

First Quarterly Report
(Revised) 2021



PALINDA GROUP HOLDINGS LIMITED
百利達集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8179



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This report, for which the directors (“Directors”) of Palinda Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Financial information contained in the previous first quarterly report of the Group published on 14 May 2021 was on a deconsolidation basis as the Board was unable to access to the books and records of Food Idea Group Limited (新煮意集團有限公司) and subsidiaries of Food Idea Group Limited including Food Idea Food Trading Limited (新煮意食品貿易有限公司), Lucky Great Investment Limited (利光投資有限公司), Nicicity Limited (卓城有限公司) and Excellent Catering Management Limited (卓越飲食管理有限公司) (collectively, the “**Deconsolidated Subsidiaries**”). Subsequent to the report date, the Board has obtained access of the books and records of the Deconsolidated Subsidiaries and therefore subsequent adjustments have been made to such financial information of the Group, Shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the previous and the revised first quarterly results of the Group.

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed revised consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2021 (the “**First Quarterly Financial Statements**”), together with the unaudited comparative figures for the corresponding period in 2020, as follows:

CONDENSED REVISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED) OF THE GROUP

For the three months ended 31 March 2021

		For the three months ended 31 March	
		2021 HK\$'000 (Unaudited and restated)	2020 HK\$'000 (Unaudited)
	Notes		
Revenue	3	32,980	57,385
Other income		42	329
Cost of inventories consumed		(29,386)	(11,755)
Cost of sales		–	(26,137)
Direct cost on vineyard		(10)	(78)
Employee benefits expenses		(868)	(9,811)
Depreciation		(405)	(681)
Operating lease rentals and related expenses		(609)	(711)
Other losses, net	5	–	(3,946)
Administrative Expenses		(911)	(8,942)
Finance costs	4	(1,175)	(2,122)
Loss before tax	5	(342)	(6,469)
Income tax expenses	6	(20)	28
Loss for the period		(362)	(6,441)

CONDENSED REVISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED) OF THE GROUP

For the three months ended 31 March 2021

		For the three months ended 31 March	
		2021 HK\$'000 (Unaudited & restated)	2020 HK\$'000 (Unaudited)
Note			
	Other comprehensive (expenses) income for the period		
	<i>Items that may be reclassified subsequently to profit or loss:</i>		
	Exchange differences arising on translation of foreign operations	(1,550)	(6,796)
		(1,550)	(6,796)
	Total comprehensive expense for the period	(1,912)	(13,237)
	(Loss) profit for the period attributable to Owners of the Company	(347)	(7,040)
	Non-controlling interests	(15)	599
		(362)	(6,441)
	Total comprehensive (expenses) income for the period attributable to Owners of the Company	(1,897)	(13,836)
	Non-controlling interests	(15)	599
		(1,912)	(13,237)
	Loss per share	2021	2020
	Basic and diluted (HK cents)	0.06	1.48

CONDENSED REVISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) OF THE GROUP

For the three months ended 31 March 2021 (restated)

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Shares options reserve HK\$'000	Capital reserve HK\$'000 Note (i)	Other reserve HK\$'000 Note (ii)	Foreign currency translation reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 January 2021	58,658	678,665	-	106	-	1,121	(370,226)	368,324	(5,301)	363,023
Loss for the period	-	-	-	-	-	-	(347)	(347)	(15)	(362)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(1,550)	-	(1,550)	-	(1,550)
Total comprehensive income (expenses) for the period	-	-	-	-	-	(1,550)	(347)	(1,897)	(15)	(1,912)
Issue of new shares by placing	-	-	-	-	-	-	-	-	-	-
Share issuing expenses	-	-	-	-	-	-	-	-	-	-
Issue of consideration shares	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2021	58,658	678,665	-	106	-	(429)	(370,573)	366,427	(5,316)	361,111
Balance at 1 January 2020	41,493	663,838	-	106	(182)	(8,605)	(336,332)	360,318	(1,362)	358,956
Loss for the period	-	-	-	-	-	-	(7,040)	(7,040)	599	(6,441)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(6,796)	-	(6,796)	-	(6,796)
Total comprehensive income (expenses) for the period	-	-	-	-	-	(6,796)	(7,040)	(13,836)	599	(13,237)
Issue of new shares by placing	5,532	4,425	-	-	-	-	-	9,957	-	9,957
Share issuing expenses	-	(110)	-	-	-	-	-	(110)	-	(110)
Issue of consideration shares	6,300	7,560	-	-	-	-	-	13,860	-	13,860
Balance at 31 March 2020	53,325	675,713	-	106	(182)	(15,401)	(343,372)	370,189	(763)	369,426

Notes:

- (i) Capital reserve represents the difference between the aggregate amount of issued and fully paid share capital of the subsidiaries acquired by the Company and the nominal amount of the shares issued by the Company in exchange for the entire equity interests in the subsidiaries as part of the group reorganisation.
- (ii) Other reserve represents the transactions with the non-controlling interests, capital contributions from non-controlling interests and share of other reserve of an associate.

NOTES TO THE FIRST QUARTERLY FINANCIAL STATEMENTS

For the three months ended 31 March 2021

Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 10 February 2011 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The shares of the Company were listed on GEM of the Stock Exchange since 8 July 2011. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The address of its principal place of business is Unit 306-A201, 3/F, Harbour Centre, Tower 1, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong.

The Company's principal activity during the period was investment holding. The Group's principal activities during the period were (i) wine business; (ii) production, sales and distribution of food products in Hong Kong; (iii) investment in securities; and (iv) money lending business.

2. (a) BASIS OF PREPARATION

The First Quarterly Financial Statements have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the First Quarterly Financial Statements are consistent with those adopted in the annual report for the year ended 31 December 2020 (the "2020 Annual Report"), except for the adoption of the new and revised HKFRSs, which are effective for the financial year beginning on or after 1 January 2020. The adoption of the new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required. The First Quarterly Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2020 Annual Report.

The First Quarterly Financial Statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values. The First Quarterly Financial Statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Group.

3. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods sold or services rendered which is also consistent with the basis of organisation of the Group. No operating segments identified by the CODM have been aggregated in arriving at the reporting segments of the Group.

Specifically, the Group’s reportable and operating segments are as follows:

- (i) Wine business – The operation of sales and distribution of wine products and supply of self-cultivated grapes for winery business.
- (ii) Food products operation – The production, sales and distribution of food products, such as barbecued food in Hong Kong.
- (iii) Investments – Investment in securities.
- (iv) Money lending – The provision of money lending business.

Segment turnover, revenue and results

Segment revenue represents revenue derived from the sales of wine and grapes, production and distribution of food products, gross proceeds from the disposal of investments (for segment turnover only), dividend income and interest income from both the investments and the provision of money lending business.

The accounting policies of the operating segments are the same as the Group’s accounting policies. Segment results represent the results from each segment without allocation of certain other income, central administrative costs, share option expenses, share of loss of associates / joint ventures and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessments.

The following is an analysis of the Group’s turnover, revenue and results by reportable and operating segments.

For the three months ended 31 March

	Wine business		Food products operation		Investments		Money business		Unallocated		Consolidated	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited & restated)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited & restated)	2020 HK\$'000 (Unaudited)
SEGMENT TURNOVER	32,980	29,235	-	28,101	-	-	-	49	-	-	32,980	57,385
SEGMENT REVENUE	32,980	29,235	-	28,101	-	-	-	49	-	-	32,980	57,385
Segment results	615	467	(44)	432	-	-	-	(43)	-	-	571	856
Unallocated income	-	-	-	-	-	-	-	-	-	329	-	329
Unallocated corporate expenses	-	-	-	-	-	-	-	-	(889)	(5,532)	(889)	(5,532)
Share of loss of associates	-	-	-	-	-	-	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-	-	-	24	(2,122)	24	(2,122)
(Loss) before tax											(342)	(6,469)

3. SEGMENT INFORMATION (CONTINUED)

Geographical information

No geographical information is presented as most revenue from external customers of the Group are derived from Hong Kong for both periods.

Information about major customers

None of the Group's customers contributed 10% or more of the Group's total revenue for both periods.

4. FINANCE COSTS

	For the three months ended 31 March	
	2021 HK\$'000 (Unaudited and restated)	2020 HK\$'000 (Unaudited)
Interests on borrowings	1,151	413
Interests on promissory note	24	1,709
	1,175	2,122

5. LOSS BEFORE TAX

	For the three months ended 31 March	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Loss before tax has been arrived at after charging the following:		
Loss on early redemption of promissory note	–	3,946
Depreciation	405	681
Operating lease rental relating to short-term lease and low-value lease upon application of HKFRS 16	609	711
	609	711

6. INCOME TAX EXPENSES

	For the three months ended 31 March	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current income tax	20	–
Deferred income tax	–	(28)
	20	(28)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

The applicable Australia profit tax rate is 30% for the both periods.

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	For the three months ended 31 March	
	2021 HK\$'000 (Unaudited and restated)	2020 HK\$'000 (Unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share, being loss for the period attributable to the owners of the Company	(347)	(7,040)
	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	586,576,334	477,154,511

Diluted loss per share for both periods were the same as the basic loss per share as there was no dilutive potential ordinary shares outstanding.

8. DIVIDEND

No dividend were paid or proposed for the three months ended 31 March 2021 nor have any dividend been proposed since the end of the reporting period (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the Group's revised first quarterly results for the three months ended 31 March 2021 (the "2021 Period").

Business Review

The Group's principal activities during the 2021 Period were (i) wine trading; (ii) production, sales and distribution of food products in Hong Kong; (iii) investment in securities; and (iv) money lending business.

Wine Trading

The Group's wine trading segment continued as the major revenue segment during the 2021 period. The Board believes the development of the wine trading business represents a good opportunity to further expand its distribution and wholesale channels and help diversify the Group's business. The Group's wines are mainly from various reputable vineyards and wineries from Australia, with a focus on premium quality wine as the major product. During the 2021 Period, the wine trading operation has achieved stable results and recorded a slight increase in revenue to approximately HK\$33 million (2020: approximately HK\$29 million) with a segment profit of approximately HK\$615,000 (2020: profit HK\$467,000).

However, during 2021 Period, this business segment was continuously clouded by the coronavirus pandemic beginning since February 2020 which resulted in lack of social gatherings, corporate functions or public events plus increased competition causing the Group to extend credit terms, as well as adjust margins in order to attract new orders and maintain existing customers. Our Australian subsidiary had gone through difficult a year since acquisition as wines destined for the export market and local trades slowed due to the trade and political tension with China. The pandemic situation caused the State of Western Australia imposing hard restrictions for travellers since early 2020 causing extreme challenges to management of our vineyard and business.

Food products operation

During the 2021 Period, the Board was exploring to operate the food production business in an alternate format with lower commission and operation costs that does not heavily rely on distributing and selling through concessionaire stores as in the past.

Securities Investment Business

In view of the volatile market condition surrounding the world economies further burdened by the impact of the coronavirus pandemic since the beginning of 2020, the Board has continued to take a more reserve stance about this business segment.

The Group has none securities investment during this period ended 31 March 2021 (2020: none) while the management continue to monitor market changes and movement in seek of future investment opportunities.

Money Lending Business

The Group's money lending business remained at cautious stage in view of the ongoing economic uncertainties and coronavirus situation, as management has been reluctant to take unnecessary risks under such climate.

During the period ending 31 March 2021, this segment generated no interest income of (2020: approximately HK\$0.05 million) and made no contribution (2020: profit approximately HK\$0.04 million).

Financial Review

During the 2021 Period, the Group's revenue amounted to approximately HK\$33 million which was approximately 43% less than that of the last corresponding period. The decrease was mainly due to the decrease in revenue from food production business from approximately HK\$28 million for the 2020 Period to no reported revenue for the 2021 Period.

Loss attributable to the owners of the Company was approximately HK\$347,000 for the 2021 Period, an improvement of approximately 95% as compared to loss of approximately HK\$6.44 million in 2020 Period. The decrease in the loss was mainly due to increase in turnover and competitive margins for wine trading business.

The cost of inventories consumed for the 2021 Period amounted to approximately HK\$29 million (2020: HK\$22.6 million). The cost of inventories consumed were approximately 89% (2020: 18.5%) of the Group's revenue during the 2021 Period. Management constantly strive to maintain the right product mix in stock for the wine trading business.

Employee benefits expenses for the 2021 Period amounted to approximately HK\$868,000 (2020: HK\$27.4 million). These expenses were mainly for the wine trading business plus the wage adjustments to retain experienced staff under the inflationary environment during the 2021 Period. The Group regularly reviews the work allocation of the staff to improve and maintain a high standard of service.

Outlook and Prospects

In view of the less volatile results in wine trading segment for the 2021 Period and the positive future prospects of the wine industry in Hong Kong, wine trading represents a good opportunity for the Group to further expand its distribution and wholesale channels which will help diversify the businesses of the Group. As such, it is the intention of the Group to further strengthen its sales capability in wine trading with more advertisement and promotions targeting the Asia Pacific Economic Cooperation (“APEC”) wine market. Apart from continuing efforts in product portfolio expansion and on-line marketing, the Group will seek acquisition opportunities to enhance the operating scale and performance of the wine trading segment. The Group is of the view that such acquisition would bring positive effects in the development of the existing wine trading business by expanding our APEC customer base and wine supply channels and the introduction and cultivation of expertise with relevant skill sets and connections in the wine trading industry.

The ongoing pandemic situation causing reduction in retail rentals leading to the Board to consider the possibilities of establishing new outlets for the food production business instead of the previous model in a restrictive and costly commissioned to concessionaire stores for food distribution and selling.

The Group will actively seek for opportunities to expand its money lending business in the remainder of the year when the situation improves overtime.

Management will monitor the risk exposure regularly and adjust the investments in securities strategies when necessary, while selectively choose those with the most balanced risk and return potential as experts anticipate the uncertainties surrounding the world economies to continue for the remainder of this financial year.

The Group will closely monitor and review the performance of existing businesses in order to concentrate our limited resources to develop business with the greater potential for growth and profitability. The management strives to diversify the Group's existing businesses and broaden its source of income.

Borrowings

As at 31 March 2021, the carrying amount of the Group's borrowings was approximately HK\$74.17 million (31 December 2020: approximately HK\$75.19 million).

Gearing ratio

Gearing ratio is calculated as net debt (borrowings and promissory notes less bank balances and cash) divided by the total of net debt and total equity (excluding non-controlling interests). As at 31 March 2021, the gearing ratio of the Group was approximately 16% (31 December 2020: 16%).

Exchange Rate Exposure

The Group's business operations are denominated mainly in Hong Kong dollars ("HK\$"). Other than interests in a wholly owned subsidiary are denominated in Australian Dollars ("AUD"), the Group's assets and liabilities are mainly denominated in HK\$ and AUD. Currently, the Group has not entered into agreements or purchased instruments to hedge the Group's exchange rate risks. Any material fluctuation in the exchange rates of HK\$ or AUD may have an impact on the financial results of the Group.

The management considers that the foreign exchange risk with respect to AUD is not significant. The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

Capital Expenditure and Commitments

Saved as disclosed above, there was no capital commitments for the Group as at 31 March 2021.

Charges on Assets

As at 31 March 2021, the Group had aggregate banking facilities utilised of approximately HK\$68.5 million (31 December 2020: HK\$71 million), of which the available facilities are secured by limited guarantee from the Company, floating charge on inventories, and unlimited guarantee from a director of a subsidiary.

Contingent Liabilities

Save as disclosed elsewhere in the First Quarterly Financial Statements, there were no other significant contingent liabilities of the Group as at 31 March 2021.

Dividend

Details of the dividend are set out in the Note (8) to the First Quarterly Financial Statements.

Employees Numbers and Remuneration Policy

As at 31 March 2021, the Group had around 17 employees. In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis.

Significant Investment Held, Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies, and Plans for Material Investments or Capital Assets

Saved as the above and others disclosed elsewhere in this report by the Group, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the 2021 Period.

Events After Reporting Period

Saved as the above and others disclosed elsewhere in this report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2021 and up to the date of this report by the Group.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the Company's shareholders at a special general meeting of the Company held on 9 December 2011, the Company adopted a share option scheme (the "Share Option Scheme") for the purpose of rewarding eligible participants who had made contribution to the Group as well as providing incentives in retaining the Group's existing employees and recruiting additional employees in attaining the long term objectives of the Group.

As at 31 March 2021, there were no outstanding share options under the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2021, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Capacity/nature of interest	Total number of ordinary shares	Approximate percentage of interest
Ms. Huang Wei	Beneficial owner	63,835,200	10.88%

Saved as disclosed above, as at 31 March 2021, none of the Directors and the chief executives of the Company had, or was deemed to have, any interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 31 March 2021, there are no person other than the Directors and chief executives of the Company whose have interests and short positions in the shares, underlying shares or debentures of the Company which have to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, and who was expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections "Share Option Scheme" and "Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above, at no time during the 2021 Period was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the 2021 Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective associates had an interest in any business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group or had any other conflicts with the Group during the 2021 Period.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms which are the same as the required standard of dealings set out in Rule 5.48 to Rule 5.67 of the GEM Listing Rules. The Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the required standards of dealings throughout the period under review. The Company was not aware of any non-compliance during the 2021 Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has complied with the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules during the 2021 Period.

AUDIT COMMITTEE

The Company established the Audit Committee pursuant to a resolution of the Directors passed on 25 June 2011 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraph C3.3 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. On 30 December 2015 and 20 December 2018, the Board adopted a set of revised terms of reference of the Audit Committee in line with the GEM Listing Rules requirement in relation to the internal control by introducing the concept of the risk management. The primary duties of the Audit Committee, among other things, are to assist the Board in overseeing and reviewing (i) the effectiveness of the Group's risk management and internal control systems and regulatory compliance of the Group; (ii) the integrity of the Company's financial statements and application of accounting standards and significant judgements contained in the financial statements; and (iii) the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

As at 31 March 2021, the Audit Committee consists of three independent non-executive Directors, namely Mr. Li Lap Keung, Mr. So Yat Chuen and Dr. Wu Wing Kuen, B.B.S.. Mr. Li Lap Keung is the chairman of the Audit Committee.

The Audit Committee had reviewed the unaudited First Quarterly Financial Statements for the 2021 Period and is of the opinion that the First Quarterly Financial Statements comply with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

By Order of the Board
Palinda Group Holdings Limited
Huang Wei
Chairlady and executive Director

Hong Kong, 2 June 2021

As at the date of this report, the Board of the Company comprises Ms. Huang Wei and Mr. Dou Sheng as executive Directors, and Mr. Li Lap Keung, Mr. So Yat Chuen and Dr. Wu Wing Kuen, B.B.S., as independent non-executive Directors.