



CONTINENTAL

HOLDINGS LIMITED

(Stock code: 00513)



Environmental, Social and Governance Report

30 June 2017

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(In the event of inconsistency, the English version shall prevail over the Chinese version.)

Introduction

About the Company

Continental Holdings Limited (the “Company”) is an investment holding company. The principal activities of its subsidiaries (the Company and its subsidiaries are hereinafter referred to as the “Group”) are the designing, manufacturing, marketing and trading of fine jewellery and diamonds. Also, the Group maintains an investment portfolio including property investment and development, mining and other investment.

Scope of Report

This is the first Environmental, Social and Governance Report (the “ESG Report”) of the Group. The ESG Report is prepared in accordance with reference to the Environmental, Social and Governance Reporting Guide provided in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The information stated in this report covers the period from 1 July 2016 to 30 June 2017 (the “Reporting Period”), which aligns with the financial year as the 2017 annual report of the Company. The ESG Report focuses on the aspects that have been identified as material to the Group business and its key stakeholders, i.e. the core business of the Group, which is design, manufacturing, marketing and trading of fine jewellery and diamonds. The scope of this ESG Report mainly includes data and activities of the factory in Jiangmen, the PRC (the “Jiangmen Factory”) and the office of the management headquarter in Hong Kong (the “Hong Kong Office”) for the Reporting Period.

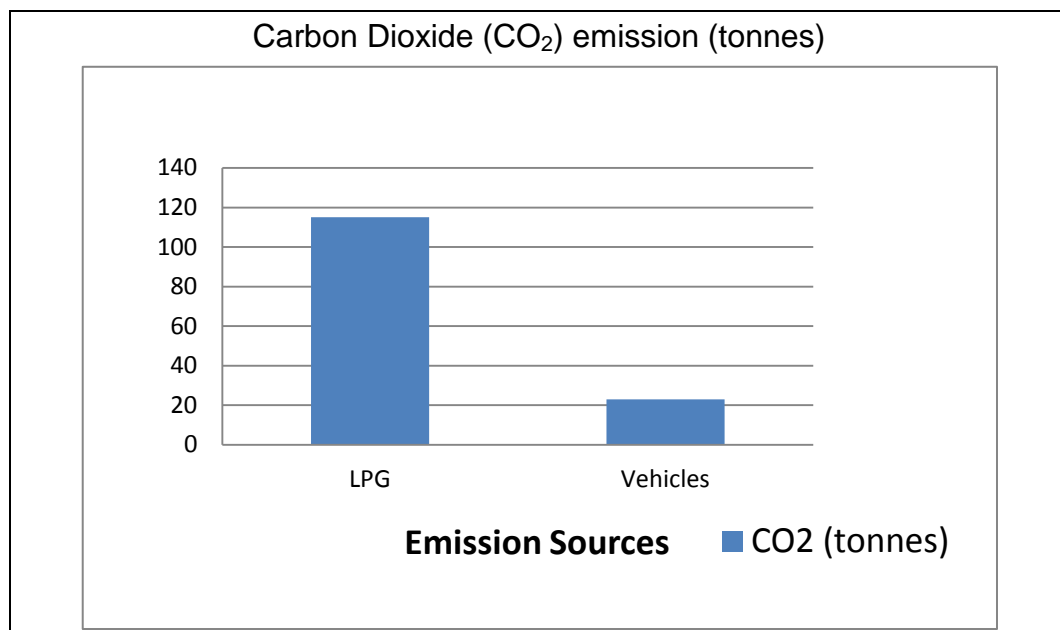
The Group has aligned its business with sustainable development and environmental conservation as top priority. In the Reporting Period, the Group has strengthened the management efforts on the quality management of products, management of supply chains and the administration of personnel.

A. Environmental

A1: Emissions

The Group is committed to energy saving and environmental protection. We try to keep the damage to the environment at a minimal level by reducing pollutants and hazardous wastes during manufacturing process. The main sources of emission of the Group's pollutants include consumption of liquefied petroleum gas ("LPG") and emission of the Group's self-used office vehicles. The Jiangmen Factory consumed LPG during manufacturing process and at the staff dormitory. During the Reporting Period, the units of LPG consumed by the Jiangmen Factory was 39,300 kg and the CO₂ emission amount was 115 tonnes. While for the office vehicles, the fuel consumption was 29,103 litre and the CO₂ emission amount was 23 tonnes.

The following charts set out the categories and relevant statistics of pollutants in 2017:



The Group aims at reducing the energy and water consumption thereby reducing the greenhouse gas ("GHG") emission. The GHG emission is classified into direct and indirect emission. Direct emission includes: combustion of fuels in production process, generation of heat by LPG and combustion of fuels by motor vehicles owned by the Group. Indirect emission includes emissions due to electricity purchased from power companies and water consumption. During the Reporting Period, the total GHG

emission of Hong Kong Office was 147.2 kWh, which was indirect emissions resulting from generation of purchased electricity. The Jiangmen Factory had a total of 1,630 tonnes GHG emission of CO₂. The direct and indirect emission of in the Jiangmen Factory were summarized as follows:

Direct emission of CO₂: 138 tonnes

Indirect emission of CO₂: 1,492 tonnes

During the Reporting Period, the Jiangmen Factory produced 1.85 tonnes of hazardous wastes including waste mineral oil, oil residue, waste thinner etc. during machine maintenance and product cleaning; and 102 tonnes of non-hazardous wastes include office waste and domestic waste.

The Group sets out policies on reducing emissions. The Jiangmen Factory uses solar energy to supplement the use of electricity and LPG for heating purpose. We also use lighting system or electric appliances with high energy efficiency and set up timer for power saving. The staff are encouraged to turn off computer, air-conditioner and lighting when the electronic appliances are idle. We optimize the utilization of company vehicles, which are used by the management of the Group so as to reduce empty running rate and alleviate air pollution resulting from exhaust emission through motor vehicle. The Group follows the relevant legislation to process hazardous waste and there are measures to reduce wasteful resources. All hazardous wastes are collected and disposed of by licensed contractors and non-hazardous wastes are processed by local government.

During the Reporting Period, the Jiangmen Factory has complied with the relevant environmental laws in the PRC and there was no incidence of non-compliance with the relevant environmental laws and regulations that have a significant impact on the Group.

A2. Use of Resources

The Group promotes environmental protection by raising the employees' awareness of resources saving and efficient use of energy. In recent years, the Group has implemented several policies to encourage employees for energy conservation and paper saving. We have the following mechanism to promote the effective use of paper:

1. receive incoming faxes through e-fax system, and make copies only when necessary;
2. promote use of electronic communications such as disseminating notices through the intranet;
3. equip some printers with used paper to encourage employees to print on both sides of paper; and
4. use metal or plastic containers that can be reused to carry the manufactured goods during production and delivery process, which helps to reduce disposable materials in packaging.

During the Reporting Period, the Hong Kong Office was renovated and the Company specifically replaced the lighting system by LED lighting, which has high light-quality output and low energy usage. We also installed the air-conditioning system with timer so that they will be automatically switched off during non-office hour. The Group also encourages staff to keep electronic copies of documents, which greatly reduces storage space and also reduces paper consumption in the office.

The main types of energy consumption of the Group are electricity and LPG.

The Hong Kong Office

Indirect energy consumption: electricity 272.5 kWh

The Jiangmen Factory

Direct energy consumption: LPG 39,300 kg, production unit 0.17 kWh/Unit

Indirect energy consumption: electricity 1,617 kWh, production unit 0.007 kWh/Unit

During the Reporting Period, the Jiangmen Factory consumed 35,781 m³ of water and the volume per unit of production was 0.15m³. In the Hong Kong office, the water consumption was 321 m³.

We ensure the operation and facilities are in accordance with the environmental policy and reducing the environmental impact. The Hong Kong Office uses LED lighting and maintains the air-conditioned room temperature of offices at 25 degree Celsius for saving energy. In both the Hong Kong Office and the Jiangmen Factory, most of the staff use thin client, a lightweight computer for remoting into a server, instead of conventional desktop PC, which consumes less electricity. This greatly improves energy efficiency and reduces the impact on the environment. In addition, we have installed video-conference system to reduce business travels and increase

communication efficiency.

The main businesses of the Group are manufacturing and trading of jewellery, which do not rely heavily on energy consumption nor water resources and does not have any issue in sourcing water.

The Group minimizes the use of packaging materials for its jewellery products. For example, using lighter material for jewellery pouches, simpler design of jewellery box to save resources and delivery cost. A total of 1.03 tonnes of plastic bags were used as packaging material by the Jiangmen Factory during the Reporting Period.

A3: The Environmental and Natural Resources

The Group values environmental friendly operation and minimizes the impact on the environment and natural resources. The Group sets out the environment and resources management procedures, which list out the environment protection measures during the production process. The Group adopts the “reduce, reuse and recycle” policy to reduce paper consumption.

Reduce: encourages staff to read electronic file instead of print out documents or print on both side to create a paperless office.

Reuse: installs boxes next to printers or photocopying machines to collect used paper, encourage employees to use these paper for draft print out. Reuses paper boxes for storage purpose.

Recycle: used ink and toner cartridge of printers and photocopiers are collected for recycling. Other than saving paper measures, we also uses PEFC certified paper, which is from sustainably managed forests, recycled and controlled sources.

The Jiangmen Factory sets up measures to control the waste water discharge and chemical waste disposal. Waste water is produced during manufacturing process and includes domestic waste water produced from the factory canteen. There are sewage treatment facilities at the canteen and toilets, where waste water are processed, filtered and emitted through the outlet regulated by the local environmental protection department in the PRC. During manufacturing process, it produces hazardous wastes including oil, organic and non-organic chemical (e.g. acid, thinner), and residual in

waste water. The Jiangmen Factory has regulations on dangerous goods, waste disposal and prevention of environmental pollution by keeping the use of hazardous chemicals under record and supervision. There is a storage room specialized for storing hazardous waste that prevent chemical leakage and the waste materials are then collected by qualified treatment company.

The Group adopts the following environmental protection policies:

- Preventing waste of resources and improve efficiency on resources allocation;
- Educating staff on resources reduction, put up posters regarding save energy, increase awareness on saving water, electricity and energy consumption;
- Setting up solar energy system for heating purpose;
- Using LED lighting system and electrical appliance with energy efficiency label, and set timer for air-conditioning system; and
- Conducting regular check up of water pipe and water system so as to prevent leakage and conduct regular maintenance, if necessary.



Jiangmen Factory – solar heating system

B. Social

B1: Employment

We believe that every employee is a valuable asset of the Company. In order to retain talents and foster a good working environment for the employees and increase their sense of belongings to the Group, we provide professional development opportunities, healthy and safe working environment for all employees. In the Reporting Period, the Group employs a total of approximately 828 employees with the majority in the PRC. The Group's remuneration to its employees is largely based on common industrial practice.

With regards to terms of employment, the Group complies with the existing laws and industry regulations. For the Hong Kong Office, full-time employees are entitled to the following:

- annual leave, marriage leave, maternity or paternity leave and compassionate leave;
- a maximum of 120 days sick leave and 6 days full paid sick leave per year; and
- medical benefits, travel insurance and employee compensation.

The employees are enrolled in Mandatory Provident Fund schemes or Occupational Retirement Schemes. The Hong Kong Office organizes birthday party every month, annual outings and team building activities which increase the interaction among different departments and the sense of belonging of the employees.



Birthday party



Annual dinner

Whereas in the Jiangmen Factory, it also provides pension scheme to the PRC employees in accordance with the national labour and social security regulation, and contributes to the social security fund payable to the retired employees. The employees who reached the retirement age are entitled to the pension and benefits granted to the retired group. The Jiangmen Factory contributes to the township medical insurance scheme in accordance with the government labour and social security system and provides regular health-check programme to staff, especially to those involved in high risk job duties. The Jiangmen Factory organizes festival gatherings, recreational activities and sporting activities such as badminton and snooker matches for the enjoyment of staff.

The Group provides a benefit package including medical insurance and travel insurance to employees. The Group contributes to the labour insurance, which covers the compensation to the employees who are injured due to accident during business

trip. The Group also provides travel insurance for employees who required overseas business travel.

The Group prohibits child and forced labour in any workplace and protects both job applicants and regular staff from any form of discrimination. The Group abides by equal employment ordinance and prohibit discrimination against a person on the grounds of race, colour, sex, religion, age, national origin or disability. Female staff are entitled to leave for maternity check-ups and pregnancy leave, and resumed to her position after pregnancy leave.

As at 30 June 2017, the Hong Kong Office and the Jiangmen Factory have approximately 611 staff in total, and the combination of the gender, employment type and age group of the staff are as follows:

Category	Number of Employee (Approximately)
Gender	Male: 305 Female: 306
Employment Type	Full-time: 609 Part-time: 2
Age Group	Below 30: 202 Above 30: 409

The following table shows the employee turnover rate by gender and age group:

Category	Turnover Rate of Employee out of total staff in the Hong Kong Office and the Jiangmen Factory (Approximately)
Gender	Male: 13% Female: 12.8%
Age Group	Below 30: 16.5% Above 30: 9.3%

B2: Health and Safety

There were no work-related fatalities during the Reporting Period in any of our operations. During the Reporting Period, reported lost days due to work related injuries amounted to a total of 8 days in the Hong Kong Office and 3 days in the Jiangmen Factory.

The Group follows the guideline from the Hong Kong Labour's Department to set up the occupational health and safety measures of the Hong Kong Office. The Jiangmen Factory also publishes a manual on Health and Safety, which lists out the health and safety related issues at the workplace, these includes:

Workplace safety: remove obsolete and discard materials from the workplace regularly, avoid overloading electric sockets and install electric wirings properly

Fire safety: install fire safety system and emergency alarm and periodic check up and maintenance of the fire-fighting system

Special equipment: check-up of the pressure, fuel and escalator regularly

Protection facilities: install facilities to prevent poisonous gas and dust

Occupational safety: check-up and detect for the dangerous substances in the factory, assessment of occupational disease once in every three year

Emergency measures: equip workplace with first aid kit including first aid medicine and equipments

The Jiangmen Factory compiles a "workplace risk assessment" checklist, which describes the protective equipment required for specific job duties and sets out the safety standard for the labour protection. The Jiangmen Factory supervises and ensures all workers put on protective devices when they carry out high risk job duties.

B3: Development and Training

The Group provides training programmes for staff professional development, so that the employees are better equipped and increasing efficiency which are favourable to the long-term development of the Group. Training programmes are classified into two

types according to the target and purpose: internal training and external training. In Hong Kong Office, the Company organizes team building activities, seminar and workshop. The Group supports staff training programmes by granting time and reimbursement.

The Jiangmen Factory provides training regarding to fire safety, ISO system and safety measures to apprentice and new staff. Upon passing examination, the apprentices are employed under probation terms. During probation, the apprentices continue to take lessons to enhance their skills. Jobs will be offered to the apprentices and new staff once they pass the examination. The Jiangmen Factory also provides on job trainings, including safety measures for the current staff. For the staff who perform special duties, they are trained regularly; clerical staff will receive specific training in relation to their job duties.



Team building

Percentage of employees trained by gender and employee category

Category	Percentage of Employees
Gender	Male: 53% Female: 47%
Employee Category	General staff: 87.3% Middle management: 10.3% Senior management: 2.4%

The number of training hours per employee by gender and employee category

Category	Number of Training Hours per Employees
Gender	Male: 9.1 hours Female: 8.3 hours
Employee Category	General staff: 8.4 hours Middle management: 6.1 hours Senior management: 5.3 hours

B4: Labour Standards

We value staff as important assets of the Company. The Group wants to build a healthy working environment with equal opportunity to protect employee's right and their benefits. The laws and regulations that are directly related to the Group included, but may not be limited to, the following:

Hong Kong:

- Employment Ordinance

China:

- Underage Workers Special Protection Provisions
- Prohibition of Child Labour Provisions
- Labour Law of People's Republic of China

During the Reporting Period, the Group has not violated any of the above ordinance or regulations which lead to investigation.

The Group treats all employees equally. The staff are assessed by their performance and working experience regardless of age, marital status, race, religious, nationality or gender etc.

The Group prohibits forced labour and restricts the employment of child labour. The Jiangmen Factory sets out "Labour Rights and Working Condition Management Rules", which lists out the following: checking candidates identification during interview process to prevent employing child labour; all labour must voluntarily complete job application form to prevent forced labour. The employees can early terminate employment contract in accordance with the service contract and are entitled to paid sick leaves with valid doctor's certificate. In case the Group discovers forced labour or child labour, the Group will terminate such practices and propose the following remedies: report to local authorities and record the situation.

B5: Supply Chain Management

The Jiangmen Factory has set standard procedures for the selection of suppliers of raw materials in accordance with the ISO9001/UKAS standards. They also have a standard approval form for selection of suppliers and a list of approved suppliers were available from the ISO documents for reference. There is also an assessment for the Group to review the supplier's standards. The largest supplier and the five largest suppliers accounted for 36.4% and 65.5% respectively of the Group's total purchases for the year. 97% of the Group's suppliers are from Asia.

B6: Product Responsibility

The Group is committed to design and manufacture of fine jewellery with high quality and provides excellent customer services. We clearly list out all the material contents, such as metal type, stone type and average weight of our products on our invoices. We are also required to disclose if the materials are genuine or treated and purchased from legitimate sources.

To guarantee the quality of our products, CJM is awarded ISO9001/UKAS Management System and is a certified member of Responsible Jewellery Council ("RJC"), which is a standards setting and certification organization. As member of RJC, the Group is committed to the RJC Code of Practices, which is an international standard on responsible business practices for diamonds, gold and platinum group metals. The Code of Practices addresses human rights, labour rights, environmental impact, mining practices, product disclosure and other important topics in the jewellery supply chain. The Group provides guarantee period for normally 3 months after shipment. If manufacturing defects are discovered afterwards, we will take back the products for repairing. The marketing administration and support department is responsible to deal with customer's queries and provide customer services. During the Reporting Period, no products were recalled for safety and health reasons; 508 items were repaired and returned to customers.

The Group applies for copyright or design patent for some special designs to protect the intellectual property rights. The quality assurance process for each production stage is strictly adhered to the standards under ISO9001. Final products are quality assured before shipping but there is no recall procedure for our products. We comply with relevant legislation regarding customer data privacy.

B7: Anti-corruption

The Group is aware of the importance of honesty, integrity and fairness in its operation and any practices which are against law e.g. corruption, bribery, money laundry are strictly forbidden. Bribery and facilitation payment are prohibited within the Group. The Group required employees to declare any conflict of interests and encourages all employees to discharge their duties with integrity and comply with the relevant laws and regulations. Transactions involving money requires authorized signatories of the appropriate levels depending on the amount involved. Checks and balances have been installed in the Group for money transaction activities and are considered effective and adequate.

During the Reporting Period, there is a case of professional embezzlement in the Jiangmen Factory. The case was reported to the police for investigation and the employee was not convicted as the amount involved was minimal.

The Jiangmen Factory has formulated a “Prevention of Corruption Procedures”, internal control, to prevent corruption, bribery or fraud. The Group also provides training and newsletter regarding legislation against bribery and corruption. The Group encourages staff to report to their supervisor or directly to the management if they discover any practices that violate or are against the law. The Jiangmen Factory sets up comment box and hotline to facilitate the staff to report any malpractices. Once it is confirmed that the employee has violated the regulations of the factory, they will be punished by disciplinary action. If the employee has serious malpractices, they will be hand over to the prosecution department.

Community

B8: Community Investment

As a responsible corporation, we are involved in social project and keen on promoting local economic and cultural development. During the reporting period, the Group has actively participated in the charitable event such as donation to the needy and subsidize local education in Jiangmen. The Group has donated to Tung Wah Group of Hospitals, Po Leung Kuk, Hong Kong Federation of Women, Hong Kong Breast

Cancer Foundation and Jewelers for Children and other charitable organization. The Group works with local education institution to provide internship or job opportunities to local students so that the students were given the chance to work with our Group. During the Reporting Period, we participated in care for the youth programme, the “Company Attachment Programme” organized by the College of International Education of the Hong Kong Baptist University. The students were invited to introduce new marketing initiatives to the Company and worked with the Company’s designing team. The marketing team has also provided case studies for the students to know more about the business world and the jewellery industry. The Jiangmen Factory has worked with local institution to provide internship programme and organize guided tour in the Factory for the students. During the Reporting Period, the Company has charitable contributions totaling HK\$120,000.



Company Attachment Program