

MADISON
— G R O U P —

Madison Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8057



**ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT**
2020/21

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

1. ABOUT THE REPORT

The Environmental, Social and Governance (“ESG”) report (the “ESG Report”) published by Madison Holdings Group Limited (the “Company”) presents the efforts and achievements made towards sustainability by the Company and its subsidiaries (collectively the “Group” or “we”). The ESG Report details the performance of the Group in enforcing environmental and social policies and fulfilling the principle of sustainable development.

1.1 Scope of the ESG Report

The ESG Report covers the environmental and social performance of the Group’s four principal segments during the period from 1 April 2020 to 31 March 2021 (the “Year”) in Hong Kong, Japan and the People’s Republic of China (the “PRC”). The Group’s four principal segments are (i.) the retail sales and wholesales of a wide spectrum of wine products and other alcoholic beverages in Hong Kong with a focus on red wine (the “Wine Business”); (ii.) the provision of financial services (the “Financial Services Business”); (iii.) the provision of loan financing and consultancy services (the “Loan Financing Business”); and (iv.) the provision of cryptocurrency exchange business in Japan (the “Blockchain Services Business”) which accounted for approximately 47.9%, 0%, 52.1% and 0% of the total revenue respectively. Key performance indicators (“KPIs”) gathered are shown in the ESG Report and are supplemented by explanatory notes to establish benchmarks. Information relating to corporate governance practices can be found on pages 29 to 36 in the Corporate Governance Report of the Group’s Annual Report 2020/2021.

On 2 November 2020, the Group disposed Madison Auction Limited. Madison Auction Limited, which was principally engaged in the provision of auction of alcoholic beverages in Hong Kong (the “Wine Auction Business”). Upon completion of the above-mentioned disposal, the ESG performance of the Wine Auction Business was no longer consolidated into the ESG Report. Details of the above-mentioned disposal are set out in the Company’s announcement dated 2 November 2020.

1.2 Reporting Standard

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

1. ABOUT THE REPORT *(Cont'd)*

1.3 Information and Feedback

Your opinions are highly valued. If you have any enquiries or suggestions, please feel free to contact the Company via the following channels:

Email: info@madison-group.com.hk
Website: www.madison-group.com.hk
Address: Units 26-28, 8/F., One Island South,
2 Heung Yip Road,
Wong Chuk Hang, Hong Kong

2. ABOUT US

Regarding the Wine Business, the Group provides customers with a one-stop shop service. The Group provides its clients wine aficionados with a full range of products and value-added services, aiming at enhancing customer satisfaction and retention by improving customer convenience.

Apart from the wine-related businesses, the Group also engages in the Financial Services Business, the Blockchain Services Business and the Loan Financing Business. Looking ahead, the Group will strive to strengthen its all-round market position in Hong Kong as well as explore business opportunities overseas in an attempt to create synergies to different businesses.

3. OUR APPROACH TO ESG

The Group recognises the importance of expanding its business whilst not placing the environment in jeopardy. In order to promote business growth and achieve sustainable development, the Group is committed to striking a balance among the interests of investors, shareholders, clients, employees, business partners and other stakeholders in society.

3.1 Stakeholder Engagement

The preparation of the ESG Report, which included the participation of different stakeholders, helped the Group review its current performance on the environmental and social aspects and also served as a basis for the revision and formulation of the Group's sustainability strategies. In order to understand the stakeholders' expectations and concerns, the Group has established various channels to collect opinions regarding its ESG performance and to address reasonable expectations of the Group's stakeholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

3. OUR APPROACH TO ESG *(Cont'd)*

3.1 Stakeholder Engagement *(Cont'd)*

The following table shows the Group's engagement with stakeholders and their expectations through diversified communication channels:

Stakeholders	Expectations and concerns	Communication Channel
Government and regulatory authorities	<ul style="list-style-type: none"> • Compliance with local policies, laws and regulations • Tax payment on-time 	<ul style="list-style-type: none"> • Written or electronic correspondences • Visits and inspections
Shareholders and investors	<ul style="list-style-type: none"> • Sustainable economic performance • Risk management • Sound corporate governance practices 	<ul style="list-style-type: none"> • Annual general meeting and other shareholders' meetings • Financial reports • Announcements and circulars • Company websites
Customers	<ul style="list-style-type: none"> • Knowledgeable wine suggestions from sommelier • High-quality services • Customer satisfaction 	<ul style="list-style-type: none"> • Visits to flagship store • Customer service hotline and emails
Employees	<ul style="list-style-type: none"> • Remuneration and benefits • Good employment practices • Safe and healthy work environment 	<ul style="list-style-type: none"> • Training, seminars, and briefing sessions • Performance reviews • Emails

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

3. OUR APPROACH TO ESG *(Cont'd)*

3.1 Stakeholder Engagement *(Cont'd)*

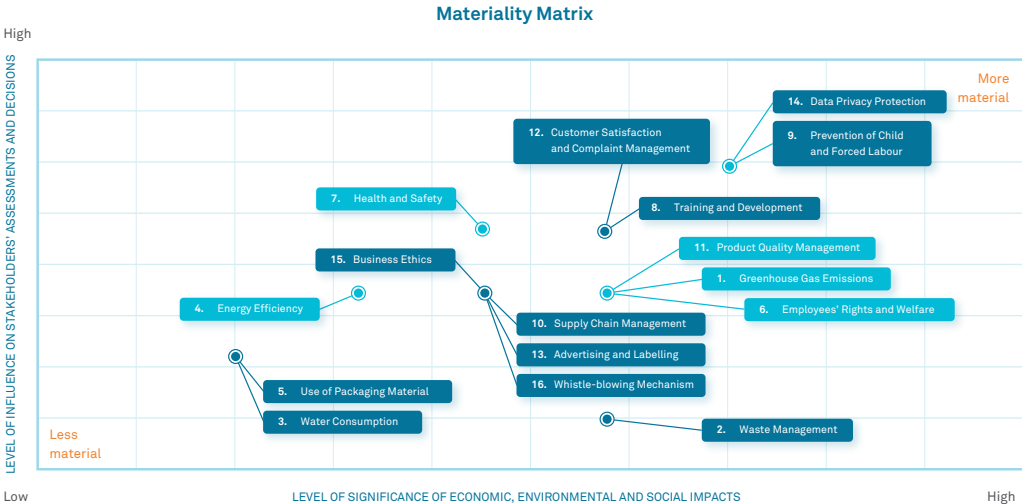
Stakeholders	Expectations and concerns	Communication Channel
Suppliers and business partners	<ul style="list-style-type: none">• Operation with integrity• Fair and open procurement process• On-time payment	<ul style="list-style-type: none">• Business meetings and discussions• Site visits
Industry	<ul style="list-style-type: none">• Establishment of industrial standards• Participation in industrial development	<ul style="list-style-type: none">• Participation in industry forums• Field visits
Loan and debt holders	<ul style="list-style-type: none">• Regular discussions• Compliant operation	<ul style="list-style-type: none">• Regular meetings
Media and the public	<ul style="list-style-type: none">• Transparent information disclosure	<ul style="list-style-type: none">• ESG Reports• Company website• Social media platforms

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Cont'd)

3. OUR APPROACH TO ESG (Cont'd)

3.2 Materiality Assessment

The Group compiled a questionnaire according to the identified material ESG aspects and asked various groups of stakeholders to complete the said questionnaire in order to fully reflect different stakeholders' opinions. The outcome of the materiality assessment is presented in the form of a materiality matrix and is shown below:



3.3 ESG Governance Structure

The Group believes that well-established ESG principles and practices will increase investment values and provide long-term sustainable returns to stakeholders. In order to ensure the establishment of appropriate and effective ESG risk management measures and internal control systems, the board of directors (the "Board") is responsible for supervising the Group's ESG strategies and reporting, as well as assessing and determining ESG related risks. To improve the Group's ESG governance, the Board regularly arranges independent assessments and efficiency analyses on the adequacy and effectiveness of the aforementioned system through an internal control function.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

4. HUMAN RESOURCES

4.1 Employees' Rights and Welfare

Human resources are the most indispensable cornerstone of the Group's development. The sustainable growth of the Group relies on good recruitment and retention practices. The Group has established and strictly enforced a comprehensive human resources management system based on applicable laws and regulations.

Employment policies are formally documented in the Staff Manual, covering recruitment and promotion, dismissal and compensation, diversity, anti-discrimination and equal opportunities, working hours and rest periods. The Group's management undertakes to ensure that all human resources practices within the Group are in compliance with relevant legal requirements. To make sure that employees are aware of their rights and welfare, the Group provides its employees with documents and materials on the related entry guidelines and clearly conveys to its employees the information related to the Group's employment policies, mission and vision, work ethics and related occupational safety and health guidelines. Reports on poor labour practices will be duly submitted to senior management with recommendations on how to handle such cases when necessary.

As at 31 March 2021, the Group employed 128 employees (2020: 145). All of the employees fell under the reporting scope of the ESG Report, which describes the information and KPIs of the Group's principal business activities in Hong Kong, Japan and the PRC.

During the Year, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group, including, but not limited to, the Employment Ordinance of Hong Kong, the Sex Discrimination Ordinance of Hong Kong, the Disability Discrimination Ordinance of Hong Kong and the Family Status Discrimination Ordinance of Hong Kong, the Labour Law of the PRC, and the Labour Standards Act of Japan.

Recruitment, Diversity and Equal Opportunities

The recruitment process is detailed within the staff manual. During the process of recruitment, the Group upholds the principles of anti-discrimination, equal opportunities and diversity to select the right candidates with suitable qualifications, experiences, skills, potential and performance, regardless of their age, gender, sexual orientation, marital status, family status or disability.

Dismissal Procedures

When an employee is dismissed, the Group will follow a set of procedures pursuant to the human resources management system to terminate his or her employment contract. Terms and conditions for dismissal are outlined in the employment contract and the related policy manual. In all cases, supervisors will consult the human resources department, legal department and/or management to ensure that the termination of employment contract are based on reasonable and lawful grounds.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

4. HUMAN RESOURCES *(Cont'd)*

4.1 Employees' Rights and Welfare *(Cont'd)*

Promotion and Performance Appraisal

The Group assesses the performance of the employees regularly, the results of which are used in their annual salary review, promotion opportunities and training suggestions. The Group also gives preference to internal promotion to encourage consistent and continuous effort.

Working Hours and Rest Periods

Achieving work-life balance is essential for keeping employees healthy and productive. The Group has therefore standardised the working hours and leave policy for different kinds of employees. The Group has implemented the measure of an eight-hour workday for all employees, whereas a five-day workweek and six-day workweek are applied to office staff and retail staff respectively. All employees are entitled to a number of leaves such as public holidays, annual leave, maternity leave, paternity leave, marriage leave and compassionate leave. The provisions governing working hours and rest periods are in accordance with local employment laws.

Benefits and Welfare

To attract and retain staff, the Group has formulated a competitive remuneration and welfare package. The standard remuneration package includes basic salary, discretionary bonuses and medical insurance. In addition to a basic salary, a year-end bonus is offered to employees with outstanding performance to attract and retain them for further development of the Group. Share options are granted to eligible employees based on the Group's performance as well as the individual's contribution. In addition, each of the sales team members is entitled to a commission with reference to the sales volume achieved. The Group will adjust the remuneration and welfare of each employee regularly with reference to individual's experience, job performance, the job nature, as well as market conditions.

4.2 Health and Safety

The Group places health and safety of employees at the first priority by strictly conforming to all relevant occupational health and safety laws and regulations. Led by the Group's management, the administration department and supervisors from various departments collectively carry out safety management by identifying potential risks, coordinating health and safety training, providing related information to employees, as well as equipping adequate first aid supplies and fire service equipment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

4. HUMAN RESOURCES *(Cont'd)*

4.2 Health and Safety *(Cont'd)*

The Group has formulated, implemented and monitored a series of codes of practice for health and safety at work with reference to the industry conventions and supervision regulations to ensure the health and safety of its employees. Furthermore, the Group has established safety procedures for the work with hazardous nature and required every employee to be accountable for the Group's safety goals. General safety orientation on safety regulations and emergency procedures are provided to new employees. The Group has also formulated emergency measures such as fire emergency plans and regularly arranged fire and evacuation drills in order to prevent casualties in case of accidents. A system for reporting hazards, accidents, injuries and illnesses is also set up so that responses can be made promptly.

During the Year, the Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group, including, but not limited to, the Occupational Safety and Health Ordinance of Hong Kong, the Law of the PRC on the Prevention and Control of Occupational Diseases and the Ordinance on Health Standards in the Office of Japan. In addition, attributed to the Group's efforts in creating an injury-free working environment, there was no work-related injuries or fatalities, and zero lost days due to work injury.

4.3 Response to the novel Coronavirus ("COVID-19") Pandemic

To avoid the spreading of COVID-19, the Group has conducted additional sanitation procedures in its flagship store, warehouses and offices. As a preventive measure, employees' temperature must be taken before entering the Group's premises. They were also required to wear a face mask at all times. The Group also announced flexible and adaptive working arrangements to reduce potential exposure. Meanwhile, customers visiting the retail shops were required to wear a face mask before entering the store; hand sanitiser was also provided at the flagship store.

4.4 Development and training

It is the Group's conviction that its success hinges on the employees' performance. Training and continuous development are therefore indispensable to keep abreast of the rapidly evolving trend of the industry and to satisfy customers' ever-changing needs. Therefore, delivering knowledge and skills to the Group's employees and hence fostering their career development has long been a core strategy of the Group. The Group is committed to employee development and has implemented various training programmes to strengthen their industry, technical and product knowledge.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

4. HUMAN RESOURCES *(Cont'd)*

4.4 Development and training *(Cont'd)*

All newly recruited employees are required to attend the induction training. Training activities including orientation programmes, coaching and on-the-job training, aim to enhance employees' sales and marketing techniques, client management skills, customer service, product information, quality control and industry knowledge. Training content is regularly reviewed and updated to ensure that such content continues to be of relevance and brings value to its employees. A description of the seminar attended by relevant employees specific to the Financial Services Business can be found in "5.6 Business Ethics".

As mentioned previously, the Group is in favour of internal promotion. Therefore, adequate on-the-job and professional training are provided to make sure employees are qualified for senior positions. The Group encourages its employees to apply for internal and external training to strengthen their technical skills by providing training allowance for all eligible employees who enroll in courses related to their job nature per calendar year. The Group also pays for the employees' professional membership renewal fees that are relevant to their current job position.

4.5 Prevention of Child and Forced Labour

The Group guarantees that no employees will be made to work against his/her will or be coerced to work. Meanwhile, the recruitment of child labour is also strictly prohibited; all employees recruited by the Group are above the minimum legal working age of respective jurisdictions. In circumstances where any individual below the legal working age is hired, corrective actions will be taken by the Group immediately to rectify the situation, including terminating the employee and reporting to the relevant Governmental authorities. Overtime work is on a discretionary basis, compensatory leave or compensatory working hours will be provided if overtime work is performed.

During the Year, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group, including, but not limited to, the Employment Ordinance of Hong Kong, the Labour Law of the PRC, and the Labour Standards Act of Japan.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

5. BUSINESS OPERATION

5.1 Supply Chain Management

The Group recognises the importance of good supply chain management practices in mitigating environmental and social risks. In view of green supply chain management, the Group strives to engage suppliers who incorporate the consideration of environmental and social risks into their supply chain management where possible.

In the Wine Business, the Group mainly procures wine products through (i.) purchases from wine merchants and wineries; (ii.) purchases through auction houses; and (iii.) purchases from individual wine collectors.

As part of the Group's quality control measures to maintain the Group's corporate image, suppliers are selected based on a number of factors. Apart from considering suppliers who incorporate green practices into their supply chain management, other consideration factors including their reputation for product quality and supply reliability, their history of operations, size of the business, overall reputation, delivery time, products portfolio, product availability, and promotions offered by the suppliers. After approval, the new suppliers will be put into the authorised supplier list and be reviewed on a regular basis.

For the procurement of goods and services in the Group's other business segments, the Group strives not to over-rely on a particular supplier by maintaining more than one supplier for each type of goods or services provided in order to ensure the stability of the supply chain.

5.2 Product Quality Management

Quality management is always emphasised by the Group as alcoholic beverages are susceptible to external environmental factors such as the storage environment. To ensure the quality of the Group's products and customers' health and safety, the Group has established strict guidelines and procedures on the storage, delivery and packaging of products.

The Group's self-operated warehouses are designed in conformity with the Fine Wine Storage Management Systems Standard of Hong Kong Quality Assurance Agency (HKQAA), in which a temperature and humidity control system is in place to maintain an optimal environment for wine storage. The floor and the ceilings of the warehouses are also fitted with insulation and anti-vibration materials in a bid to protect the wine products from heat and vibration.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

5. BUSINESS OPERATION *(Cont'd)*

5.2 Product Quality Management *(Cont'd)*

At the flagship store, some of the premier collectible wine products are stored at wine refrigerators at a specific temperature, while other products are kept at shelves and a constant temperature is maintained at all times to preserve product quality. In the event of power failure, the back-up power system at the warehouses will automatically generate power to support the temperature and humidity control system for up to eight hours. In the meantime, a staff member is assigned to monitor the temperature and humidity levels of the flagship store round-the-clock.

In addition to fulfilling the storage requirements, the Group also carefully inspects sample wine products and photos of old and expensive stock prior to placing orders with wine merchants and wineries. The Group also conducts quality control inspections upon receiving the products. In line with the industrial practice, the Group adheres to the suppliers' return policy pursuant to the terms of the relevant purchases. Return and refund of products can be requested if the products are found to be unsatisfactory after the quality control inspection upon presenting the proof of purchase.

During the Year, the Group did not receive any products and service-related complaints. No products sold or shipped were subjected to recalls for safety and health reasons.

5.3 Customer Satisfaction and Complaint Management

The Group's customer-oriented business philosophy emphasises the delivery of excellent customer service. Most of the Group's customers are local and overseas wine merchants, avid wine collectors in Hong Kong and the PRC, renowned Hong Kong restaurants and high net worth individuals. The Group endeavours to provide customers with a convenient one-stop shopping experience and a variety of unique, high-quality products at reasonable and competitive prices. To this end, the Group offers a wide range of services including wine consultation, sourcing, delivery, storage, and evaluation and consignment services to cater to the needs of different customers.

To protect consumer rights, customers may request for product return or exchanges for wine products with vintages below 10 years and with the selling prices below HK\$1,000 per bottle, in case of any quality issues verified by the Group. The Group aims to provide customers with the highest satisfaction when enjoying the Group's products and services. The Group's commitment to providing excellent customer services has been recognised by the certification of Quality Tourism Services Scheme issued by the Hong Kong Tourism Board.

Feedbacks and complaints from the Group's customers are highly valued as it is critical to the continuous development of the Group. Procedures for handling feedback and complaints have been set up. Complaints received will be discussed and reviewed by the management during regular meetings to prevent re-occurrence, appropriate corrective actions will be devised in a timely manner.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

5. BUSINESS OPERATION *(Cont'd)*

5.4 Data Privacy Protection

The Group endeavours to protect all sensitive information pertaining to the Group and its different stakeholders and take reasonable measures to preserve the integrity of customers' and stakeholders' data and prevent any corruption or loss of customers' data. The Group has established the I.T. Policy, which can be found within the staff manual, in compliance with relevant data privacy laws and regulations of the respective jurisdictions to ensure that its employees have proper knowledge and support with regard to handling sensitive information. Only authorised personnel are permitted to access the clients' information database and they are entitled to access the information on a need-to-know basis. All employees are required to covenant that he or she shall not, at any time during his or her employment or after the termination of the employment, disclose or make use of any confidential information without the consent of the Group. The action plans stated within the I.T. Policy are reviewed annually. Any employee violating this policy may be subject to disciplinary action up to and including immediate termination of employment.

5.5 Advertising and Labelling

Improper dissemination of information and the sale of alcoholic products to minors may result in grave consequences. Therefore, the Group is particularly aware of the important of preventing the sale and supply of intoxicating liquor to minors and the accuracy of the promotional materials, such materials of the Group are subjected to strict compliance with the Trade Descriptions Ordinance of Hong Kong.

Under the Dutiable Commodities (Amendment) Ordinance 2018 of Hong Kong, the Group is also required to display a sign containing both Chinese and English versions of the prescribed notice in a prominent location easily seen by the public.

During the Year, the Group was not aware of any material non-compliance with the relevant laws and regulations concerning health and safety, advertising, labelling and privacy matters relating to products and services and methods of redress that would have a significant impact on the Group, including, but not limited to: the Dutiable Commodities (Amendment) Ordinance 2018 of Hong Kong, the Trade Descriptions Ordinance of Hong Kong, the Personal Data (Privacy) Ordinance of Hong Kong, the Anti-Money Laundering and Counter-Terrorist Financing Ordinance of Hong Kong, the Anti-Money Laundering Law of the PRC, and the Act on the Protection of Personal Information of Japan.

5.6 Business Ethics

Unethical business practices could weaken the business stability of the Group. The Group strictly prohibits bribery, extortion, fraud money laundering, and any other corrupt practices. Hence, the Board implemented a zero-tolerance policy in practice in terms of bribery, extortion, and fraud money-laundering. Through strengthening corporate governance and risk management, the Group adheres to the values of integrity, fairness, transparency and accountability to prevent corruption and protect the interests of stakeholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

5. BUSINESS OPERATION *(Cont'd)*

5.6 Business Ethics *(Cont'd)*

The Group has established a strict corporate governance mechanism in compliance with the Listing Rules and Securities and Futures Ordinance of Hong Kong to forbid any fraudulent behaviour in the capital market. Employees are also encouraged to report any form of misconduct, such as abuse of authority and bribery of clients or employees. The Group will investigate upon receiving the report, where necessary, the Group may report the cases to the relevant regulatory and law enforcement bodies.

Besides, the Group has set rules and guidelines to ensure that employees at all times do not place themselves in a position of obligation that may lead to a conflict of interest in dealings with customers, suppliers, contractors and colleagues. Receiving and offering personal benefits such as gifts when dealing with suppliers, vendors or contractors is also strictly monitored within the Group.

For the Financial Services Business, employees participated in an anti-money laundering and counter-financing of terrorism seminar to familiarise themselves with the statutory requirements and enable them to recognise and subsequently report suspicious money laundering and terrorist financing activities.

With respect to the supply chain, the Group always ensures that the procurement process for supplies or services is conducted in a manner consistent with the highest ethical standard to assure the continuous confidence of customers, suppliers and the public on the Group. Further description of the Group's supply chain management has been mentioned in "5.1 Supply Chain Management".

5.7 Whistle-blowing Mechanism

The Group has established a Whistle-blowing Policy to encourage its employees to report alleged malpractices or misconduct through various channels. The audit committee of the Group has the overall responsibility of the policy such as monitoring and reviewing the operation of the policy, and providing recommendations for action resulting from investigations. The day-to-day responsibility of overseeing and implementing the said policy is delegated to the Head of Compliance. Pursuant to the said policy, the management should ensure that the whistle-blower would be able to raise concerns without fear of reprisals and that their identity as a whistle-blower will be kept confidential. The Group provides assurance to the whistle-blower reporting in good faith against unfair dismissal or victimisation, even if the reports are subsequently proved to be unsubstantiated.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

5. BUSINESS OPERATION *(Cont'd)*

5.7 Whistle-blowing Mechanism *(Cont'd)*

During the Year, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group, including, but not limited to, the Prevention of Bribery Ordinance of Hong Kong, Criminal Law of the People's Republic of China, Anti-Money Laundering Law of the People's Republic of China, and the Penal Code of Japan.

6. ENVIRONMENTAL PROTECTION

The Group realises that environmental protection relies on both collective and individual efforts. In the face of climate change and increasing awareness of environmental protection, the Group recognises the importance of reducing emissions and environmental impacts by integrating various sustainable measures into its business operations. Relevant green measures can be found in the following sections.

During the Year, the Group was not aware of any material non-compliance with laws and regulations relating to air and greenhouse gas ("GHG") emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group, including, but not limited to, the Waste Disposal Ordinance of Hong Kong; the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste; and the Waste Management and Public Cleansing Law of Japan.

6.1 Air Emissions

As the Group does not engage in industrial productions, no significant air emissions were produced in its daily operations. The Group considered that air emissions generated were of an insignificant level during the Year.

Vehicle usage is the Group's major source of air emissions during its daily operations.

During the year, air pollutant emissions generated by the Group slightly increased in comparison to previous year. The Group will continue its effort in mitigating the air emissions in the following year.

Summary of air emissions performance:

Air emissions	Unit	2021	2020
Nitrogen oxides (NO _x)	kg	40.26	30.08
Sulphur oxides (SO _x)	kg	0.11	0.11
Particulate matter (PM)	kg	3.75	2.77

6.2 GHG Emissions

The principal GHG emissions of the Group were generated from petrol and diesel consumption by vehicles (Scope 1), purchased electricity (Scope 2) and paper waste disposal at landfills (Scope 3).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

6. ENVIRONMENTAL PROTECTION *(Cont'd)*

6.2 GHG Emissions *(Cont'd)*

Scope 1 – Direct GHG Emissions

The Group has adopted the following measures to mitigate direct GHG emissions from petrol consumption by company vehicles in its operations:

- Plan routes ahead of time to avoid route repetition and optimise fuel consumption;
- Regularly service vehicles to ensure optimal engine performance and fuel use;
- Limit the speed of vehicles to avoid excessive fuel consumption due to high vehicle speed; and
- Switch off the engine whenever the vehicle is idling.

Scope 2 – Energy Indirect GHG Emissions

Electricity consumption accounted for the largest percentage of GHG emissions within the Group. The Group has implemented measures to reduce energy consumption, said measures are mentioned in “6.5 Use of Resources”.

Scope 3 – Other Indirect GHG Emissions

Office paper waste disposal attributed to the category of other indirect GHG emissions. Measures implemented to reduce paper waste disposal will be mentioned “6.4 Waste Management”. As a result, employees’ awareness of reducing GHG emissions has been increased through these measures.

The total paper disposal has decreased due to the effective paper-saving measures and decreases in employees of the Group. Therefore, during the Year, the Group’s total GHG emissions decreased by about 9.32% in comparison to previous year.

Summary of GHG emissions performances:

Indicator ¹	Unit ²	2021	2020
Scope 1 – Direct GHG Emissions	tCO ₂ e	20.09	19.96
• Petrol and diesel consumption			
Scope 2 – Energy Indirect GHG Emissions	tCO ₂ e	156.44	152.99
• Purchased electricity			
Scope 3 – Other Indirect GHG Emissions	tCO ₂ e	5.56	27.85
• Paper Waste Disposal			
Total GHG Emissions	tCO₂e	182.09	200.80
Total GHG Emissions Intensity³	tCO₂e/million revenue (HK\$)	1.70	1.00

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

6. ENVIRONMENTAL PROTECTION *(Cont'd)*

6.2 GHG Emissions *(Cont'd)*

Notes:

1. GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, including, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Bank Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5), the "Sustainability Report 2020" published by the HK Electric Investments, the latest published Baseline Emission Factors for Regional Power Grids in China and the latest TEPCO Group Environmental Index Results List published by TEPCO Group.
2. tCO₂e is defined as tonnes of carbon dioxide equivalent.
3. During the Year, the Group recorded a revenue of approximately HK\$106.9 million (2020: approximately HK\$201.5 million). This data is also used for calculating energy intensity.

6.3 Sewage Discharge into Water and Land

Due to the Group's business nature, there was no significant or unreasonable amount of sewage discharged by the Group into either land or water.

6.4 Waste Management

Hazardous Waste Management

Due to the Group's business nature, no material hazardous waste was generated by the Group during the Year. Despite the Group did not generate hazardous waste during the Year, it has established guidelines to govern the management and disposal of hazardous wastes. In case there is any hazardous waste produced, the Group will engage a qualified chemical waste collector to handle such waste and comply with the relevant environmental rules and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Cont'd)

6. ENVIRONMENTAL PROTECTION (Cont'd)

6.4 Waste Management (Cont'd)

Non-hazardous Waste Management

The Group's major non-hazardous waste included office paper, general waste and wooden boxes used for storing alcoholic beverages. The Group places great effort in raising the awareness of its employees on the importance of reducing waste production. The Group has included the following environmentally friendly initiatives to enhance its environmental performance.

Green measures include, but are not limited to the following:

- Designate recycling bins to collect recyclable materials such as plastics and paper;
- Reuse single-sided waste paper and office supplies such as folders, envelopes and plastic files where possible;
- Use recyclable products and rechargeable batteries over disposable products and batteries;
- Recycle office paper and electronic equipment after their life cycle; and
- Print electronic correspondences only when necessary.

The total non-hazardous waste disposed decreased as the ESG performance of the disposed Wine Auction Business was no longer consolidated into the ESG Report. During the Year, the Group's total non-hazardous waste disposed decreased by 29.66% in comparison to previous year.

Summary of major non-hazardous waste disposal performances:

Category of waste	Unit	2021	2020
Office paper	tonnes	1.15	1.84
General waste	tonnes	2.75	3.72
Discarded wooden box	tonnes	0.18	0.24
Total non-hazardous waste disposed	tonnes	4.08	5.80
Intensity⁴	tonnes/employee	0.03	0.04

Note:

4. As at 31 March 2021, the Group had 128 full-time employees (2020: 145). This data is also used for calculating water intensity.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

6. ENVIRONMENTAL PROTECTION *(Cont'd)*

6.5 Use of Resources

The Group realises the scarcity of finite natural resources and has therefore taken the initiative to implement guidelines to better govern the use of resources and minimise the environmental impact arising from its business operations. Measures on reducing general waste and office paper waste production have been mentioned in the preceding “6.4 Waste Management” section.

Energy Efficiency

In the Wine Business, establishing a qualified environment for beverage storage, particularly the continuous usage of air-conditioning to maintain an optimal temperature for storage, is of utmost importance to ensuring the product quality of the Group. In addition, in the Blockchain Services Business, continuous electricity usage is required for maintaining the server rooms for cryptocurrency mining. Therefore, electricity usage forms the predominant part of energy consumption and GHG emissions of the Group.

To cope with the potential environmental impacts resulted from high energy consumption, the Group has put in place policies and practices with regard to energy saving. The Group has delegated third-party vendors to manage the crypto-mining activities, during which the vendors have the obligation to ensure that electricity is consumed in a reasonable manner and improve energy efficiency as far as practicable.

The Group also ensures that the use of electricity in offices complies with the principles of power saving, high efficiency and low consumption. Apart from placing great effort in procuring energy-efficient wine cellars and cabinets, the Group regularly inspects the airtight quality of the wine cabinet seal to avoid the wine stored from being tarnished or energy from being wasted. Guided and monitored by the Group’s administration department, different business units across the Group have actively pushed forward environmental practices and measures such as:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

6. ENVIRONMENTAL PROTECTION *(Cont'd)*

6.5 Use of Resources *(Cont'd)*

Energy Efficiency (Cont'd)

- Keeping light fixtures and lamps clean to maximise their efficiency;
- Switching off external lighting of the flagship store during out-of-operation hours;
- Using split-type air conditioners with grade 1 energy label and setting the air conditioning systems at a minimum of 25.5 degrees Celsius;
- Setting the computers to automatic standby or sleeping mode when idling; and
- Switching off electronic appliances, lights and air conditioners before break, after work, or during holiday.

The Group is committed to making continuous improvements on its energy conservation performance. Therefore, anomalies in electricity consumption will be investigated and preventive measures will be taken. Furthermore, an internal review of the energy-saving measures is periodically performed and reports are submitted to the management, recommending further actions to be done in the future.

During the Year, total energy consumption by the Group increased by about 29.58% in comparison to previous year. The Group will continue its effort in reducing the energy consumption by adopting more active energy-saving measures in the following year.

Summary of energy consumption performances:

Types of energy	Unit	2021	2020
Direct energy consumption	MWh	75.19	72.74
• Petrol	MWh	44.20	72.74
• Diesel	MWh	30.99	–
Energy indirect consumption	MWh	336.68	245.14
• Purchased electricity	MWh	336.68	245.14
Total energy consumption	MWh	411.87	317.88
Intensity	MWh/million revenue (HK\$)	3.85	1.58

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Cont'd)

6. ENVIRONMENTAL PROTECTION (Cont'd)

6.5 Use of Resources (Cont'd)

Water Consumption

Due to the Group's business nature, water usage was only confined to water used by the Group's employees in everyday activities. During the Year, the Group did not encounter any problem in sourcing water that was fit for purpose.

A number of measures have been implemented to reduce water consumption, these include using dual flush toilets, installing infrared sensors for faucets, using urinal equipment with water-efficient label and putting up reminder labels in toilets to raise employees' awareness of water conservation.

Summary of water consumption performance:

Indicator	Unit	2021	2020
Total water consumption	m ³	618.68	674.65
Intensity	m ³ /employee	4.83	4.65

Use of Packaging Material

Packaging materials such as plastic packaging rolls and carton boxes are used in the Wine Business. The Group advocates the adoption of simple packaging and is dedicated to minimising the use of plastic packaging rolls as far as practicable. During the Year, the total packing material used per million revenue (HK\$) of the Wine Business was approximately 1.05 kg, which remained constant compared to previous year.

Summary of packaging materials consumption performances:

Types of Packaging Material	Unit	2021	2020
Plastic products	kg	49.18	66.62
Paper products	kg	4.56	6.18
Total packaging materials used	kg	53.74	72.80

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

6. ENVIRONMENTAL PROTECTION *(Cont'd)*

6.6 Environment and Natural Resources

The environmental impact brought on by the Group's business operation is relatively insignificant since the Group does not engage in industrial production. The Group is mindful of its responsibility to minimise the generation of any negative environmental impacts. The Group regularly appraise the environmental risks of its business and adopts preventive measures to reduce the risks and ensures compliance with relevant laws and regulations.

Indoor Air Quality

Indoor air quality was regularly monitored and measured by the Group. During the Year, the indoor air quality of the Group's premises was spotless. To enhance indoor air quality, air purifying equipment was placed in the premises and the air conditioning system was cleaned regularly. These measures filtered out pollutants, contaminants and dust particles and maintained indoor air quality at a satisfactory level.

7. COMMUNITY

The Group recognises the importance of making a positive impact on the community and realises the importance of giving back to the members of society. Therefore, the Group encourages its employees not only to engage in community services and voluntary activities to give back to the less-abled and financially challenged members of the public but also to share their experience after participating in the charitable activities to nurture a caring culture within the Group. The Group has planned to encourage its employees to contribute in 'SHUIDICHOU' fund and also join the 'Measure Temperature for The City' activity in the upcoming year. The Group shall all extend its scope of financial contribution to benefit the financially disadvantaged in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas, Aspects, General Disclosures, and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	6. Environmental Protection
KPI A1.1	The types of emissions and respective emissions data.	6.1 Air Emissions
KPI A1.2	GHG emissions in total (in tonnes) and intensity.	6.2 GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	6.4 Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	6.4 Waste Management
KPI A1.5	Description of reduction initiatives and results achieved.	6.2 GHG Emissions, 6.4 Waste Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	6.4 Waste Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

Subject Areas, Aspects, General Disclosures, and KPIs	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	6.5 Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	6.5 Use of Resources – Energy Efficiency
KPI A2.2	Water consumption in total and intensity.	6.5 Use of Resources – Water Consumption
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	6.5 Use of Resources – Energy Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	6.5 Use of Resources – Water Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	6.5 Use of Resources – Use of Packaging Material
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	6.6 Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6.6 Environment and Natural Resources – Indoor Air Quality

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

Subject Areas, Aspects, General Disclosures, and KPIs	Description	Section/Declaration
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4.1 Employees' Rights and Welfare
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.2 Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	4.2 Health and Safety
KPI B2.2	Lost days due to work injury.	4.2 Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	4.2 Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.4 Development and training

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

Subject Areas, Aspects, General Disclosures, and KPIs	Description	Section/Declaration
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.5 Prevention of Child and Forced Labour
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.1 Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5.1 Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5.2 Product Quality Management, 5.3 Customer Satisfaction and Complaint Management, 5.4 Data Privacy Protection, 5.5 Advertising and Labelling
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	5.2 Product Quality Management
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	5.2 Product Quality Management
KPI B6.4	Description of quality assurance process and recall procedures.	5.2 Product Quality Management
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.4 Data Privacy Protection

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(Cont'd)*

Subject Areas, Aspects, General Disclosures, and KPIs	Description	Section/Declaration
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5.6 Business Ethics, 5.7 Whistle-blowing Mechanism
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	5.7 Whistle-blowing Mechanism
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7 Community