducted 21 safety inspections, addressed 164 hidden dangers, and achieved a 100% rectification pass rate.



we conducted **21** safety inspections



hidden dangers **164**



rectification pass rate **100%**

## Implementing safety supervision and management

Key focus areas for company safety supervision and management include fire and explosion prevention, work in confined spaces, and high-altitude operations. We strictly enforce a safety workflow that includes pre-operation application, ongoing supervision during operations, and post-operation rectification. In 2023, safety officers reviewed and issued 333 fire permits, 81 confined space hazard assessments (including work permits), and 21 spray painting permits.

### Strengthening safety education and training

We organize for our employees to participate in safety training courses, lectures, and seminars held by external agencies such as the Labour Department and the Occupational Safety and Health Council, as well as internal safety training sessions. In total, we conducted/joined 21 training sessions with 580 participants.

To continually enhance our employees' occupational health management, the company has installed three Automatic External Defibrillators (AEDs) and provided training on their use.



### Regularly conducting emergency drills

Focusing on fire and explosion prevention, the company organizes quarterly emergency drills. In 2023, these included fire drills in the plant, warehouse fire safety, office building fire emergency response, and fire and firefighting drills on the floating dock, with participation from all plant employees and contractors.



Fire drill at No. 3 floating dock

### Securing funding for work safety

The company strictly adheres to the safety expense extraction standards outlined in the China Merchants Group Work Safety Expense Management Measures. We rigorously control the budget and execution of safety production expenses, strictly prohibiting any improper reallocation or misappropriation of funds. In 2023, we planned for 11 safety expense projects involving safety protection facilities and equipment, procurement of emergency rescue materials, and assessments of major hazards and safety risks. We planned to allocate RMB 1,813,400 for safety expenses and actually allocated RMB 1,958,100, achieving a safety expense completion rate of 108%.

## Enhancing corporate culture building

To enhance corporate culture building and increase employee allegiance, and to foster team spirit in the temporary office areas, Yiu Lian Dockyards (Hong Kong) has placed a banner stating "Embark again on the entrepreneurial path with triple efforts and renewed appearance, evolve with time to transform the old look." The company also continues to display promotional slogans in the office area and each workshop, including "CMG's Creed in the New Era," "CMI's Industrial Culture Concept," and a "Yiulian Style" bulletin. Additionally, we continue to publish a bimonthly magazine featuring sections like "Company Updates - Progress with the Times," "Ship Repair and Tugboat Services - Customer Service," "Company Activities - Voices from the Frontline," and "Learning and Innovation."

### Improving the plant environment

To fully implement the directives and requirements of the CMG for Yiu Lian Dockyards (Hong Kong), CMI has initiated a program to rejuvenate the appearance of Yiu Lian Dockyards (Hong Kong).



Initially, Yiu Lian Dockyards (Hong Kong) has made changes in two main areas: business transformation and enhancement of the plant environment. This involves technical improvements based on the existing business operations and enhancing the working environment, starting the transformation, and upgrading efforts with the traditional ship repair and tugboat services.

To preserve and promote the corporate spirit and style, and to show greater care for employees, the office buildings in the Yiu Lian plant have been renovated into the CMI Headquarters Building, with comprehensive internal refurbishments significantly improving the working environment for employees.



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友聯船廠(香港)  
YIULIAN DOCKYARDS(HONGKONG)