



CONTINENTAL

HOLDINGS LIMITED

(Stock code: 00513)



Environmental, Social and Governance Report

30 June 2021

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DEFINITION

Throughout this report, the following terms, except where the context otherwise requires, have the following meanings:

- **Company** : Continental Holdings Limited (Stock Code: 513), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
- **Group** : the Company and its subsidiaries
- **ESG** : environmental, social and governance
- **ESG Reporting Guide** : Environmental, Social and Governance Reporting Guide under Appendix 27 of the Main Board of Listing Rules
- **Hong Kong** : the Hong Kong Special Administrative Region of the People's Republic of China, including Hong Kong Island, Kowloon and the New Territories
- **KPIs** : key performance indicators
- **Listing Rules** : the Rules Governing the Listing of Securities on the Stock Exchange
- **PRC** : the People's Republic of China, for the purpose of this report, excluding Hong Kong, Macau Special Administration Region of the People's Republic of China and Taiwan
- **Stock Exchange** : The Stock Exchange of Hong Kong Limited
- **Last Reporting Period** : from 1 July 2019 to 30 June 2020

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OVERVIEW

(I) Purpose

In accordance with the requirements of the Stock Exchange listed companies are required to publish an Environmental, Social and Governance Report (“**ESG Report**”). This is our fifth ESG report by the Group, in reviewing and disclosing the Group’s vision, policies, management controls, and our performances and challenges, regarding environmental and social issues, for both internal and external stakeholders.

(II) Reporting Period

This report is for the period from 1 July 2020 to 30 June 2021 (the “**Reporting Period**”).

(III) Scope of Report

The principal businesses of 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 industries. For specific details of the above mentioned business, please refer to the Group’s 2021 Annual Report. This report only covers core business activities and operations of the Company in term of their environmental and social objectives, policies and practices and their impacts and performances.

The scope of this ESG Report mainly includes data and activities of the factory in Jiangmen, the People’s Republic of China (the “**PRC**”) (the “**Jiangmen Factory**”) and the office of the management headquarter in Hong Kong (the “**Hong Kong Office**”) for the Reporting Period.

(IV) Basis of Preparation

This is our fifth ESG Report and is compiled in accordance with the ESG reporting Guide. The content of this report includes two main subject areas as outlined and required by the ESG Reporting Guide, being area A – environmental and area B – social.

This report, which has been reviewed and approved by the board of directors of the Company (the “**Board**”), reviews and reports the core business operations of the Group and follows the principles of materiality, quantification, balance and consistency to disclose relevant statistics and information.

(V) Corporate Mission and Vision and ESG Objectives

The Group's vision continues to be the leader in the jewellery industry by developing trusted, creative solutions to the global jewellery industry, and dedicating to innovative designs, excellent craftsmanship, and high-quality service. The Group has also aligned its business with sustainable development and environmental conservation as top priority. Regarding ESG objectives, the Group continues its practices and aims to maximize returns for the shareholders, business partners and investors, whilst being a socially and environmentally responsible company and providing a safe, healthy and pleasant working environment to our employees. In the Reporting Period, the Group strengthened the management efforts on the quality management of products, management of supply chains and the administration of personnel.

(VI) ESG Strategies and Management

The Group continues to attach significant considerations in the ESG areas and aspects listed in the ESG Reporting Guide when formulating and implementing its corporate goals and business objectives. The Group is committed to conducting its business in a transparent, equitable, legal and socially responsible manner. Moreover, it continues to care about the impact of its daily operation on the environment, local residents and communities, and to make efforts to meet and maximize the interests of all stakeholders, economy, environment, society and corporate governance on a fine and fair balance.

Throughout the Reporting Period, the Group maintained the same ESG management structure and process as the Last Reporting Period. The Board, headed by the chairman, is responsible for the formulation and approval of the Group's development, business strategies, policies, annual budget and business plans of the jewellery business. On day-to-day management, the regional and departmental managers implement the overall strategies and initiatives adopted by the Board on operations, financial, environmental and social issues and obligations. The Group's chairman and the managing director and/or other management (the "**Management Team**") will examine and address all the environmental and social issues spelt out in the Aspects and Subject Areas in the ESG Reporting Guide. The Management Team is responsible for the following duties in relation to ESG issues:

- Implementing the approved ESG policies, rules and regulations;
- Collecting, compiling and formulating data and statistics on ESG related issues and Key Performance Indicators ("**KPIs**"); and
- Reviewing and monitoring especially on the legal and social compliance of the ESG related issues on a regular basis.

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Upon receiving regular or ad hoc updates and reports on ESG activities and related issues from the regional and departmental managers, the Management Team will evaluate the overall positions, draft the appropriate action plans, prepare and submit reports and recommendations to the Board for approval and thereafter for implementation.

The Group fully understands that changes in business operations, structures, technologies, laws and regulations, and the environment may drive changes to our ESG policies and practices. As such, the Group continues to invest adequate resources to monitor ESG issues, policies, practices and performances on an on-going basis. In order to contribute to the sustainable development on the environment and society, whilst maximizing the benefits to our employees and the stakeholders, the Group has continued to exercise due responsibility in maintaining the highest level of ethical standards on conducting its business and upheld strict compliance with all relevant laws, rules and regulations in all ESG matters.

For the purpose of the ESG Report, only activities and operations which are considered material and significant to the environment and our activities are included. Overall, the Group takes on an active role in ensuring sustainable and environmentally friendly operating processes are in place. This is achieved by taking all practicable and possible measures to comply with all the relevant national laws, operating practices and standards.

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(VII) Stakeholders Communications and Materiality

In managing the priorities, the Group continues to ensure its design, manufacturing, marketing and trading of fine jewellery business is in compliance with its environmental and social responsibilities and obligations as required by the ESG Reporting Guide and the laws and related regulations of Hong Kong and the PRC. The Group also continues to take into account of the opinions and views of its stakeholders including shareholders, investors, employees, customers, suppliers, service providers, professional advisors, Non-Governmental Organization (“NGO”) partners and industry associations, and strives to address their concerns. It is the duty of the Managing Director and related frontline managers to constantly communicate with its stakeholders under the following established channels in order to gain insights on ESG material areas and aspects during the Reporting Period.

Stakeholders	Communication Channels
Shareholders/ Investors	<ul style="list-style-type: none">• General meetings• Information published on websites of the Company and the Stock Exchange• Direct emails or phone enquiries• Dispatched documents
Employees	<ul style="list-style-type: none">• Direct meetings with the management executives• Emails• Annual and regular appraisal• Organized functions and activities for the employees
Customers	<ul style="list-style-type: none">• Day-to-day communication through front line staff• Emails• Official websites
Suppliers/service providers/ professional advisors	<ul style="list-style-type: none">• Day-to-day communication through front line staff• Regular review of the signed arrangements by the management
NGO partners and industry associations	<ul style="list-style-type: none">• Participation in annual and regular meetings, conferences, events, etc.

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Through regular communications with stakeholders and review of the information collected, the Group has identified the following ESG material areas and aspects, and has managed them strictly in accordance with the Group's established management structure, process, policies and guidelines and in compliance with the relevant legal and regulatory standards:

<i>Subject Areas</i>	<i>Subject Aspects</i>	<i>Materiality</i>
<i>Environmental</i>	A1. Air Emissions, Polluted Water and Waste Discharge	√
	A2. Use of Resources	√
	A3. Environment and Natural Resources	√
	A4. Climate Change	√
<i>Social</i>	B1. Employment	√
	B2. Health and Safety	√
	B3. Development and Training	√
	B4. Labour Standards	√
<i>Operating Practices</i>	B5. Supply Chain Management	√
	B6. Product Responsibility	√
	B7. Anti Corruption	√
<i>Community</i>	B8. Community Investment	√

The ESG issues, performances, and the related KPIs during the Reporting Period, especially on the above material areas and aspects, continue to be monitored and managed through the Group's approved management structure and process. With an allocation of adequate resources to implement the approved strategies, policies and measures, the Group has honoured its environmental and social obligations and responsibilities especially on the above material areas and aspects during the Reporting Period, which are summarised below.

MATERIAL AREAS AND ASPECTS AND THEIR PERFORMANCE

(A) ENVIRONMENTAL AREAS AND ASPECTS

1.1 Environmental Areas Overview and Policies

As an environmentally responsible corporation, 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 the manufacturing process and ensuring our activities and operations are to be energy, water and resources saving, and to prevent pollution, reduce wastes and minimize the negative impacts on and harmonize with the environment. During the process of formulating the environmental policies and measures, all activities and operations likely to cause environmental impact or impact on general sustainability such as the use of energy, water, raw materials and other natural resources, air emissions, water discharge and waste disposal have been considered.

Based on various aspects of the subject areas in the ESG Reporting Guide, we have identified the laws and regulations that are the most relevant to the Group:

- Environmental Protection Law of the PRC (中華人民共和國環境保護法);
- Law of the PRC on Environmental Impact Assessment (中華人民共和國環境影響評價法);
- Water Pollution Prevention and Control Law of the PRC (中華人民共和國水污染防治法);
- Atmospheric Pollution and Control Law of the PRC (中華人民共和國大氣污染防治法);
- Law of the PRC on the Prevention and Control of Pollution from Environmental Noise (中華人民共和國環境噪聲污染防治法);
- Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法); and
- Regulations on the Administration of Construction Project Environmental Protection (建設項目環境保護管理條例).

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As reported in the Last Reporting Period, given the nature of manufacturing fine jewellery and diamond activities, the Group uses liquefied petroleum gas (“LPG”) and electricity for its machinery; and packaging materials to pack the products. As a result, our manufacturing process and activities does generate emissions, wastes and discharge. However, as an environment responsible corporation, the Group’s operations and activities are complying with the requirements under the PRC laws, which 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, same as the Last Reporting Period, the Group was not subject to any confirmed cases for breaching environmental legislations or receiving complaints from any government environmental agencies and local communities in relation to emission and waste discharges or other environmental issues that could have an adverse impact on the local environment.

1.2 Environmental Aspects

A1. Air Emissions, Polluted Water and Waste Discharge Aspect

During the Reporting Period, same as the Last Reporting Period, the types of emissions, wastes and discharge from the Group’s operations and activities in the Jiangmen Factory and the Hong Kong Office, were mainly air pollutants including nitrogen oxide (“NO_x”), sulfur oxides (“SO_x”) and particulate matter (“PM”) as well as greenhouse gases (“GHG”) such as carbon dioxide (“CO₂”) and its non-hazardous equivalents including nitrous oxide and methane (collectively with CO₂, “CO_{2e}”) emissions directly generated from liquefied petroleum gas (“LPG”) consumption during manufacturing process and fuel usage of the Group’s self-used office vehicles; indirectly generated from electricity consumption; and non-hazardous packaging wastes such as used papers and packaging materials, office residuals, general rubbish and hygiene wastes.

(i) Indirect Greenhouse Gas Emissions

Same as the Last Reporting Period, indirect emission of namely GHG-CO₂ through the use of electricity for the daily operation of the office remains to be the main source of gas emissions for the Reporting Period.

For the Reporting Period, the Group's total indirect GHG-CO₂ emission generated as a result of electricity consumption in the Hong Kong Office was approximately 95.47 tonnes (For 2020: approximately 140 tonnes), which was approximately 31.81% lower than the Last Reporting Period.

On the other hand, the Group's total indirect GHG-CO₂ emission in the Jiangmen Factory was approximately 941.84 tonnes (For 2020: approximately 970 tonnes), which was similar to the Last Reporting Period.

(ii) Direct Hazardous Air Emissions (as a result of gas and fuel consumption)

For jewellery manufacturing business, combustion of fuels in production process, generation of heat by LPG and combustion of fuels by motor vehicles will directly produce GHG-CO₂ emissions, as well as hazardous gases including NO_x, SO_x, PM, and CO₂ through the use of fuel and gas. During the Reporting Period, the Group did not receive any complaints or warning notice from relevant environmental agencies or local community on our direct hazardous emissions.

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The table below recorded and compared the Reporting Period and the Last Reporting Period's resultant air pollutant emissions and direct and indirect air emissions from the usage of LPG during the production process, combustion of fuels by motor vehicles, and the use of electricity by the Hong Kong Offices and Jiangmen Factory.

Direct and Indirect Emissions Record

		Year ended 30 June		
Items of emissions	Unit	2021	2020	Changes
		Quantities	Quantities	
1. SO _x direct emission	Kilograms	0.13	N/A	N/A
2. NO _x direct emission	Kilograms	7.75	N/A	N/A
3. PM direct emission	Kilograms	0.37	N/A	N/A
4. CO ₂ e direct emission	Tonnes	67.13	N/A	N/A
5. CO ₂ direct emission	Tonnes	64.27	86.00	-25.26%
6. CO ₂ indirect emission				
- Jiangmen Factory	Tonnes	941.84	970.00	-2.90%
- Hong Kong Office	Tonnes	95.47	140.00	-31.81%

During the Reporting Period, economic activities gradually resumed and few major economies started to show signs of a recovery, the Group has resumed the operation in Jiangmen Factory in September 2020. However, the number of employees in Jiangmen Factory has been decreased due to the COVID-19 pandemic which also leads to a decline in production. The direct CO₂ emissions of gas and fuel has therefore decreased by 25.26% due to the decrease in gas and fuel consumption.

On the other hand, the electricity consumption of Jiangmen Factory remained similar when compared to Last Reporting Period. For the Hong Kong Office, the decreased in indirect GHG-CO₂ emission was mainly due to the decrease in electricity consumption as result the installation of energy saving electronic appliances of replacing old electronic appliances and the decline in emission factor of the electricity supplied by CLP Power Hong Kong Limited.

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In order to save costs and minimize emissions of air pollutants and CO₂e, the Group has already implemented measures to train, guide and supervise the employees to use energy and fuel smartly. Jiangmen Factory has installed solar power to reduce the use of LPG and electricity. During the Reporting Period, the Hong Kong Office has replaced the central air conditioning system to save electricity and reduce cost. In the coming year, the Group targets to reduce air pollutants and CO₂e emissions within 1% - 3% in the Jiangmen Factory and Hong Kong Office on the basis of similar operating conditions.

(iii) Polluted Water Discharge

During the Reporting Period, same as the Last Reporting Period, the Group's polluted water were mainly produced during manufacturing process and includes domestic waste water from the 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.

(iv) Hazardous and Non-hazardous Waste

During the Reporting Period, same as the Last Reporting Period, the Jiangmen Factory produced approximately 2 tonnes of hazardous wastes including waste mineral oil, oil residue, waste thinner etc. during machine maintenance and product cleaning; and approximately 49.20 tonnes (For 2020: approximately 46.80 tonnes) of non-hazardous wastes include office waste and domestic waste.

On the other hand, same as the Last Reporting Period, the operation and activities of the Hong Kong Office did not generate any hazardous wastes. For the non-hazardous wastes, only approximately 0.15 tonnes of recycled paper were generated in the Hong Kong Office during the Reporting Period.

The Group has continued to implement policies to mitigate the hazardous and non-hazardous waste:

- The Jiangmen Factory has arranged cleaning company to collect and transport domestic waste to the city "Refuse Collection Point" weekly;

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- For paper waste, the Group has already introduced measures to reduce its usage, such as encouraging staff to use electronic messaging to replace paper writing and to print on both sides of papers; and
- The Jiangmen Factory has regulation 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.

During the Reporting Period, the Group did not have any violation related to hazardous or non-hazardous wastes. In the coming year, our policies will continue, and we expect our non-hazardous wastes will continue to be insignificant and handled properly.

(v) **Noise and Light Emissions**

During the Reporting Period, the Group's operations and activities did not generate any noises and light emissions affecting the neighbour and the local community, and no complaints nor warning notices were received.

A2. Use of Resources Aspect

As aforementioned, the core business operation of the Group –designing, manufacturing, marketing and trading of fine jewellery and diamonds remains unchanged for the Reporting Period. Energy consumption of electricity, gas, fuel and water are the major use of resources. The Group advocates our determination in promoting and achieving efficient use of energy and water. We did not see any significant impact or material significance to the environment. The Group has implemented guidelines and instructions on the efficient use of resources for office administration, factory production and general living of our employees. Our employees have also been constantly reminded to use our resources efficiently to avoid unnecessary wastage.

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(i) Electricity

Electricity is for general equipment usage, employees living dormitories in Jiangmen Factory, and Hong Kong Office, which are summarized in the table below:

Item	Unit	Year ended 30 June		
		2021	2020	Changes
Electricity				
- Jiangmen Factory	kWh	1,171,152	1,158,928	+1.05%
- Hong King Office	kWh	258,019	275,039	-6.19%

During the Reporting Period, the electricity consumption in the Jiangmen Factory and Hong Kong Office were similar to the Last Reporting Period. During the Reporting Period, the CO₂ intensity of electricity per employee were 2.59 tonnes and 1.26 tonnes in Jiangmen Factory and Hong Kong Office respectively.

In order to save costs and to minimize environmental impacts from air emissions generated from electricity consumption, the Group took active measures to reduce energy consumption:

- In the Last Reporting Period, the Hong Kong Office has replaced the central air conditioning system by ceiling mounted split type air-conditioners to save electricity and reduce cost;
- The Hong Kong Office has installed the lighting system by LED lighting, which has high light-quality output and low energy usage;
- Maintains the air-conditioned room temperature of offices at 25 degree Celsius for saving energy;
- Staff are encouraged to turn off computer, air-conditioner and lighting when the electronic appliances are idle; and
- Jiangmen Factory has installed solar energy heating system for heating purpose and use lighting system or electric appliances with high energy efficiency and set up timer for power saving.

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In the coming year, the Group targets to reduce the electricity usage within 1% - 3% in the Jiangmen Factory and Hong Kong Office on the basis of similar operating conditions.

(ii) Gas

For gas, the main consumption comes from production process, generation of heat by LPG for operating the factory premises and the production equipment in Jiangmen Factory. During the Reporting Period, the Group consumed a total of 15,050 kg (For 2020: 25,950 kg), which was approximately 42.00% lower than the Last Reporting Period. The decrease in the usage of LPG in Jiangmen Factory was mainly due to the installed solar energy heating system. During the Reporting Period, the CO₂e intensity of gas per employee was 0.13 tonnes in Jiangmen Factory.

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.

(iii) Fuel

For fuel, the main consumption comes from the motor vehicles owned by the Jiangmen Factory. During the Reporting Period, the Jiangmen Factory consumed a total of 7,995 litre (For 2020: 13,150 litre), which was approximately 39.20% lower than the Last Reporting Period. During the Reporting Period, the hazardous air intensity per employee was approximately 0.02 kg in Jiangmen Factory. The decrease in the fuel usage was mainly due to the suspension on the use of the two cross-boundary cars owned by the Group during the Reporting Period.

To further reduce the consumption of fuel, the Group has installed video-conference system to reduce business travels and increase communication efficiency.

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(iv) Water

Item	Unit	Year ended 30 June		
		2021	2020	Changes
Jiangmen Factory	Cubic meters	22,804.00	42,778.00	-46.7%
Hong Kong Office	Cubic meters	292.10	121	+141.4%

For water, the main consumption comes from the production process and domestic dormitory use of the resident workers. During the Reporting Period, the water intensity was 62.82 m³ and 3.84 m³ per employee in Jiangmen Factory and Hong Kong Office respectively. The significant decreased of 46.70% in water usage in Jiangmen Factory was mainly due to the decreased of the number of employee and decline in production.

As the epidemic is contained, with a view to allowing resumption of normal life of business operation in Hong Kong Office and encourage employees to maintain a good hygiene, the water usage was therefore significant increased by 141.4% during the Reporting Period. The Group has continuously reminded its employees to save water and use water smartly and responsibly. The increase was mainly due to the estimated of water consumption reading.

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

For the coming year, on basis of similar operating conditions, the Group targets a 1% - 3% decrease in fresh water consumption in the Jiangmen Factory. A similar target is also set for the Hong Kong Office through encouragement of employees to act prudently and responsibly.

(v) **Packaging materials and papers**

During the Reporting Period, a total of 0.7 tonnes of plastic bags has been consumed (For 2020: approximately 1.35 tonnes), which was approximately 48% lower than the Last Reporting Period. As the Group minimizes the use of packaging materials for its jewellery products by using lighter and recycled materials for jewellery pouches, simpler design of jewellery box to save resources and delivery cost. Therefore, the decreased in the usage of the plastic bags was mainly due to implemented policies and the decline in production in Jiangmen Factory.

The Group has continued the policy to encourage employees for energy conservation and paper saving. We have the following mechanism to promote the effective use of paper:

- receive incoming faxes through e-fax system, and make copies only when necessary;
- encourage employees to print on both sides;
- promote use of electronic communications such as disseminating notices through the intranet;
- use metal or plastic reusable containers to carry the manufactured goods during production and delivery process and reduces disposable materials in packaging; and
- encourages staff to keep electronic copies of documents, which greatly reduces storage space and also reduces paper consumption in the office.

A3. Environment and Natural Resources Aspect

Continuing the vision and policies of working towards a responsible corporation, the Group is committed to conserving resources in order to reduce its impact on the environment as well as saving operational costs. As reviewed above and reported in last few years of ESG reports, the Group's core operations and activities mainly uses electricity, LPG, water, and papers, which will have impacts on the environment if they are not properly managed. The Group has therefore exercised due care on setting up its management structure and process, rules and regulations to ensure that natural resources are correctly, and efficiently used without wastage and destruction. As a result, the Group only generated an acceptable and reasonable amount of direct and indirect greenhouse gas emissions and non-hazardous waste discharges.

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: In addition to recycling envelopes, trays are placed beside photocopiers for collecting single-sided used paper for reuse before recycling.

Recycle: used ink and toner cartridge of printers and photocopiers and electronic wastes 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. In the Hong Kong Office, there are boxes for collection of plastic bottles and aluminum cans for recycling.

On the other hand, Jiangmen Factory collected waste paper which will be passed to recyclers for recycling. It also sets up measures to control the waste water discharge and chemical waste disposal.

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The Group adopts the following environmental protection policies:

- Preventing waste of resources and improve efficiency on resources allocation;
- Staff education on resources reduction, put up posters regarding save energy, increase awareness on saving water and reduce 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.



Figure 1: Solar heating system of Jiangmen Factory

A4. Climate Change Aspect

Climate change is mainly caused by the release of CO₂ into the atmosphere, which is directly and indirectly the result of the use of fossil fuels for electricity generation and fuels for transportation. As the world transitions to a lower-carbon sustainable economy, there are areas that our Group can contribute to this.

As listed in the “Stakeholders Communication and Materiality” and “Material Areas and Aspects” section above, the Group fully aware that stakeholders expect us to be managing and mitigating climate change risks. In light with the current global environmental conditions and the Group’s operations and activities, the Board identifies that global warming and reduction on energy, water, and packaging material will be the most important and immediate areas that may impact the Group and the environment. These three areas will not only affect the operation costs of the Group, they will also contribute directly or indirectly on the global environmental conditions, and the Group should tackle them for the purposes of combating climate change and reduce the operation costs in the future.

(i) Energy

Global warming is directly and indirectly the result of uses of fossil fuels for electricity and transportation. As explained above, during the Reporting Period, the Group’s operations and activities directly and indirectly generated CO₂e emissions through the use of electricity and fuel. The Group has already implemented extensive policies and measures to reduce the use of electricity throughout the factories, employee dormitories and office. With a reduction in electricity consumption, less energy will be required, and less LPG will be used by the power plants, and less GHG-CO₂ will be generated accordingly.

(ii) Water

As explained above, during the Reporting Period, the Group has already taken measures to supervise and encourage employees to use water more efficiently in order to reduce its consumption for the purpose of conserving water, which will possibly bring back a balance to the global atmospheric condition.

(iii) Packaging Materials

As explained above, during the Reporting Period, the Group has already implemented policies and measures to reduce packaging material.

For the Reporting Period, the Group's business operations and activities did not lead to any events or issues that might impact the climate or result in the change of the climate significantly. The Group has already taken measures to lower indirect GHG-CO₂ emission, and to reduce water and paper and packaging materials usage with a wish to curb global warming. The Group will continue with such policies and measures for the coming year.

(B) SOCIAL AREAS AND ASPECTS

2.1 Social Areas Overview

The Group is committed to conducting business in a transparent, equitable and socially responsible way, and strives to build mutually beneficial relationships with our stakeholders, including our employees, customers, suppliers, communities, as well as the public and governing authorities. On the formulation of ESG strategies and policies, the Group has already incorporated its short and long term corporate development goals with considerations on the stakeholders and sustainable development of the communities, society and globe.

Pursuant to the ESG Reporting Guide, social areas and aspects including “Employment and Labor Practices” and “Operation Practices And Community Investment”, and the Group’s performance in these areas herein reported below:

2.2 Employment and Labour Practices Areas and Aspects

The Group always believes that its business development and growth rely heavily on the commitment, passion and skills of its employees who are its most valuable asset. It has committed to strictly complying with all the relevant laws, rules and regulations on employment arrangements in the Labour Laws of the PRC 《中華人民共和國勞動法》 and Employment Ordinance (“EO”) (Chapter 57 of the Laws of Hong Kong) of Hong Kong, and providing a safe and healthy working environment, offering equal opportunities to all employees on recruitment, promotion, compensation and benefits. It has strengthened its human resources management with employee-oriented policies to encourage motivation and innovation, and to protect the interests and legal rights of the employees, and ultimately to achieve a positive, constructive and harmonious relationship with its employees.

B1. Employment Aspect

Since establishment, the Group has continued its employment policies and practices throughout, which include the following main features:

- Owing to the diversity in our operation bases and activities, the human resources department in the Hong Kong headquarters is responsible for reviewing and approving the Group's human resources policies, and employment terms and conditions, while the regional offices' human resources managers implement the approved policies and measures in compliance with the local employment laws, rules, regulations and practices;
- The regional human resources manager has been assigned with the responsibility to implement the Group's human resources strategies and policies, and has been charged with the responsibility and duty to ensure all the statutory obligations of the Group has been fulfilled and complied with a legitimate manner;
- Adopt a humanistic and equitable human resources policies with equal opportunities for all without discrimination on hiring, promotion, remuneration, benefits, training, dismissal and other aspects of employment;
- All employees are required to sign employment contracts with the Group and/or its subsidiaries, and will receive an Employee Handbook, containing all the employment terms and conditions, benefits and obligations including but not limited to, appointment, termination, working hours, rest days, statutory holidays, remunerations, various compensations, dismissals, health, general safety and welfare, etc.;
- In accordance with the requirements of the national laws of PRC such as Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Administrative Regulations on Housing Provident Funds (住房公積金管理條例), and the EO and the Mandatory Provident Fund Schemes Ordinance ("MPFSO") (Chapter 485 of the Laws of Hong Kong) of Hong Kong, the Group provides and maintains statutory benefits to all qualified staff, including but not limited to mandatory provident fund, social security insurance, medical insurance, work injury insurance and compensation and statutory holidays;

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- On recruitment, the Group has adopted a mixed policy of external recruitment and internal promotion for vacancies. All vacancies are open to all with equal opportunities, to be decided with no discrimination on sex, religion, gender, age and disability, and to be selected on the basis of qualification, skill and competency;
- Employees' remunerations are determined with reference to the prevailing market level in line with their competency, qualifications, experience and job position. Discretionary bonuses of such amounts and at such intervals for internal employees will be rewarded at the discretion of the top management with consideration on performance; and
- Provide a safe and pleasant working environment to our employees.

For the Hong Kong Office, full-time employees are entitled to the following:

- annual leave, marriage leave, maternity or paternity leave and compassionate leave, during the Reporting Period, the maternity leave is extended from 10 weeks to 14 weeks;
- 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 lunch gathering and annual dinner, which increase the interaction among different departments and the sense of belonging of the employees.

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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 and especially to the staff engaged with high risk job duties. The Group promotes a sense of team spirit and foster work-life balance by organizing leisure activities for the staff. The Jiangmen Factory organizes annual festival gathering and recreational activities on a regular basis.

In addition to the medical insurance, the Group also provided travel insurance to employees who required overseas business travel which covers the compensation to the employees who are injured due to accident during business trip.

During the Reporting Period, same as the Last Reporting Period, the Group honoured all obligations to its employees including the payment of salaries and wages, holidays and leaves, compensations, insurances and health benefits. There was no wages disputes or complaints, breaches of the labour laws or labour disputes recorded.

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As at 30 June 2021, the Group had approximately 567 employees in the PRC, Hong Kong and overseas. As aforementioned, The scope of this ESG Report mainly includes data and activities of the Jiangmen Factory and the Hong Kong Office for the Reporting Period. Therefore, as required by the ESG Reporting Guide, the Group's employment situation for the year ended at 30 June 2021 is herein analysed and summarized below:

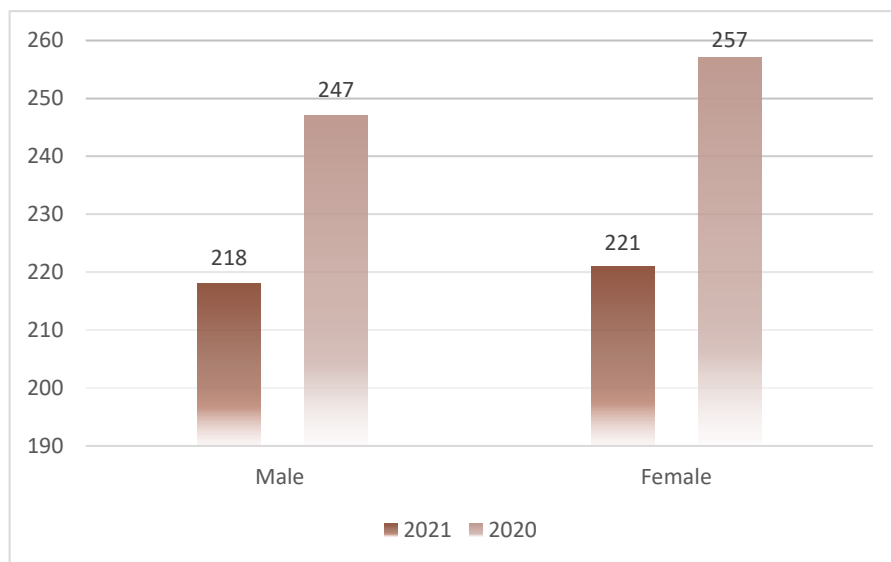


Figure 2: Number of Employees by Gender

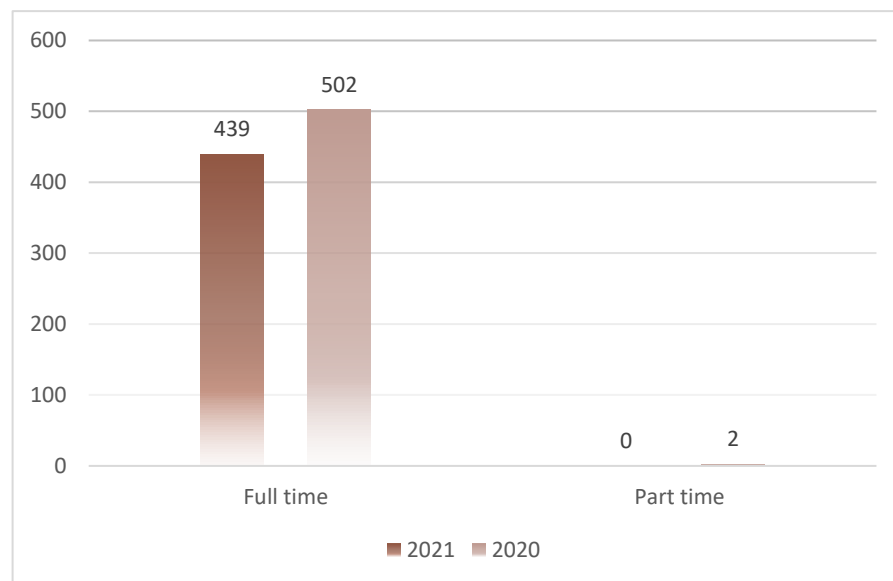


Figure 3: Number of Employees by Employment Type

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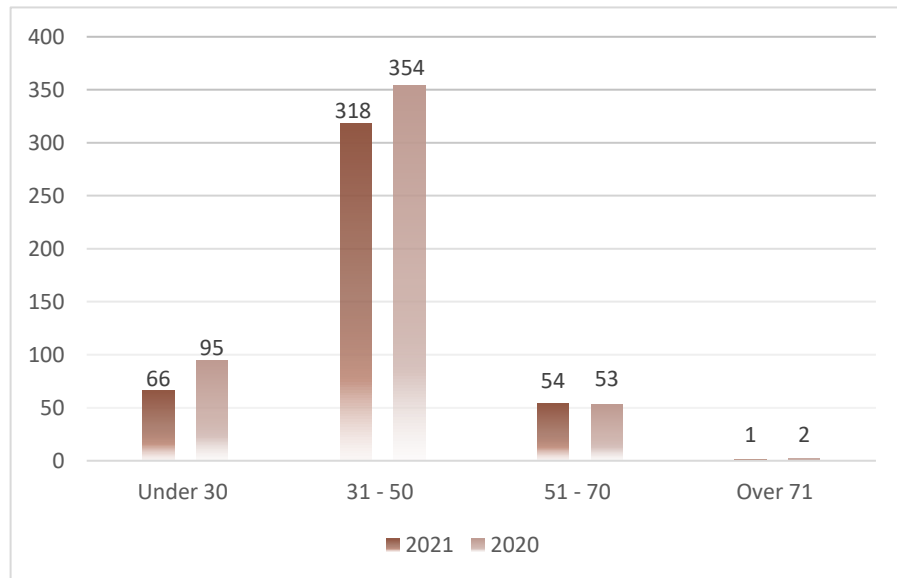


Figure 4: Number of Employees by Age

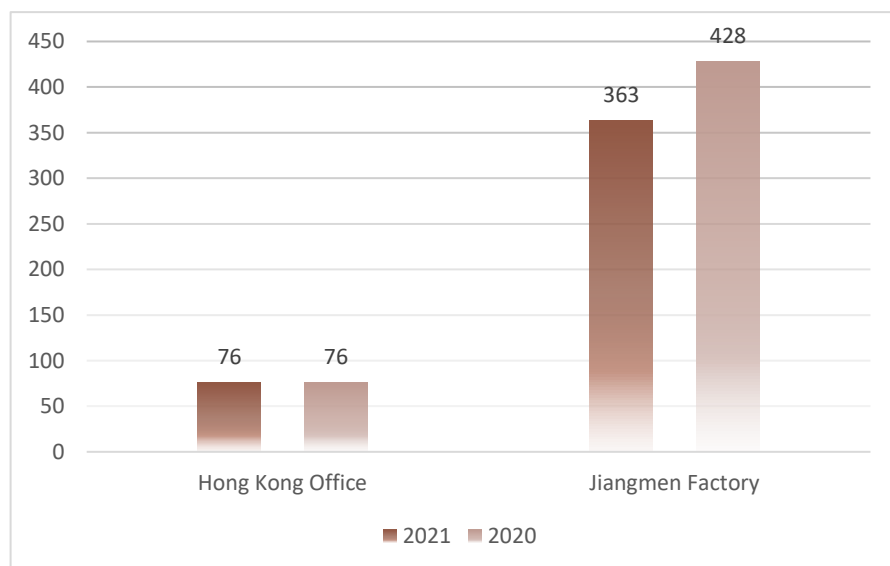


Figure 5: Number of Employees by Geographical Region

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As for the employee turnover rate, an analysis of the Group's employee turnover rate breakdown for the Reporting Period is summarized in below:

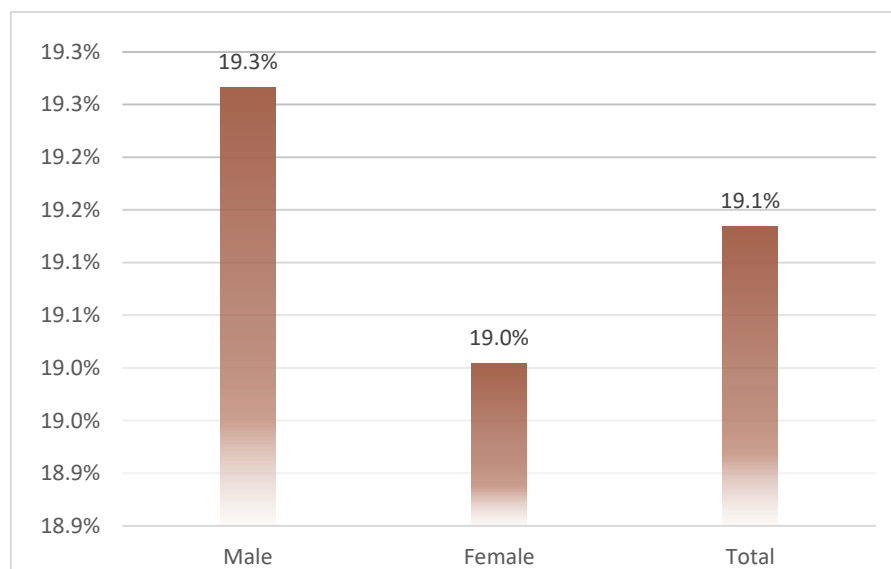


Figure 6: Employment Turnover Rate by Gender

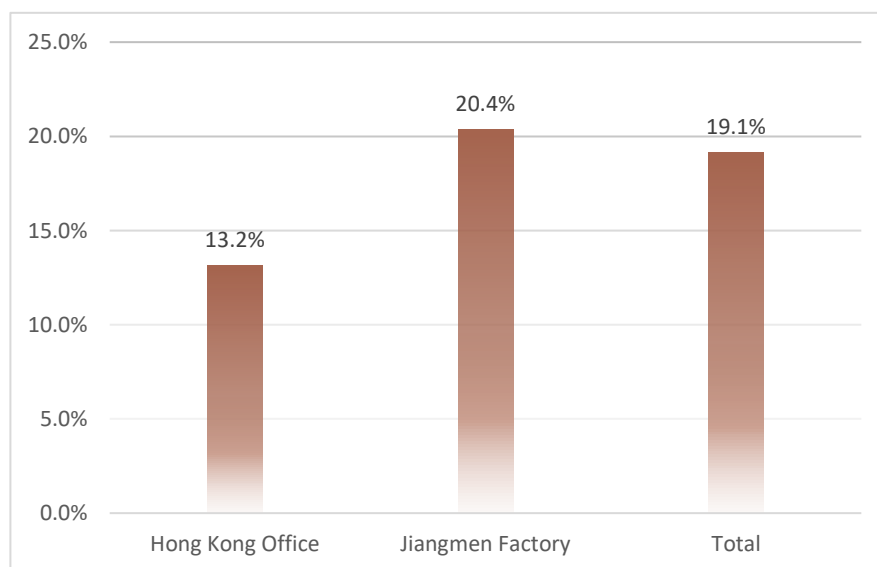


Figure 7: Employment Turnover Rate by Geographic Region

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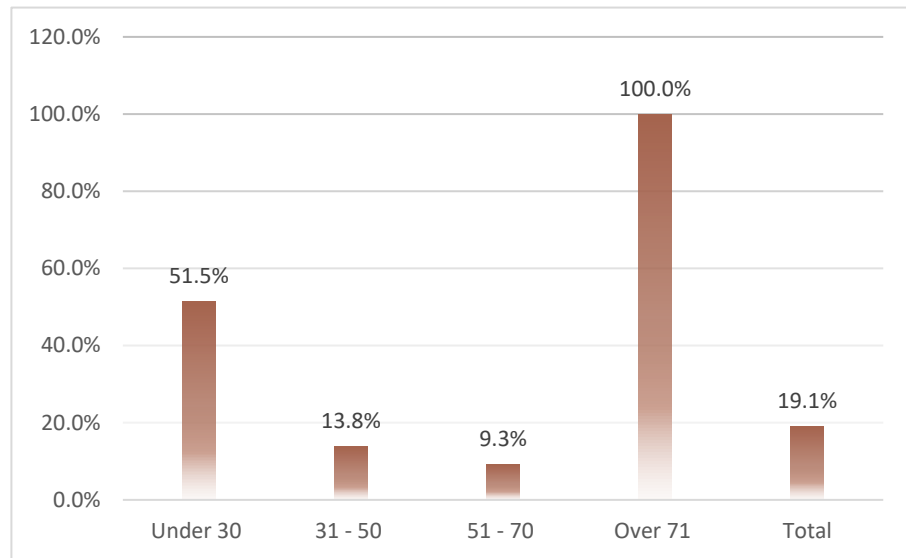


Figure 8: Employment Turnover Rate by Age

B2. Health and Safety Aspect

As a continuing policy, the Group at all times is a responsible employer and provides a safe working environment in its offices and especially its factories to prevent employees from injuries and accidents, and adopts an “employee-oriented” human resources policies aiming at providing a harmonious, safe and healthy working environment to minimize the risk of any occupational hazards. The Group has taken the following health and safety measures to protect its employees:

- Constantly improves the occupational safety and health management system in order to reduce risks and create a safe working environment;
- Ensures all the safety, medical and hygiene equipment are adequately in place and are operating efficiently, passing inspections and complying with all the safety and hygiene rules and regulations;
- Requires all employees to strictly comply with the health and safety policies, rules and regulations, including the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) and Employees Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) of Hong Kong, and the Labour Laws of the PRC and has constantly alerted the employees to perform their tasks under safety conditions;
- Takes occupational health and safety as one of our prime responsibilities, and employees are required by the in-house rules to notify their superiors immediately, whenever emergency or accidents, regardless of minor or serious occur, who will then take appropriate measures to ensure safety is not compromised, and in all circumstances the in-house rules also require all injuries or accidents to be promptly and properly dealt with and reported in accordance with the local or national laws as appropriate;
- In-house rules stipulate that whenever injuries or accidents occur, regardless of minor or serious incident, the employees must notify the superiors immediately who will then take appropriate measures to ensure safety is not compromised, and in all circumstances ensure that incidents are promptly and properly dealt with and reported in accordance with the local or national laws as appropriate;

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- The Group has assigned safety officers to regularly inspect and to alert employees to take precautionary measures to ensure that the workplace is safe. The Group has also provided regular training to employees to perform their jobs safely; and
- Insures all qualified employees in both the PRC and Hong Kong with medical insurance in accordance with the statutory requirements of the two jurisdictions.

The Group is committed to providing employees with a healthy and safe working environment. During the peak of the COVID-19 pandemic, the Group has taken measures to safeguard the health of its employees. In the Hong Kong Office, we arranged employees to work remotely from home and allowed employees to work on “Flexitime” to minimise the human contact in congested public transports when commuting to work. The Hong Kong Office installed infrared temperature sensors in the lobby to check the body temperatures of all staff and visitors before entering into the office, and also distributed the COVID-19 test kit to all staff members for self-sample test when necessary, so as to reduce the chance of infected persons entering the workplace. The Group also further strengthened the disinfection and cleaning of the workplace, including arrange anti-virus spray coating service in the office area.

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 discarded 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 equipment.

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.

We had zero work-related fatalities in the past three years including the Reporting Period in any of our operations. During the Reporting Period, there were zero lost days due to work-related injuries in the Jiangmen Factory and Hong Kong Office (For 2020: 120 days which involved three employees). We complied with all the relevant laws and regulations related to provide a safe environment at all locations of operations and protect employees from potential occupational hazards. For the coming year, the Group targets to maintain a clean record on health and safety.

B3. Development and Training Aspect

The Group values its employees as one of its most valuable assets. To encourage and assist employees in developing their potential, training resources is planned, and training programs are developed and implemented to ensure employees received the relevant trainings and professional development, so that the employee are better equipped and increase efficiency which are favourable to the long-term development of the Group, the Group has always supported means to enhance employees’ value by regularly providing them with development and training programs in terms of skills and job knowledge, plant operation and production know-how at various levels, so that they are able to perform their required job duties in a competent. Training programmes are classified into two types according to the target and purpose: internal training and external training. The Group supports staff training programmes by granting time and reimbursement.

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The Jiangmen Factory provides training regarding to fire safety 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. Job will be offered to the apprentice 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; other staff who worked in finance, human resources or technical skill, will receive specific training in relation to their job duties.

During the Reporting Period, the Group provided a total of 13.6 hours of internal and external training to 432 employees, an analysis of the percentage of employees trained breakdown for the Reporting Period is summarized in below:

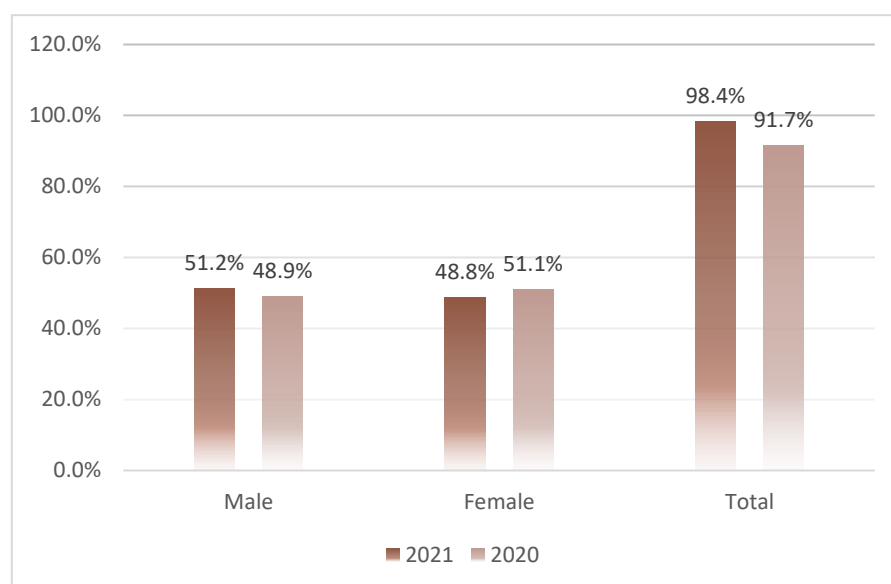


Figure 9: Percentage of Employees Trained by Gender

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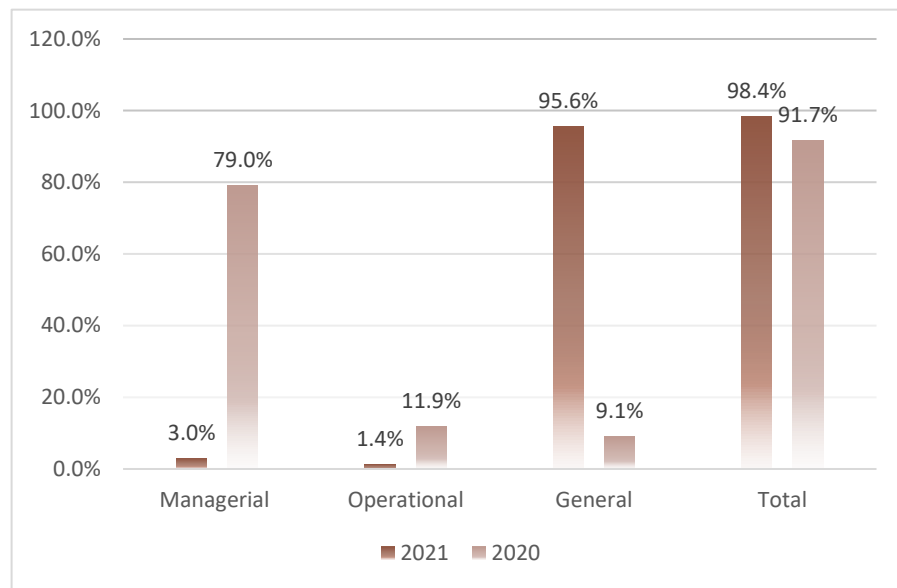


Figure 10: Percentage of Employees Trained by Employee Category

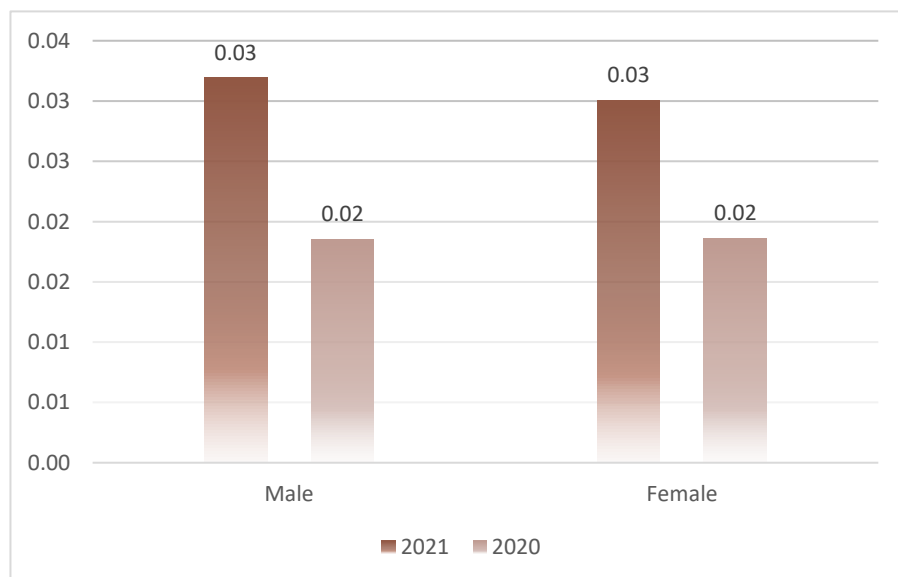


Figure 11: Average Training Hours Completed per Employees by Gender

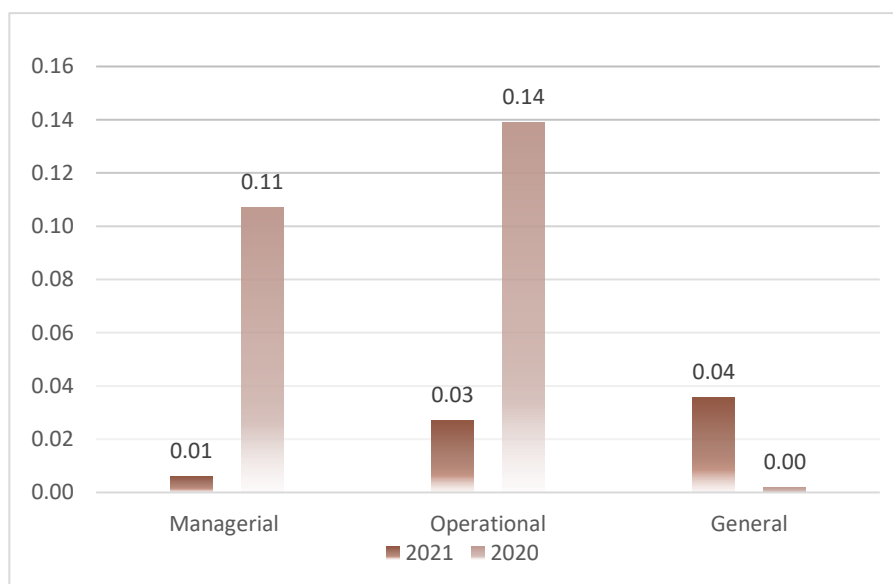


Figure 12: Average Training Hours Completed per Employees by Employee Category

B4. Labour Standards Aspect

We value staff as important assets of the Group. 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; and
- Labour Law of People's Republic of China.

The Group provides equal opportunity to all employees. 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 can apply for sick leave with doctor’s certificate. In case the Group discovers forced labour or child labour, the Group would terminate such practices and put forward the following remedies: report to local authorities and record the situation.

During the Reporting Period, same as the Last Reporting Period, the Group honoured all of its obligations towards employees and no disputes or litigations on labour matters were reported. The Group is confident to maintain the good track record for the coming year.

2.3 Operation Practices Areas and Aspects

B5. Supply Chain Management Aspect

Supply chain management in the ESG Guide mainly refers to the management of sourcing and procurement. The Group’s main purchases for the office and the factories have not changed much over the years and include routine stationery supplies and utensils for the office, and raw materials such as metals and packaging materials.

The Group has well-established purchase policies applying to all suppliers on a fair and equitable manner. All purchase transactions are subject to the scrutiny of internal hierarchy supervisions at different levels depending on its contract value and significance and to the overall scrutiny of external independent audit checks.

To ensure a stable, quality assured, cost efficient and well managed supply chain, the Group has implemented clear procurement management rules and guidelines and procedures with respect to procurement including quality control, warehousing, payment and documentation approval process, and methods of payment. We select suppliers based on a set of criteria, which includes (i) ability to meet specification and standards, (ii) products and services quality, (iii) pricing of the products and services, (iv) delivery reliability, and (v) track records of the suppliers’ business relationships with us and others in the industry and their committed compliance to laws, rules and regulations.

During the Reporting Period, the Group has set standard procedures for the selection of suppliers of raw materials in accordance with the ISO9001/UKAS (United Kingdom Accreditation Service) standards. They also have a standard approval form for selection of suppliers and a list of approved suppliers was available from the ISO documents for reference. There is also an assessment for the management to review the supplier's standards. The largest supplier and the five largest suppliers accounted for 26.6% and 62.4%, respectively, of the Group's total purchases for the Reporting Period. During the Reporting Period, the total number of suppliers was approximately 74, with approximately 71 or 88.24% and approximately 3 or 11.76% local and overseas suppliers respectively. The suppliers were from Asia, Europe and the United States respectively. Owing to effective management, the Group did not experience any interruption of supplies or failure to secure sufficient quantities of supplies on time that had any material adverse impact on our business. The Group expects that its purchase policies and pattern will likely to be continued in the coming year.

B6. Products Responsibility Aspect

The ESG Guide stipulates that there are four major sub-aspects on product responsibilities: product quality and safety, customer services and complaints handling, intellectual property rights and privacy, which the Group's internal control process, employee rules and regulations and contracts already have clear guidelines and rules to deal with.

(i) Products Quality

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.

The Group has continued with its quality guarantee policy and taken all reasonable steps to ensure that the goods produced are safe and harmless to its consumers, meeting all agreed or legally required standards for consumers health and safety. The Group examines the quality and safety of its products from the first stage of raw material purchases, to regularly inspect goods during the production and sale processes to ensure that the processes are in total compliance with both internal and external quality and safety assurance codes. The quality assurance process for each production stage is strictly adhered to the standards under ISO9001/UKAS Quality Management System. Final products are quality assured before shipping.

During the Reporting Period, the Group's jewellery sales recorded an insignificant product returned for quality reason. No products were recalled for safety and health reasons. No warnings or below quality and safety comments from the Consumer Councils, marketing agencies or relevant government authorities on the quality and safety of its jewellery products was ever received. The Group has the confidence to continue the quality control processes to ensure its products will always be of the highest quality and safety standard in the coming years.

(ii) Handling of Sales Complaints

As previously reported, the Group has clear procedures to handle customers' complaints on the quality of its products. 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, the Group received 51 complaints from the customers, and no warnings from the Consumer Councils or relevant government authorities on the quality of its services. However, complaints were dealt with efficiently, investigated thoroughly and resolved. The established complaints handling routes and channels have functioned well and the Group did not experience serious complaints which led to disruption of its operation.

(iii) Privacy

The Group's main business and operation has generated a substantial volume of private, confidential and sensitive information of customers, suppliers, business partners including the operation status and financial positions, commercial terms of contracts, general background information, etc. These types of information are extremely sensitive and important, and by law, must be safeguarded and protected. The Group fully understands its obligation, and has taken measures to ensure strictest protection of the information against unauthorized access, use and disclosure through a variety of security technologies and procedures. The Group has incorporated a confidentiality clause into the labour contract, under which all employees are obligated to follow. Legal action will be taken against any violation.

During the Reporting Period, same as the Last Reporting Period, the Group received no complaint on any breach of privacy or leakage of information. Given its existing internal control and technical control process, the Group is confident that confidential information will not be accessed and leaked out easily.

(iv) Intellectual Property Right (“**IPR**”)

As disclosed in the Last Reporting Period, the Group applies for copyright or design patent for some special designs to protect the IPR. The Group has also practiced in its daily operation such as its installation of original software in its computers to avoid vulnerabilities and legal disputes arising from software copyright.

During the Reporting Period, and same as the Last Reporting Period, the Group did not receive any reports or cases of any intellectual property rights infringement.

B7. Anti-Corruption Aspect

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.

The Group's code of conduct requires its directors and employees to avoid the conflict between personal and financial interest and their professional official duties in the Group. Communications were made to the employees, so they understand that using their positions in the Group or using the Group's resources, properties and information to pursue opportunities by exercising positioning power to influence decisions or gain access to valuable information when dealing with third parties with his profession to achieve financial and personal gain is strictly prohibited.

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 reported to the law enforcement agencies to take necessary action.

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During the Reporting Period, Hong Kong Office provided anti-corruption training to directors and employees to encourages all employees to discharge their duties with integrity and comply with the relevant laws and regulations, the scope of the training is summarized in below:

- Work of ICAC & Current Corruption Scene;
- Prevention of Bribery Ordinance with cases;
- Corruption prone areas;
- Company Code of Conduct;
- Video show to demonstrate the Ethical Dilemma situations at workplace; and
- Report Corruption.

During the Reporting Period, there were no complaints of corruption against the Group or its staff, and the Group is confident to achieve a similar clean result in the future.

2.4 Community Area and Aspect

B8. Community Investment Aspect

The Group is a responsible corporation, and is involved in social project and keen on promoting local economic and cultural development, and understand that its involvement in the community can foster social harmony and development and is simply good corporate citizenship.

- Apart from on the job trainings, the Group continued to support and sponsor its potential employees at its own costs to attend external special skills program to enhance their future value.
- The Group has implemented measures with an objective to reduce hazardous and non-hazardous air emissions and polluted water and wastes discharges and continues to find ways and to implement measures to reduce air emissions, and wastes discharge.
- The Jiangmen Factory has worked with local institution to provide internship programme and organize guided tour in the Factory for the students.