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1. ABOUT THIS REPORT

Palinda Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group” or “we”) are pleased to present the Environmental, Social and Governance (the “ESG”) Report of the Group for the financial year of 2021. This report is to provide an overview of the Group’s management upon the ESG-related issues in the business operation of the Group.

Preparation Basis and Scope

This report is prepared in accordance with the “Environmental, Social, and Governance Reporting Guide” (the “ESG Reporting Guide”) as set out in the Appendix 20 to the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This report summarises the performance of the Group in respect of corporate social responsibility, covering its operating activities which are considered as material to the Group. With the aim to optimize and improve the disclosure requirements in the report, the Group has taken initiative to formulate policies, record relevant data as well as implement and monitor the measures in relation to the ESG-related issues. This report shall be published both in Chinese and English on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.palinda.com). Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

Reporting Period

This report demonstrates our sustainability initiatives during the reporting period from 1 January 2021 to 31 December 2021.

Contact Information

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Company Introduction

The Group is principally engaged in (i) wine trading; and (ii) production and sales of food products in Hong Kong.

The Group’s operations are located in Hong Kong (place of domicile) and Australia. For further details on the Group’s business segments and geographical locations, please refer to the Group’s annual report for the year ended 31 December 2021 published in 31 March 2022 on the websites of the Stock Exchange and the Company.

The Group recognises the significance of sustainable practices in order to achieve business excellence and enhance capabilities for long-term competitiveness. The Group is committed to maintaining its operations in a responsible and value-optimising manner for stakeholders and community by incorporating ESG-related considerations into its operations. To demonstrate its commitment, the Group has established and implemented various policies to manage and monitor the risks related to the environment, employment, operating practices and community. Details of the management approaches for the sustainable development of different ESG-related areas are illustrated in this report.

2. STAKEHOLDERS ENGAGEMENT

The Group understands the success of the Group’s business depends on the support from its key stakeholders, who (a) have invested or will invest in the Group; (b) have the ability to influence the outcomes within the Group; and (c) are interested in or affected by or have the potential to be affected by the impact of the Group’s activities, products, services and relationships. This allows the Group to understand risks and opportunities. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Stakeholders are prioritised from time to time in view of the Group’s roles and duties, strategic plan and business initiatives. The Group engages with its stakeholders to develop mutually beneficial relationships and to seek their views on its business proposals and initiatives as well as to promote sustainability in the marketplace, workplace, community and environment.

The Group acknowledges the importance of intelligence gained from the stakeholders’ insights, inquiries and continuous interest in the Group’s business activities. The Group has identified key stakeholders that are important to our business and established various channels for communication. The following table provides an overview of the Group’s key stakeholders, and various platforms and methods of communication we are used to reach out to, listen to and respond to our Stakeholders.

Stakeholders	Expectations	Engagement channels
Government and regulatory bodies	<ul style="list-style-type: none"> • Compliance with the laws and regulations • Proper tax payment • To promote regional economic development and employment 	<ul style="list-style-type: none"> • On-site inspections and checks • Annual reports, interim reports and quarterly reports (collectively as the “Financial Reports”) • Website
Shareholders and investors	<ul style="list-style-type: none"> • Low risk • Return on the investment • Information disclosure and transparency • Protection of interests and fair treatment of shareholders 	<ul style="list-style-type: none"> • Annual general meeting and other shareholder meetings • Financial Reports, announcements and circulars • Meeting with investors and analysts

Stakeholders	Expectations	Engagement channels
Employees	<ul style="list-style-type: none"> • Safeguard the rights and interests of employees • Health and safety • Working environment • Career development opportunities • Self-actualisation 	<ul style="list-style-type: none"> • Conference • Training, seminars and briefing sessions • Emails
Customers	<ul style="list-style-type: none"> • Safe and high-quality products • Stable relationship • Information transparency • Integrity • Business ethics 	<ul style="list-style-type: none"> • Website and Financial Reports • Emails and customer service hotline • Regular meetings
Suppliers and partners	<ul style="list-style-type: none"> • Long-term partnership • Honest cooperation • Fair and open • Information sharing • Risk reduction 	<ul style="list-style-type: none"> • Business meetings, supplier conferences, phone calls, interviews and emails • Regular meetings • Review and assessment • Tendering process
Financial institutions	<ul style="list-style-type: none"> • Compliance with the laws and regulations • Disclosure information 	<ul style="list-style-type: none"> • Consulting • Information disclosure • Financial Reports, announcements and circulars
Public and communities	<ul style="list-style-type: none"> • Community involvement • Social responsibilities 	<ul style="list-style-type: none"> • Volunteering • Charity and social investment • Financial Reports, announcements and circulars

Through communication with stakeholders, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impact.

The Group has adopted the principle of materiality in the ESG reporting by understanding the key ESG issues that are important to the business of the Group. All the key ESG issues and key performance indicators (KPIs) are reported in this report according to the recommendations of the ESG Reporting Guide.

The Group has evaluated the materiality and importance in ESG aspects through the following steps:

Step 1: Identification – Industry Benchmarking

- Relevant ESG areas were identified through the review of relevant ESG reports of the local and international industry peers.
- The materiality of each ESG areas was determined based on the importance of each ESG area to the Group through internal discussion of the management and the recommendations of ESG Reporting Guide.

Step 2: Prioritization – Stakeholder Engagement

- The Group discussed with key stakeholders on key ESG areas identified above to ensure all the key aspects to be covered.

Step 3: Validation – Determining Material Issues

- Based on the discussion with key stakeholders and internal discussion among the Group’s management, the Group’s management ensured the key and material ESG areas, which were important to the business and operation of the Group, were reported and in compliance with ESG Reporting Guide.

As a result of the above processes carried out in 2021, those important ESG areas to the Group were discussed in this report.

3. ENVIRONMENTAL ASPECTS

The Group is committed to minimising its environmental impacts by responsibly managing its business, reducing its carbon footprint and using resources effectively. Hence, the Group has implemented an “Environmental Facilities Operation and Management Policy” which covers the management of different emissions. The Group has also established relevant emission reduction and energy saving initiatives to manage the emission and maintain green operations.

The Group is in strict compliance with relevant laws and regulations in Hong Kong, including the Air Pollution Control Ordinance and the Water Pollution Control Ordinance. During the reporting period, the Group was not aware of any non-compliance with relevant laws and regulations that had significant impact on the Group related to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste.

3.1. Emissions

Air Pollutants Emission

The Group acknowledges its responsibility to reduce emissions in order to minimise its impacts on the environment. Under the Air Pollution Control Ordinance, the oil fumes and cooking odour emissions from cooking process are regarded as air pollutants. The Group has installed oil fumes control equipment to control the air pollutants emission. Regular maintenance is also carried out to ensure the oil fumes control equipment is in good condition and function efficiently.

In addition to oil fumes and cooking odour, the fuel used by vehicles and for food production process also contribute to the Group's air pollutants emission.

During the reporting period, the emission data from vehicles and from fuel gaseous consumption was as follows:

Type of air pollutants	Unit	2021	2020
Nitrogen oxides (NO _x)	kg	1.89	2.63
Sulphur dioxide (SO ₂)	kg	0.02	0.04
Particulate matter (PM)	kg	0.04	0.08

The amount of air pollutants emission in 2021 was mainly due to reduction of food outlets during the reporting period. The Group has made different requirements for transportation arrangements, such as integrating transportation arrangements and selecting more environment-friendly service providers to minimize emissions. The Group also encourages employees to use electronic communication technology for meetings to reduce unnecessary business trips.

Greenhouse Gas Emission

Greenhouse gas ("GHG") is considered as one of the major contributors to the climate change and global warming. Energy consumption accounts for a major part of our GHG emission. The Group endeavours to improve energy efficiency and reduce energy consumption by adopting energy saving initiatives mentioned in the section "Use of Resources" of this report.

During the reporting period, the GHG emission was as follows:

Type of GHG emission	Unit	2021	2020
Scope 1 (Note 1)	tonnes of CO ₂ e	3.56	28.11
Scope 2 (Note 2)	tonnes of CO ₂ e	72.24	178.42
Scope 3 (Note 3)	tonnes of CO ₂ e	nil	10.18
Total GHG emission	tonnes of CO₂e	75.80	216.71
GHG emission intensity	tonnes of CO ₂ e/ employee (Note 4)	4.46	12.74

Notes:

1. *Scope 1: Direct emission from sources that are owned by the Group.*
2. *Scope 2: Indirect emissions from the generation of purchased electricity and purchased town gas consumed by the Group.*
3. *Scope 3: Other indirect emission from electricity used for processing fresh water and sewage by government departments and business air travel by employees.*
4. *The intensity refers to tonnes of carbon dioxide equivalent (CO₂e) per the total number of employees at the end of the reporting period.*

The decrease in GHG emission in 2021 was mainly attributable to the reduction of food outlets during the reporting period. In order to further formulate emission reduction objectives, the Group will continue to formulate the directions and measures of emission reduction by assessing and recording GHG emission data.

The Group has promoted different solutions to business operations in environmentally responsible behaviour, such as integrating transportation arrangements and selecting more environment-friendly service providers to minimize emissions. The Group also encourages employees to use electronic communication technology for meetings to reduce unnecessary business trips.

Hazardous and Non-hazardous Wastes

The Group does not generate hazardous waste during its operations. For non-hazardous waste, the Group has engaged qualified recycling companies to collect and handle the waste in accordance with the Waste Disposal Ordinance. Furthermore, the Group has applied 4R Principles (i.e. Reduce, Reuse, Replace and Recycle) in the waste reduction measures to reduce the amount of non-hazardous waste in our operations. For example, the Group encourages double-side printing and reuse of paper to reduce the paper waste.

The Group did not record the non-hazardous waste generated during the reporting period. However, in order to better formulate measures to reduce the amount of non-hazardous waste generated, the Group will take initiative to record relevant data in the coming year.

3.2. Use of Resources

The Group places a great emphasis on environmental protection to ensure efficient use of energy and resources. With the implementation of the Group’s “Energy and Resources Policy”, the Group strives to reduce the resources consumption by implementing energy and water efficiency initiatives and encouraging its employees, customers, business partners and the community to adopt environmentally responsible behaviour.

Energy Consumption

The energy consumption of the Group mainly comes from purchased electricity and fuel consumption. For the purpose of energy conservation, the Group has advocated various energy conservation strategies, such as the adoption of energy-saving lighting systems and production equipment to reduce the energy usage during operations. Air-conditioners and other equipment are opened according to the seasonal adjustment and lightings are switched off when the room is not in used.

During the reporting period, the energy consumption was as follows:

Type of energy	Unit	2021	2020
Purchased electricity	MWh	72.24	270.83
LPG	MWh	nil	110.94
Petrol	MWh	14.62	23.60
Total energy consumption	MWh	86.86	405.37
Energy intensity	MWh/employee (Note 1)	5.11	23.84

Note:

1. The intensity refers to megawatt hour (MWh) per the total number of employees at the end of the reporting period.

The decrease in electricity, and LPG consumption in 2021 was mainly due to the decrease in revenue generated from the production and sales of food products during the reporting period. In additions, the decrease in petrol consumption in 2021 was mainly due to the less vehicles usage during the reporting period.

Water Consumption

Water is another important resource used by the Group in daily operations. The Group consumes water in different activities, including washing of food materials, cooking and cleaning of kitchen utensils. The Group endeavours to conserve water effectively by establishing water saving initiatives. For example, the Group has adopted water-saving production methods and equipment to reduce the water consumption. The used water is re-used under feasible circumstances. Furthermore, the Group has conducted regular maintenance of water pipes to prevent leakage of water and repair any defective components.

During the reporting period, the water consumption was as follows:

Water consumption	Unit	2021	2020
Total water consumption	m ³	2,046.00	8,178.00
Water intensity	m ³ /employee (<i>Note 1</i>)	120.35	481.05

Note:

1. *The intensity refers to cubic meter (m³) per the total number of employees at the end of the reporting period.*

The decrease in water consumption in 2021 was mainly due to the efficiency of water saving strategies implemented by the Group and the reduction of activities from production and sales of food products during the reporting period.

Packaging Materials

The Group mainly uses plastic wraps and carton containers boxes for food products and wines packaging. The amount of packaging materials used is relatively small and considered as insignificant to the Group's operation.

3.3. The Environment and Natural Resources

With the integration of policies and measures to reduce emissions and resources consumption, the Group strives to reduce the impacts on the environment and natural resources. The Group also provides trainings for employees to increase their awareness of environmental protection at work and in life.

The Group has formulated a "Pollution Accident Management" session under the "Environmental Facilities Operation and Management Policy" to handle possible incidents that may cause environment pollution. In addition, when there is any environmental accident, the Group will formulate an emergency plan immediately and report the case to the relevant government departments in order to minimise the environmental impacts.

4. SOCIAL ASPECTS

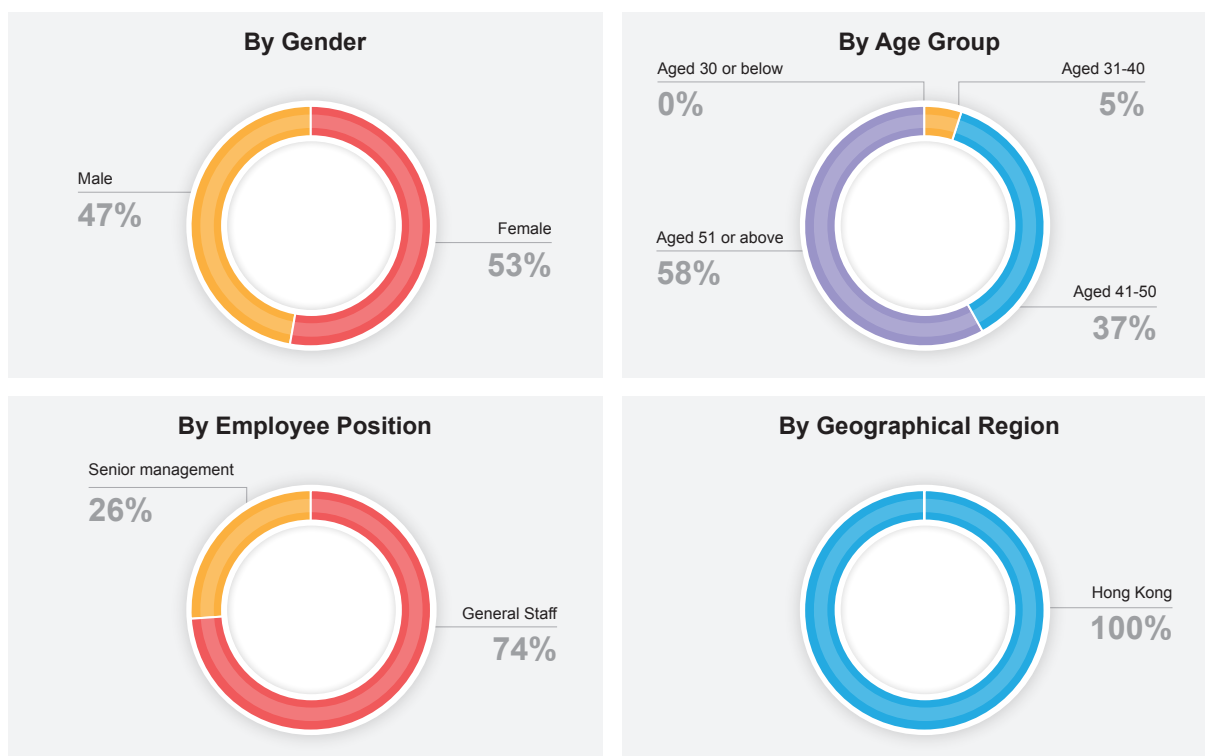
4.1. Employment and Labour Practices

The Group believes people are valuable assets and their diligent efforts and continuous supports are crucial to the Group's development and success. As such, the Group aims to attract and retain talents, provide a safe and equal working environment to its employees and promote employee health and wellbeing. The Group is in strict compliance with relevant laws and regulations in Hong Kong, including the Employment Ordinance, the Sex Discrimination Ordinance, the Disability Discrimination Ordinance, the Family Status Discrimination Ordinance and the Race Ordinance.

The Group's "Human Resources Management Policy" covers the Group's standard in respect of compensation and dismissal, recruitment and promotion, working hours, rest periods and other benefits and welfare. In addition, the Group is dedicated to providing equal opportunities in all aspects of employment and maintaining a workplace that is free from discrimination and harassment against any individual on the basis of seniority, nationality, gender, age, marital status, disability, race, color, religion or sexual preference.

During the reporting period, the Group was not aware of any non-compliance with the relevant laws and regulations that had significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

As at 31 December 2021, the employee compositions (in numbers of employees) categorised by gender, employee position, age group and geographical region were as follows:



The employee turnover rate by gender and age group during the reporting period was as follows:

Employment	Unit	2021	2020
By gender (Note 1)			
Male	%	11	15
Female	%	10	6
By age group (Note 2)			
30 or below	%	–	0
31 – 40	%	–	25
41 – 50	%	14	15
51 or above	%	9	0
Overall (Note 3)	%	11	5

Notes:

1. Turnover rate refers to the number of employee turnover of the gender group during the reporting period per the total number of the corresponding gender group at the end of the reporting period.
2. Turnover rate refers to the number of employee turnover of the age group during the reporting period per the total number of employees of the corresponding age group at the end of the reporting period.
3. Turnover rate refers to the total number of employee turnover during the reporting period per the total number of employees at the end of the reporting period.

4.2. Employee Health and Safety

The Group places the highest priority on securing the health and safety of our employees. The Group complies with the Occupational Safety and Health Ordinance to maintain a healthy and safe workplace for our employees and protect them from work-related injuries. As stipulated in the Group's "Health, Safety and Environment Policy Statement", the Group strives to reduce and control the health, safety and environment related risks. The Group continues to monitor the effectiveness of safety-related controls and conduct assessments on its health and safety performance. In order to create a corporate culture of health and safety, the Group conveys to our employees the importance of occupational health and safety to enhance their awareness.

Response to COVID-19

The challenges arising from the ongoing COVID-19 pandemic are unprecedented. In order to reduce risks of infection and the potential spread of the virus in the workplace, we have implemented certain precautionary measures, including:

Record employees' body temperatures before entering workplace;

Require employees to keep masks on while in the office or meeting with external parties;
Remind employees to frequently sanitise and wash their hands.

During the reporting period, there was no case of work-related fatality, and there were no cases of work-related injuries thus no lost days due to work injury. The Group was not aware of any non-compliance with relevant laws and regulations that had significant impact on the Group in providing a safe and healthy working environment during the reporting period.

4.3. Development and Training

The Group considers the skills and knowledge of our employees as the key elements of sustainable development of the Group. Hence, the Group provides training opportunities for our employees to enhance their working capabilities and management competence according to the Group's "Human Resources Management Policy". The on-the-job trainings offered are based on the business needs, needs of respective positions and interests of employees. Employees are also provided with the opportunities to participate in trainings offered by professional training institution or experts.

During the reporting period, the percentage of employee trained categorised by gender and employee position was as follows:

Percentage of employee trained

Employment	Unit	2021	2020
By gender (Note 1)			
Male	%	33	21
Female	%	10	7
By employee position (Note 2)			
Senior management	%	80	37
General staff	%	nil	nil

Notes:

1. *Percentage of employee trained refers to the total number of employees trained of the gender group during the reporting period per the total number of employees of the corresponding gender group at the end of the reporting period.*
2. *Percentage of employee trained refers to the total number of employees trained of the employee position during the reporting period per the total number of employees of the corresponding employee position at the end of the reporting period.*

During the reporting period, the average training hours completed per employee categorised by gender and employee position was as follows:

Average training hours of employee

Employment	Unit	2021	2020
By gender (Note 1)			
Male	Hours/employee	0.38	0.38
Female	Hours/employee	0.12	0.07
By employee position (Note 2)			
Senior management	Hours/employee	0.75	1.87
General staff	Hours/employee	nil	nil

Notes:

1. Average training hours of employee refers to the total training hours of the gender group during the reporting period per the total number of employees of the corresponding gender group at the end of the reporting period.
2. Average training hours of employee refers to the total training hours of the employee position during the reporting period per the total number of employees of the corresponding employee position at the end of the reporting period.

4.4. Labour Standards

The Group is committed to upholding the elimination of all forms of forced labour and supporting the effective abolition of child labour. The Group strictly prohibits the use of child labour in accordance with the Employment of Children Regulations. As prevention of engaging child labour, job applicants are required to present identity proofs during recruitment process according to the Group's "Human Resources Management Policy".

In addition, the Group respects the freedom of employees and has established a "Prohibition of Forced Labour Policy", covering regulations to prohibit and prevent forced labour. Employees have the rights to report any case of infringement of their rights to the management.

During the reporting period, the Group was not aware of any non-compliance with relevant laws and regulations related to recruitment of child labour or forced labour practices.

4.5. Supply Chain Management

The Group aims not to be directly or indirectly involved in corrupt practices or complicit in human rights abuses. Hence, the Group requires its supply chain partners to uphold the Group's principles of ethical business conduct. Besides, the Group gives preference to collaborate with suppliers who work towards responsible and sustainable operation. Through managing and engaging with our supply chain, the Group strives to create positive impacts on the environment and society.

The Group believes that our procurement is crucial to our product and service quality. As such, the Group has adopted a “Suppliers Social Responsibilities Control Procedure” to manage and mitigate the environmental and social risks in the supply chain. The Group selects suppliers carefully and continues to monitor their performance. Relevant department is assigned to conduct evaluation of social responsibility performance of potential and existing suppliers by carrying out on-site inspection. In case of non-compliance discovered, the cooperation will be terminated to uphold the Group’s standards. During the reporting period, the Group worked with 25 suppliers (2020: 25 suppliers), in which 23 suppliers were from Hong Kong, 1 supplier was from the People’s Republic of China and 1 supplier was from Taiwan.

4.6. Product Responsibility

The Group places a great emphasis on the quality and safety of our food products and complies with relevant laws and regulations in Hong Kong, including the Food Safety Ordinance and the Public Health and Municipal Services Ordinance. The Group has established a “Food Quality and Safety Management Policy” with stringent procedures to ensure the quality of our products. The Group selects suppliers carefully and maintains relationship only with qualified suppliers. The Group also ensures the cooperating food ingredients suppliers have obtained international food safety certification and have passed relevant inspections conducted by the Hong Kong government.

In addition to food ingredients procurement, the Group continues to improve the production process in order to enhance the quality and safety of our food products by establishing the food safety objectives and conducting reviews to ensure consistent compliance. The Group also performs regular identification of hazards, determination of critical control points and timely implementation of effective control and monitoring measures.

The Group believes the opinions from customers can drive its continuous improvement. With the implementation of “Customer Opinion Management Policy”, the Group strives to strengthen the communication with customers and satisfies customers’ requirements. In the receipt of complaints, the Group will take prompt actions and carry out remedial actions. If the product sold or shipped is subject to recall for health or safety reasons, the Group will handle according to the applicable guidance or regulation. Whenever the products are required to be discarded, it will be wrapped properly and disinfected before disposal. The Group also keeps record of the weights and photos of the discarded products.

During the reporting period, there was no product subject to recalls for safety or health reasons. The Group was not aware of any non-compliance with relevant laws and regulations regarding product responsibility.

4.7. Anti-Corruption

The Group is committed to upholding the highest standards of business ethics in its business and operations. The Group is in strict compliance with the Prevention of Bribery Ordinance and has zero tolerance on any forms of bribery, corruption and fraud. With the implementation of “Anti- corruption and Anti-Fraud Management System”, the Group conveys to its employees the Group’s requirements towards anti-corruption.

The Group has established communication channels, including phone and email, for employees to report on observed and suspected case of non-compliance and questionable practices. After receipt of the case, the Group will perform anti-corruption investigation. Once a misconduct case is confirmed, it will be reported to relevant legal authorities and relevant personnel will be subject to disciplinary actions.

During the reporting period, the Group was not aware of any non-compliance with the relevant laws and regulations that had significant impact on the Group relating to bribery, extortion, fraud and money laundering.

4.8. Community Investment

The Group is constantly aware of the needs of community and take up our corporate responsibility to contribute to the society. The Group has formulated a “Community Investment Policy” and aims to focus on the living standards of community, culture projects, education and development and labour cooperation. The Group also strives to develop long-term relationships with our stakeholders and bring a positive impact on community development.