GRACE VINEYARD

怡園酒莊

GRACE WINE HOLDINGS LIMITED
怡園酒業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 8146

2019
ANNUAL REPORT

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This report, for which the directors (the "Directors") of Grace Wine Holdings Limited ("Grace Wine" or the "Company", and together with its subsidiaries, the "Group", "we" or "our") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (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.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Ms. Judy Chan *(Chairlady, Chief Executive Officer)*
Mr. Fan Chi Chiu

Non-executive Directors
Ms. Hou Tan Tan Danielle
Mr. Chow Christer Ho

Independent non-executive Directors
Mr. Ho Kent Ching-tak
Mr. Lim Leung Yau Edwin
Mr. Alec Peter Tracy

COMPLIANCE OFFICER
Mr. Fan Chi Chiu

COMPANY SECRETARY
Mr. Chiu Ming King

AUTHORISED REPRESENTATIVES
Mr. Fan Chi Chiu
Mr. Chiu Ming King

AUDIT COMMITTEE
Mr. Lim Leung Yau Edwin *(Chairman)*
Mr. Chow Christer Ho
Mr. Ho Kent Ching-tak

REMUNERATION COMMITTEE
Mr. Alec Peter Tracy *(Chairman)*
Ms. Hou Tan Tan Danielle
Mr. Lim Leung Yau Edwin

NOMINATION COMMITTEE
Ms. Judy Chan *(Chairlady)*
Mr. Chow Christer Ho
Mr. Ho Kent Ching-tak
Mr. Lim Leung Yau Edwin (appointed as a member with effect from 20 March 2020)
Mr. Alec Peter Tracy (appointed as a member with effect from 20 March 2020)

COMPLIANCE ADVISER
Southwest Securities (HK) Capital Limited
40/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

AUDITOR
Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

HONG KONG LEGAL ADVISER
H.M. Chan & Co in association with Taylor Wessing
21/F, No. 8 Queen's Road Central
Hong Kong

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1–1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit 705, 7/F
Westlands Centre
No. 20 Westlands Road
Hong Kong

Corporate Information

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China Construction Bank Corporation, Taigu Branch
No. 119 Xihuan Road
Taigu County
Jinzhong City
PRC

China Merchants Bank, Shanghai Branch, Taixing Sub-branch
No. 847 Xinzha Road
Jing'an District
Shanghai
PRC

STOCK CODE

8146

Chairlady's Statement

Dear Shareholders,

On behalf of the board of directors (the "Directors" or the "Board") of Grace Wine Holdings Limited ("Grace Wine" or the "Company", and together with its subsidiaries, the "Group"), I am pleased to present the Company's annual report for the year ended 31 December 2019.

In this statement, I would like to highlight some of our achievements which may help you better understand our operation beyond looking at the financial results.

For 2019, our revenue reached RMB73.0 million, which is slightly better than 2018. However, both our gross profit margin and profit before taxes have increased significantly. Our gross profit margin jumped from 35.1% in 2018 to 43.8% in 2019, while our profit before taxes had increased by 20%, from RMB3.7 million to RMB4.5 million. Such increase has already taken into account the one-off administrative expenses of RMB2.6 million which was resulted from the transfer of shares from the major shareholder of the Company to our employees during 2019. You can find further details in the Management Discussion and Analysis section.

Towards the end of 2019, we decided to reform our strategy in the Shanxi market and step away from the sole-agent distribution model in the region. This allows us to develop closer relationships to the front-line sales channels and widen our distribution network. Also, by having fewer layers, we hope to provide better value and service to our end-customers. I'd like to take this opportunity to thank our Shanxi distributor for its contribution in the past, and look forward to forming a new partnership in the future.

In 2019, wine production and consumption in China continued to slow down. The whole industry was going through significant adjustments. With an increasing number of premium local wines being available in the market, we believe this is a positive development for building consumer confidence in premium Chinese wine. Grace Vineyard, positioned as the leading premium Chinese winery, has an advantage. We will continue to invest in branding and marketing, particularly in Shanxi and online markets.

Last year, we acquired a new whisky and gin production line. The target date for the commencement of production is the second quarter of 2021. We believe this is an exciting opportunity for the Group. Not only does it help us diversify our product portfolio, it also allows us to expand our business to another province (Fujian). The management is working around the clock to make sure we stay on schedule.

As I'm writing this statement, we are still in the middle of the coronavirus (COVID-19) outbreak. Despite the uncertainty on when the outbreak will be controlled, the management remains optimistic. Firstly, Shanxi is fortunately not one of the most severely impacted areas of the outbreak. Secondly, we believe the growth in wine consumption will resume once this is over. Last but not least, the management has already taken steps to reduce costs by streamlining our operation. As a result, our current liquidity position remains healthy, and we will continue to closely monitor our cashflow. On behalf of the Board and the team, once again I would like to express my gratitude to our shareholders and clients for your support throughout the years.

Judy Chan
Chairlady

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

According to data released by the National Bureau of Statistics of China, China's gross domestic product ("GDP") reached RMB99.1 trillion[1] in 2019, representing an increase of 6.1% as compared with the same period of the previous year. The overall national economy growth continues to remain stable. With the continuous growth of the macroeconomy and ongoing urbanization in the People's Republic of China (the "PRC" or "China"), the average income of urban households has been rising in recent years. Per capita disposable income increased from RMB24,565[2] in 2012 to RMB42,359[3] in 2019, representing a compound annual growth rate ("CAGR") of 8.09%. As per capita disposable income rises, it means that consumers are more capable than ever to pursue goods with higher quality, which will have a positive effect on the development of the mid to high-end wine market in the long run.

2019 was a year of difficulty for China's wine industry. According to data of national wine output released by the National Bureau of Statistics and China Report Data Center (中國報告大廳數據中心), the national wine output was 451 thousand kiloliters in 2019, with a cumulative decrease of 10.2%[4]. According to the statistics of the National Bureau of Statistics, from January to August 2019, the cumulative sales income of wine production enterprises of nation-scale was RMB9.789 billion[5], with a year-on-year decrease of 41.83%. Although the wine market experienced decrease in the output in a short term affected by factors such as the macro environment, there is still room for the wine industry to grow in the long term. China is still the fifth largest wine consumer, and according to the prediction of the International Wine & Spirit Research, China will become the second largest wine consumer in 2021. With the demand for diversification of wine, the change of consumption mode and the improvement of health awareness, consumers' demand for wine is no longer limited to business and other formal occasions, but is also becoming prevalent in catering and leisure entertainment occasions. As the culture of wine tasting is still developing domestically, the consumption of wine will maintain its stable growth in the medium to long term.

Entering into the fourth year of the "13th Five-Year Plan of Wine Industry" (《葡萄酒行業十三五規劃》), the PRC government plans to foster the construction of wine grape cultivation bases to cultivate wine grapes that can better satisfy the tastes of local residents. Those policies and measures are expected to have positive effects on the wine-making industry. For instance, both Shanxi and Ningxia governments have provided subsidies to vineyard farmers. The China Alcoholic Drinks Association issued the "13th Five-Year Guidance of China Alcohol Beverage Industry" (《中國酒業「十三五」發展指導意見》), which suggested developing the wine industry and integrating the industrial chain from cultivating wine grapes to grape production as well as wine distribution and sales, and encouraging the development of small and medium-sized wineries. The Shanxi government has also published the "13th Five-Year Plan of Modern Agriculture in Shanxi Province" (《山西省「十三五」現代農業發展規劃》), which was aimed at promoting the planting of fruits, such as grapes and apples, and facilitating the development of processed wine-making for fruit wines such as grape wine. In addition, with the promulgation and implementation of a series of policies and regulations, such as the "12th Five-Year Development Plan of Wine Industry" (《葡萄酒行業十二五發展規劃》) and "Wine Manufacturing Industry Access Conditions" (《葡萄酒製造業准入條件》), a considerable number of small and medium-sized enterprises have been forced to exit the market as they no longer meet the corresponding standards. Large enterprises, especially those with the ability of wine grape cultivation and integrating high quality wine production, logistics and sales, are likely to benefit from these policies which will bring more opportunities to the Group.

1 http://www.stats.gov.cn/tjsj/zxfb/202001/t20200117_1723591.html
2 http://www.stats.gov.cn/tjsj/tjgb/ndtjgb/qgndtjgb/201302/t20130221_30027.html
3 http://www.stats.gov.cn/tjsj/zxfb/202001/t20200117_1723396.html
4 http://www.winesinfo.com/html/2020/1/12-81881.html
5 https://d.qianzhan.com/xnews/detail/541/191030-2c3d083a.html

Management Discussion and Analysis

The Group continues to explore different ways to expand its market and distribution channels in order to increase its sales. One of the key changes of sales strategy in our Shanxi market is to diversify our distribution channels by market segments through the cooperation with various local distributors, as compared to the sole distributorship in the past. The management believes that such a change will allow the Group to have a better market coverage in the region, and is confident that it will bring along a further growth in sales.

The Group had completed the acquisition of 100% equity interests in Maxco Asia Limited ("Maxco Asia") on 11 October 2019. Maxco Asia held equity interests in Fujian Dexi Wine Company Limited* (福建德熙酒業有限公司), which was established in the PRC and is principally engaged in the production of whisky and gin in Fujian Province of the PRC. The Group is now actively preparing for the construction of the production plant, which is expected to be completed by early 2021. The Group is considering various sources of funding and will update the investors as and when appropriate. We expect that the new products of the Group will be benefited by the Group's existing distribution network and years of expertise in alcoholic beverage production. The acquisition played a complementary role in the Group's wine business, laying the foundation for entering the spirits industry, which enables the Group's business to grow in a diversified and sustainable manner.

The impact of the COVID-19 coronavirus epidemic to the Group

The recent outbreak of COVID-19 coronavirus has directly impacted the economy of China. Many different industries are affected, especially the retail and food & beverage industry. With no exception to the situation, consumption of wine has slowed down rapidly. It has a negative impact on the Group's short-term performance, and we expect the financial results in the first quarter of 2020 to be undesirable. Nonetheless, we believe that the Group will maintain a healthy financial position amidst this adverse market condition with our cost control measures and prudent liquidity management strategy. In particular, we have sufficient amount of cash to maintain our daily operation, while we do not have any burden from loans or bank borrowings at the moment. Our policy on cash sales also allows us to avoid the credit risk exposures from trade receivables. Last but not least, we trust that our persistence in emphasizing on quality, focusing on customer satisfaction and aiming for brand sustainability will allow us to weather the storm and deliver a satisfactory return to our shareholders and our clients.

* *for identification purpose only*

Management Discussion and Analysis

Revenue

Our revenue increased slightly by RMB0.2 million or 0.2% from RMB72.6 million for the financial year ended 31 December 2018 ("FY2018") to RMB72.7 million for the financial year ended 31 December 2019 ("FY2019"). We sold 1,097,000 bottles in FY2019 as compared to 1,221,000 bottles in FY2018. The average selling price increased from RMB59.4 in FY2018 to RMB66.3 in FY2019 due to the increase in selling prices to certain distributors during the year.

The table below sets out the sales analysis by distribution channels:

	FY2019 RMB'M	FY2018 RMB'M
Distributors	**62.2**	64.1
Online	**5.0**	4.3
Retail	**5.5**	4.2
Total	**72.7**	72.6

The table below sets out the sales analysis by categories of products:

	FY2019 RMB'M	FY2018 RMB'M
High-end level	**46.9**	46.1
Entry level	**25.8**	26.5
Total	**72.7**	72.6

Management Discussion and Analysis

Cost of sales

Our cost of sales decreased by RMB6.3 million or 13.4% from RMB47.1 million for FY2018 to RMB40.8 million for FY2019, primarily due to the decrease in unit costs of production of the inventory sold during the year which was produced in years of higher production level and thus experienced a lower absorption of the fixed costs per unit.

Gross profit and gross profit margin

Our overall gross profit increased by RMB6.5 million or 25.5% from RMB25.4 million for FY2018 to RMB31.9 million for FY2019 due to the decrease in cost of sales as aforementioned. Our overall gross profit margin increased from 35.1% for FY2018 to 43.9% for FY2019, mainly due to the decrease in the unit cost of wine sold as aforementioned.

Other income and gains, net

Other net income and gains decreased by RMB4.9 million or 71.5% from RMB6.8 million for FY2018 to RMB2.0 million for FY2019, mainly due to the absence of the gain on disposal of subsidiaries amounting to RMB5.7 million for FY2018.

Selling and distribution expenses

Selling and distribution expenses increased slight by RMB0.6 million or 13.0% from RMB4.2 million for FY2018 to RMB4.8 million for FY2019, mainly due to the increase in promotion and marketing expenses.

Administrative expenses

Administrative expenses increased by at RMB0.3 million or 1.4% from RMB24.1 million for FY2018 to RMB24.5 million for FY2019 due to (i) the absence of listing expenses of RMB4.3 million for FY2018, offset by (ii) the increase in staff costs due to the shared-based payments made as remuneration to certain management personnel amounting to RMB2.7 million for FY2019. 11,000,000 shares of the Company were transferred from Macmillan Equity Limited and Palgrave Enterprises Limited to the transferees (2018: Nil). Such transfer of shares was intended to be made as a reward to the personnel contributed to the listing of the Company and is expected to be non-recurring.

Finance costs, net

No finance cost was incurred for FY2019 and FY2018 in relation to borrowings of the Group. RMB92,000 was recorded as our finance costs arising from the unwinding of the discount of the lease liabilities.

Income tax credit/(expense)

Income tax expense amounting to RMB4.4 million was recorded for FY2019 as compared to income tax credit of RMB2.5 million for FY2018, which was mainly attributable to the absence of the reversal of the deferred taxation provision amounting to RMB6.7 million made in FY2018. Deferred tax provision was mainly made for the withholding tax payable upon the dividend payment from the PRC subsidiaries to offshore subsidiaries.

Profit for the year

As a result of the foregoing, our profit for the year decreased by RMB6.1 million from RMB6.2 million for FY2018 to RMB0.03 million for FY2019, and our net profit margin decreased from 8.5% in FY2018 to 0.04% in FY2019.

Liquidity, financial and capital resources

Our principal liquidity and capital requirements primarily relate to our capital investment in the acquisition of raw materials for wine production, other costs and expenses related to our business operation and the capital investment in our new whisky and gin production business. As at 31 December 2019, the carrying amount of the Group's bank and cash balances was RMB93.7 million, representing an increase of 14.2% as compared with that of RMB82.1 million as at 31 December 2018. As at 31 December 2019, the Group's bank and cash balances include RMB72.0 million and USD3.1 million, some insignificant amounts of HKD and EUR (31 December 2018: RMB25.4 million and HK$16.4 million, and some insignificant amounts of USD and EUR).

Gearing ratio

The Group's gearing ratio is measured by total external borrowings divided by total equity. The gearing ratio of the Group as at 31 December 2019 was nil (31 December 2018: nil) as the Group does not have any external borrowings.

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies to ensure the liquidity requirements from daily operation as well as capital expenditures are met. The Board closely monitors the Group's liquidity positions, while surplus cash may be invested appropriately with the consideration of the credit risks, liquidity risks and market risks of the financial instruments.

Foreign exchange risk

The business of the Group is primarily in Mainland China where most of the transactions are denominated in RMB, therefore the individual companies within the Group have minimal exposures of foreign exchange risk to its functional currency. Given that the presentation currency of the Group's consolidated financial positions is also RMB, the exchange gain or loss arising from currency translation is also insignificant. For the Group's subsidiaries outside Mainland China, transactions, including the Group's financing activities, may be denominated in Hong Kong Dollars or United States Dollars, and therefore are exposed to foreign exchange risks. The Group does not have a foreign currency hedging policy and does not use any financial instruments for hedging purposes. The Board monitors the Group's foreign currency exposures closely and may take appropriate measures to minimise the foreign currency risk exposures accordingly.

Principal risk to the Group

A discussion on the principal risks and uncertainties faced by the Group, together with the Group's internal control, is set out on pages 32 to 34 of this annual report. The financial risks are covered in Note 34 to the financial statements in this annual report. A more comprehensive analysis of the Group's risk factors is set out on pages 34 to 58 of the prospectus of the Company dated 12 June 2018 (the "Prospectus").

Contingent liabilities

As at 31 December 2019, the Group had no contingent liabilities (31 December 2018: Nil).

Pledge of assets

As at 31 December 2019, the Group did not have any assets pledged for credit facilities (31 December 2018: Nil).

Management Discussion and Analysis

Employee and remuneration policies

As at 31 December 2019, the Group had, including Directors, 148 employees (31 December 2018: 136 employees). Staff costs, including Directors' emoluments, amounted to RMB13.8 million for FY2019 (FY2018: RMB11.3 million). The remuneration policies for our Directors and employees are based on their experience, level of responsibility and general market conditions, and is reviewed and adjusted on an annual basis. The Company has adopted a share option scheme (the "Share Option Scheme") on 1 June 2018 for the purpose of providing incentives and rewards to eligible members of the scheme.

Comparison of Business Objectives with Actual Business Progress

The following is a comparison of the Group's business objectives as set out in the Prospectus with the Group's actual business progress up to 31 December 2019:

Business objectives from 1 January 2019 to 31 December 2019 as set out in the Prospectus	Actual business progress up to 31 December 2019
(1) To increase our brand awareness and sales by collaborating with selected distributors	
• We intend to use approximately 4.5% of the net proceeds, or approximately RMB1.5 million, to increase marketing and promotion efforts in, among others, (i) marketing events conducted with media, such as wine pairing dinners; (ii) web and mobile social media blogs and marketing campaigns; (iii) internet marketing campaigns; and (iv) marketing department administrative fees.	We have been constantly investing in brand building and marketing as planned in our business objectives. We have successfully organized various promotion events during FY2019, e.g. Shanxi winery visiting tour, as well as other exhibitions and wine appreciation events. We have spent more effort on the development of online sales and the sales via online channel have increased during FY2019 as compared to FY2018. The negotiation with the "online-to-offline" wine and spirit retailer in the PRC, "1919" was successful and we started our collaboration during FY2019.

Business objectives from 1 January 2019 to 31 December 2019 as set out in the Prospectus	Actual business progress up to 31 December 2019
(2) To increase wine-making capacity	
• We intend to use approximately 47.7% of the net proceeds, or approximately RMB15.8 million, to construct the second phase of our winery facility in Qingtongxia, Ningxia, the PRC, of approximately 72,800 square metres ("Ningxia Winery"), namely, (i) construction of the winery, such as constructing the outdoor area which includes road pavements, street furniture and lighting, installation of the drainage pipe system, furnishing and decoration of the visitors' centre, construction of the storage with cooling system equipment; and (ii) purchase of plants and equipment, including the cross flow filter, vacuum drum filter, filling equipment and forklift, and a bottling production line.	With the consideration of factors including the potential slowdown of the expected economy growth of the PRC, the consumption growth of wine products for the geographical locations of our key distribution channels and hence the sales growth trend of our Group, it is expected that the potential risk in increasing the investment is elevated. As a result, the construction of the second phase of our Ningxia Winery has been decided to be put on hold for the time being. The Group will continue to monitor the business environment and the market situation, and update the investors as and when appropriate.
• We intend to use approximately 9.0% of the net proceeds, or approximately RMB3.0 million for the initial production costs of the first phase of our Ningxia Winery, including the purchase of raw materials and utility expenses.	We have invested in the initial production costs of the first phase of our Ningxia Winery as planned in our business objectives. We have acquired raw materials (mainly grapes) for the wine production from our new Ningxia Winery.

Issue of Shares and use of proceeds from initial public offering

The shares of the Company were listed on the GEM of the Stock Exchange (the "Listing") on 27 June 2018 (the "Listing Date") with a total of 200,000,000 Shares issued at HK$0.35 each by way of public offer and placing (the "Share Offer"), raising net proceeds of an estimated amount of approximately HK$40.6 million (equivalent to RMB33.1 million) after deducting underwriting commissions and all related expenses. The net proceeds received from the Share Offer are intended to be used in the manner consistent with that mentioned in the paragraph headed "Future Plans and Use of Proceeds" of the Prospectus.

Management Discussion and Analysis

For FY2019, the Group has focused on marketing and brand building activities to promote sales. Through various sales campaigns and promotion events, the Group has been expanding its market coverage and building connections with potential new distributors. The Group has also been spending the effort in sales growth through online sales platforms.

An analysis of the planned usage of net proceeds as stated in the Prospectus and the actual utilization of the net proceeds from the Listing Date up to 31 December 2019 and the intended use of the proceeds and the expected timeline are set out as below:

	Total planned use of proceeds as stated in the Prospectus as at 31 December 2020 RMB'000	Planned use of net proceeds during the period from the Listing Date to 31 December 2019 RMB'000	Actual use of net proceeds during the period from the Listing Date to 31 December 2019 RMB'000	Unutilized Proceeds RMB'000	Expected timeline for the unutilized proceeds
To construct the second phase of our Ningxia Winery					
(i) Construction of the winery	15,000	10,000	–	15,000	By 31 December 2021 Note (a)
(ii) Purchase of plants and equipment	6,800	6,800	–	6,800	By 31 December 2021
Initial production costs of the first phase of our Ningxia Winery	6,700	4,000	4,000	2,700	The unutilized use of proceeds will be used as per the Prospectus
Sales and marketing expenses	3,000	1,500	1,500	1,500	The unutilized use of proceeds will be used as per the Prospectus Note (b)
General working capital	1,598	798	798	800	The unutilized use of proceeds will be used as per the Prospectus Note (c)

Notes:

(a) As mentioned in the above section headed "Comparison of Business Objectives with Actual Business Progress", the construction of the second phase of our Ningxia Winery has been decided to be put on hold for the time being. The Group will continue to monitor the business environment and the market situation, and update the investors as and when appropriate.

(b) As per the Prospectus, the Company intends to use RMB1,500,000 for the year ending 31 December 2020.

(c) As per the Prospectus, the Company intends to use RMB800,000 for the year ending 31 December 2020.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions and industry development made by the Company at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry and the Directors are not aware of any material change to the planned use of proceeds as of the date of this report.

Final dividend

Pursuant to its meeting held on 20 March 2020, the Board has resolved not to declare the payment of any final dividend for FY2019 (FY2018: nil).

Future plans for material investments and capital assets

Save as disclosed in the Prospectus and the potential investments in the whisky and gin production business as aforementioned, the Group does not have other plans for material investments and capital assets.

Events after the reporting date

Saved as the events after the reporting period disclosed in the Note 35 to the Financial Statements in this annual report, the Group has no significant events subsequent to 31 December 2019 up to the date of this report.

Significant investments, material acquisition and disposals

Save for the acquisition of Maxco Asia for the whisky and gin production business as aforementioned, the Group did not have any significant investments, material acquisitions or disposal of assets, subsidiaries, associates or joint ventures during FY2019.

Valuation of biological assets

A valuation appraisal of the market value as at 31 December 2019 was conducted on our biological assets (the "Biological Assets"). The movement of the Biological Assets during FY2019, as estimated by AVISTA Valuation Advisory Limited, which was measured at fair value less costs, is disclosed in the Note 16 to the Financial Statements in this annual report.

Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. Judy Chan ("Ms. Chan"), formerly known as Judy Leissner, aged 42, was appointed as an executive Director on 14 February 2012 and the Chairlady of the Board and chief executive officer of the Company (the "Chief Executive Officer") on 24 July 2017. She is the Chairlady of the Nomination Committee of the Company. She first joined the Group in June 2002 as a director of Shanxi Grace Vineyard Co. Ltd.* (山西怡園酒莊有限公司) ("Shanxi Grace Vineyard"). Ms. Chan also holds directorships in certain subsidiaries of the Company. She is primarily responsible for overseeing the general management and business development and formulates the business strategies and policies for the business management and operations of the Group.

Ms. Chan has over 17 years of experience in the wine making industry. Prior to joining the Group, from March 2000 to November 2001, Ms. Chan worked as an analyst at Goldman Sachs (Asia) L.L.C., in Hong Kong. Ms. Chan has been an independent non-executive director of Sing Tao News Corporation Limited (SEHK: 1105) (principally engaged in media operations) since June 2013. She has been an independent non-executive director and a member of the remuneration committee of Memories Group Limited (SGX: 1H4) (principally engaged in tourism businesses in Myanmar) since December 2017.

Ms. Chan graduated from the University of Michigan in the United States with a bachelor's degree in psychology, women's studies and organisational studies in December 1999. Ms. Chan was named as one of the "2014 Most Innovative Women in Food and Drink" by Fortune magazine and Food & Wine magazine in September 2014. She was also named as one of the "Future Women in the Mix in Asia: 12 to Watch" by Forbes Asia in March 2013. She was named as one of the 50 most important people in "The Decanter Power List 2013" published by the Decanter in July 2013 and a "Young Global Leader" by the World Economic Forum in March 2013. Ms. Chan was also awarded "Asia Wine Personality of the Year 2012" by The Drink Business magazine and the Institute & Masters of Wine in 2012. She was named as one of "China's 25 Most Influential Businesswomen" by Fortune China magazine in November 2012 and one of the "50 Most Influential Women in the Wine Industry" by The Drink Business magazine in December 2012. Ms. Chan was also awarded "Entrepreneur of the Year China 2010" under the category of Hong Kong/Macau Region Emerging Entrepreneur of the Year by Ernst & Young in 2010. Ms. Chan has been a member of the Chinese People's Political Consultative Conference of Shanxi Province (中國人民政治協商會議山西省委員會委員) and a member of the 12th Session of the Chinese People's Political Consultative Conference of Shanxi Province (中國人民政治協商會議第十二屆山西省委員會委員) since February 2008 and January 2018, respectively. She was appointed as an executive director of the Sixth Session of the Shanxi Overseas Friendship Association (山西海外聯誼會第六屆常務理事) since December 2012. Ms. Chan has also been a director of the Eighth Session of the board of trustees of Huaqiao University (華僑大學第八屆董事會董事) since November 2019 and an honorary chairlady of the First Session of the Huaqiao University Youth Federation (華僑大學青年聯合會第一屆名譽主席) since October 2013.

Ms. Chan is the daughter of Ms. Wong Shu Ying ("Ms. Wong"), the substantial shareholder of the Company (the "Substantial Shareholder"), and is the sister-in-law of Ms. Hou Tan Tan Danielle, the non-executive Director.

* *for identification purpose only*

Mr. Fan Chi Chiu ("Mr. Fan"), aged 34, first joined the Group and was appointed as an executive Director on 24 July 2017. He is primarily responsible for overseeing the financial management and strategies, compliance and investor relations of the Group.

Mr. Fan has over 11 years of working experience in the auditing and financial management industry. Mr. Fan has worked at ELL Environmental Holdings Limited ("ELL") (principally engaged in the provision of waste water services in the PRC) (SEHK: 1395) since April 2015, with his current position as chief financial officer, where he is primarily responsible for overseeing the financial management and the company's compliance with laws and regulations in Hong Kong. Mr. Fan has been acting as an independent non-executive director of Shinelong Automotive Lightweight Application Limited (SEHK: 1930) and Hevol Services Group Co., Limited (SEHK: 6093) since June 2019. From April 2014 to March 2015, Mr. Fan was a finance director at Vantasia Holdings (H.K.) Limited (principally engaged in financial services business in the PRC) where he was primarily responsible for financial management, business strategic planning and investor relations. From July 2011 to February 2014, he worked as an analyst at Barclays Investment Bank. From October 2007 to June 2011, he worked at PricewaterhouseCoopers, with his last position as a senior associate.

Mr. Fan obtained his bachelor's degree in business administration, majoring in professional accountancy, from The Chinese University of Hong Kong in December 2007. Mr. Fan has been a member of the Hong Kong Institute of Certified Public Accountants since January 2011.

NON-EXECUTIVE DIRECTORS

Ms. Hou Tan Tan Danielle ("Ms. Hou"), aged 35, was appointed as a non-executive Director on 24 July 2017. She is the member of the Remuneration Committee of the Company. She is primarily responsible for advising the Company on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct.

From June 2016 to Feb 2020, Ms. Hou worked as the deputy art director of King Fook Holding Limited (SEHK: 280). From February 2015 to May 2016, she worked as a specialist trainee/cataloguer in the jewellery department of Sotheby's Hong Kong Limited. From July 2008 to August 2011, Ms. Hou worked as an analyst in the China investment banking department of Citigroup Global Markets Asia Limited.

Ms. Hou obtained her bachelor's degree in business administration from Abilene Christian University in the United States in May 2008.

Ms. Hou is the daughter-in-law of Ms. Wong, the Substantial Shareholder, and is the sister-in-law of Ms. Chan, the executive Director, Chairlady and Chief Executive Officer.

Mr. Chow Christer Ho ("Mr. Chow"), formerly known as Chow Ho, aged 46, was appointed as a non-executive Director on 24 July 2017. He is the members of the Audit Committee and Nomination Committee of the Company. He is responsible for advising the Company on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct.

Mr. Chow has over 17 years of experience in the real estate development and investment industry. Currently, Mr. Chow is a managing director of LaSalle Investment Management, a member of the Jones Lang LaSalle Group (principally engaged in real estate investment management), where he is primarily responsible for advising and managing real estate investment portfolios of institutional investors. From 2007 to March 2012, he worked at Jones Lang LaSalle, with his last position as the head of corporate finance, Greater China, where he was primarily responsible for providing real estate investment advisory and consulting services. From January 2003 to 2007, Mr. Chow worked at Hong Kong Disneyland Management Limited with his last position as development manager, where he was primarily responsible for the master planning, infrastructure and development management of the Hong Kong Disneyland Resort.

Mr. Chow obtained his bachelor's degree in civil engineering and his master's degree in civil engineering from the University of California, Los Angeles (UCLA) in the United States in June 1995 and June 1996, respectively. He then obtained his master's degree in business administration from the Hong Kong University of Science and Technology in August 2002. Mr. Chow also serves on the MBA Alumni Advisory Board of the Hong Kong University of Science and Technology business school since 2011 and has been on the jury board of the MIPIM Asia Awards, an internationally renowned real estate competition, since 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Kent Ching-tak ("Mr. Ho"), aged 39, was appointed as an independent non-executive Director on 1 June 2018. He is the members of the Audit Committee and Nomination Committee of the Company. He is responsible for providing independent judgement on strategy, policy, performance, accountability, resources, key appointments and standard of conduct.

Mr. Ho was a non-executive director from May 2010 to February 2014 and has been acting as an executive director of Sing Tao News Corporation Limited (SEHK: 1105) since February 2014 where he is primarily responsible for the development of digital media and related business in Hong Kong, North America, Australia, Europe and the PRC.

Mr. Ho has over nine years of experience in media business development. He is also experienced in wealth management and investments focusing on high-tech industries since 2015. In May 2015, Mr. Ho founded Spectrum 28, a venture capital firm based in Silicon Valley, where he has been a managing partner since June 2015.

Mr. Ho obtained his bachelor's degree in economics and a certificate in the markets and management programme from Duke University in the United States in May 2003. He then obtained a master's degree in business administration from Stanford Graduate School of Business in the United States in June 2009. Mr. Ho has also been a member of the board of directors of the Hong Kong Science and Technology Parks Corporation since July 2017, a member of the Hong Kong Trade Development Council's Innovation and Technology Advisory Committee since April 2017 and was conferred the title of Honorary Trustee of Peking University in December 2016.

Directors and Senior Management

Mr. Lim Leung Yau Edwin ("Mr. Lim"), aged 57, was appointed as an independent non-executive Director on 1 June 2018. He is the Chairman of the Audit Committee of the Company and the member of the Remuneration Committee of the Company. He has also been the member of the Nomination Committee of the Company since 20 March 2020. He is responsible for providing independent judgement on strategy, policy, performance, accountability, resources, key appointments and standard of conduct.

Mr. Lim has over 34 years of experience in the finance and banking industry. Currently, he is the Market Head of China and Taiwan at HSBC Private Banking since October 2018. From July 2016 to October 2018, he worked at Credit Suisse AG Hong Kong branch, with his last position as a managing director and the market group head. From June 2011 to July 2016, Mr. Lim worked at J.P. Morgan Private Bank, with his last position as a managing director and the head of private wealth management, Northeast Asia, where he was primarily responsible for leading and supervising his team and delivering investment, wealth and capital advisory services to high net worth clients in the North East Asia region. From August 2006 to June 2011, he worked at DBS Bank (Hong Kong) Limited, with his last position as head of North Asia, private banking and wealth management, where he was primarily responsible for providing wealth management advisory services to high net worth individuals in the region. Prior to that, from 1986 to 2006, Mr. Lim had worked at various banks including Credit Suisse, Citibank, N.A. and Barclays Bank Plc.

Mr. Lim obtained his bachelor's degree in business administration, majoring in finance, from The Chinese University of Hong Kong in July 1986. Mr. Lim has been certified as a private wealth professional by the Private Wealth Management Association Limited since March 2016.

Mr. Alec Peter Tracy ("Mr. Tracy"), aged 54, was appointed as an independent non-executive Director on 1 June 2018. He is the chairman of the Remuneration Committee of the Company. He has also been the member of the Nomination Committee of the Company since 20 March 2020. He is responsible for providing independent judgement on strategy, policy, performance, accountability, resources, key appointments and standard of conduct.

Mr. Tracy has over 24 years of experience in the legal industry. Currently, Mr. Tracy is a consultant to Admiralty Harbour Capital Limited (principally engaged in asset management, capital markets and advisory and securities trading) since March 2018. Mr. Tracy was a counsel at Ascent Capital Advisors Limited (principally engaged in growth capital, middle market buyout and special situation investments) from January 2017 to December 2017, where he was primarily responsible for advising on legal matters and assisting with the making and monitoring of private equity investments. From September 1994 to June 2016, he practiced law with Skadden, Arps, Slate, Meagher & Flom LLP and its affiliated law practices ("Skadden"), with his last position as a partner in Skadden's Hong Kong office. At Skadden, he advised companies, investment banks, financial sponsors and governmental entities on cross-border mergers and acquisitions, corporate finance transactions and general corporate matters.

Mr. Tracy obtained his bachelor's degree in East Asian studies from Princeton University in the United States in June 1989. He then obtained a juris doctor degree from New York University in the United States in December 1994. Mr. Tracy was admitted to the New York State bar in August 1995 and as a solicitor of Hong Kong in June 2004.

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Wei Dong Sheng (魏東升) ("Mr. Wei"), aged 43, first joined the Group in February 2012 as the general manager of Shanxi Grace Vineyard and he has also been the director of Shanxi Grace Vineyard since October 2015. He is primarily responsible for overseeing the daily operation of Ningxia Winery.

Mr. Wei has over 19 years of experience in sales and marketing in the alcohol beverage industry. Since March 2015, he was the legal representative and director of Ningxia Ganlin and was responsible for overseeing the daily operation of Ningxia Ganlin Agricultural Development Co. Ltd.* (寧夏甘霖農業開發有限公司). Prior to joining the Group, from June 2009 to March 2012, Mr. Wei worked as a business development project manager at Terra Cotta. From August 2006 to May 2009, he worked as the North West China regional sales manager in the sales and marketing department of Sichuan Jiannanye Sales Co., Ltd. (四川劍南液銷售有限公司) (principally engaged in the sale of "Jiannanye" branded baijiu. From June 2004 to July 2006, he worked as the North West regional sales manager at Luzhou Chunjiu Co., Ltd (瀘州春酒業有限公司) (principally engaged in wine distribution). From July 2003 to May 2004, he worked as a salesperson in the sales department of Fujian Hengfa Wine Co., Ltd (福建恆發酒業有限公司) (principally engaged in wine trading). From April 2002 to June 2003, he worked as a salesperson at the Xiamen branch of Fujian Fujitsu Co., Ltd (福建富士通有限責任公司). From September 2000 to March 2002, he worked as a supervisor in the marketing department of Hainan Yedao (Group) Co., Ltd. (SHA: 600238) (海南椰島（集團）股份有限公司) (principally engaged in the production and sales of liquor products).

Mr. Wei obtained a higher diploma in law from the Shaanxi Administrative Cadre Institute of Politics and Law (陝西省政法管理幹部學院) in the PRC in July 2000.

Mr. Lee Yean Yean (李衍圜) ("Mr. Lee"), aged 38, first joined the Group in September 2006 and has been our production and technical director since November 2009. He is primarily responsible for overseeing the management of the cultivation bases, production and logistics departments of our Group. Mr. Lee has over 12 years of experience in the wine making industry. In September 2006, Mr. Lee first joined Shanxi Grace Vineyard as a winemaker assistant, and he was also a vineyard assistant and cellar hand. Prior to joining the Group, from July 2005 to July 2006, he was a northern region sales executive at Sony (Malaysia) Sdn. Bhd. From July 2004 to June 2005, he served as a northern region sales executive and wine buyer at Harrisons Wine of Harrisons Holdings (Malaysia) BHD, responsible for setting up a branch company in the northern region of Malaysia, sourcing new wine and managing the wine list. From May 2003 to June 2004, he was a sales executive at Denise Wine Shop (Malaysia) Sdn. Bhd.

Mr. Lee obtained a higher diploma in hotel and tourism management and a higher diploma in hotel and catering management from Kolej Damansara Utama in Malaysia in October 2002.

Mr. Wang Tairan (王泰然) ("Mr. Wang"), aged 38, first joined the Group in December 2007, and has been our deputy manager for production and quality control since February 2011. He is primarily responsible for overseeing the daily operation of Shanxi Vineyard.

Mr. Wang was the manager of the production department of Shanxi Grace Vineyard from April 2009 to January 2011, mainly responsible for overseeing the production department and executing the production plannings. He was the vice manager of the same department from January 2009 to March 2009, mainly responsible for assisting the manager in supervising the production staff and production plants. From December 2007 to December 2008, he served as an assistant to the manager of the same department, mainly responsible for sourcing ancillary materials for production of our wine products.

Prior to joining the Group, from August 2006 to May 2007 and from July 2005 to July 2006, Mr. Wang worked as a volunteer in the Bureau of Health of the Shuanghu County of the Tibet Autonomous Region (西藏自治區雙湖特別區衛生局) and in the Bureau of Husbandry of the Nagqu Prefecture of the Tibet Autonomous Region (西藏自治區那曲縣組織部、畜牧局) as part of the College Students to the West Voluntary Scheme (大學生志願服務西部計劃) where he was primarily responsible for assisting in the office staff on the basic operations of the departments.

Mr. Wang obtained his bachelor's degree in rural regional development from Renmin University of China (中國人民大學) in the PRC in July 2005.

COMPLIANCE OFFICER

Mr. Fan is the compliance officer of the Company. His biographical details are set out in section headed "Directors and Senior Management" in this report.

COMPANY SECRETARY

Mr. Chiu Ming King (趙明璟) ("Mr. Chiu"), aged 43, was appointed as the company secretary of the Company (the "Company Secretary") on 24 July 2017. He has worked at Vistra Corporate Services (HK) Limited since June 2012, with his current position as executive director of corporate services. Mr. Chiu has over 15 years of experience in the company secretarial field and has held various positions, including associate director of corporate services, in various corporate secretarial companies.

Mr. Chiu obtained his bachelor's degree of arts from the University of Toronto in Canada in June 1999 and received his master's degree of arts in professional accounting and information systems from the City University of Hong Kong in November 2003. He has been an associate member of the Institute of Chartered Secretaries and Administrators ("ICSA") and the Hong Kong Institute of Chartered Secretaries ("HKICS") since 2003 and became a fellow member of the ICSA and the HKICS since September 2015. He does not act as our full-time employee but he has been appointed as the Company Secretary pursuant to our engagement of an external company secretarial services provider, Vistra Corporate Services (HK) Limited.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company has adopted with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules.

Except as expressly described below, the Company complied with all applicable code provisions set out in the CG Code throughout FY2019.

Chairman and Chief Executive

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. Judy Chan holds both positions in the Company. Ms. Judy Chan has been primarily responsible for overseeing the Group's general management and business development and for formulating business strategies and policies for our business management and operations since she joined the Group in 2002. Taking into account the continuation of management and the implementation of the Group's business strategies, the Directors (including our independent non-executive Directors) consider it is most suitable for Ms. Judy Chan to hold both the positions of Chief Executive Officer and the Chairlady of the Board.

Therefore, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstances and the existing arrangements are beneficial and in the interests of the Company and its shareholders as a whole.

Composition of Nomination Committee of the Company

Under code provision A.5.1 of the CG Code, the nomination committee of an issuer should comprise a majority of independent non-executive Directors. During FY2019, the Nomination Committee of the Company comprised Ms. Judy Chan (chairlady), an executive Director, Mr. Chow Christer Ho, a non-executive Director and Mr. Ho Kent Ching-tak, an independent non-executive Director. As a result, the Nomination Committee of the Company did not comprise a majority of independent non-executive Directors. As at the date of this annual report, the Company has re-complied with code provision A.5.1 of the CG Code following the appointment of Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy as members of the Nomination Committee effective on 20 March 2020.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions (the "Model Code") by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has confirmed that, having made specific enquiry of all the Directors, all Directors have complied with the Model Code during the Year.

Pursuant to Rule 5.66 of the GEM Listing Rules, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his/her office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he/she would be prohibited from dealing by the Model Code as if he/she was a Director.

Corporate Governance Report

THE BOARD

Composition

As at the date of this annual report, the composition of the Board is as follows:

Executive Directors
Ms. Judy Chan (Chairlady, Chief Executive Officer)
Mr. Fan Chi Chiu

Non-executive Directors
Ms. Hou Tan Tan Danielle
Mr. Chow Christer Ho

Independent non-executive Directors
Mr. Ho Kent Ching-tak
Mr. Lim Leung Yau Edwin
Mr. Alec Peter Tracy

In compliance with Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the various guidelines set out in Rule 5.09 of the GEM Listing Rules.

Among members of the Board, Ms. Judy Chan, the executive Director, Chairlady of the Board and Chief Executive Director, is the daughter of Ms. Wong, the Substantial Shareholder, and is the sister-in-law of Ms. Hou, the non-executive Director, who is also the daughter-in-law of Ms. Wong. Save as disclosed herein, to the best of knowledge of the Company, there are no financial, business, family or other material or relevant relationships among members of the Board. With the various experience of the Directors and the nature of the Group's business, the Board considers that the Directors have a balance of skills and experience for the business of the Group.

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board Committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference. All Board Committees are provided with sufficient resources to perform their duties.

Corporate Governance Report

All Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability and shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against Directors, officers and senior management of the Company arising out of corporate activities.

Appointment, Re-election and Removal of Directors

Each of the executive Directors, non-executive Directors and independent non-executive Directors of the Company has entered into a service contract or letter of appointment with the Company for a specific term. The non-executive Directors and independent non-executive Directors have been initially appointed for a term of three years and automatically extended for successive term of one year upon the expiry of the current term unless and until it is terminated by either the Company or such Director. The term of appointment of each Director is subject to retirement by rotation and re-election at annual general meeting in accordance with the Articles of Association of the Company (the "Articles") and the GEM Listing Rules.

Pursuant to the Articles, one-third of all Directors (whether executive or non-executive) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation and re-election at each annual general meeting at least once every three years.

The Articles provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting of the Company or as an addition to the existing Board, shall hold office only until the next following annual general meeting of the Company after his/her appointment and shall then be eligible for re-election.

The Company may, in accordance with the Articles, by ordinary resolution remove any Director before the expiration of his/her term of office notwithstanding anything to the contrary in the Articles or in any agreement between the Company and such Director.

Board Diversity Policy

Pursuant to the code provision A.5.6 of the CG Code, the nomination committee (or the board) shall have a policy concerning diversity of board members and shall disclose the policy on diversity or a summary of the policy in the corporate governance report. The policy specifies that in designing the composition the Board, Board diversity shall be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The composition of the Board will be disclosed in the Corporate Governance Report every year and the Nomination Committee will supervise the implementation of this policy. The Nomination Committee will review the effectiveness of this policy, as appropriate, discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on page 14 to page 17 of this annual report.

	Gender	
Name of Director	**Female**	**Male**
Ms. Judy Chan	√	
Mr. Fan Chi Chiu		√
Ms. Hou Tan Tan Danielle	√	
Mr. Chow Christer Ho		√
Mr. Ho Kent Ching-tak		√
Mr. Lim Leung Yau Edwin		√
Mr. Alec Peter Tracy		√

	Age Group		
Name of Director	**30 to 39**	**40 to 49**	**50 to 59**
Ms. Judy Chan		√	
Mr. Fan Chi Chiu	√		
Ms. Hou Tan Tan Danielle	√		
Mr. Chow Christer Ho		√	
Mr. Ho Kent Ching-tak	√		
Mr. Lim Leung Yau Edwin			√
Mr. Alec Peter Tracy			√

	Professional Experience			
Name of Director	**Finance/ Accounting**	**Media Industry**	**Law**	**Real Estate**
Ms. Judy Chan	√			
Mr. Fan Chi Chiu	√			
Ms. Hou Tan Tan Danielle	√			
Mr. Chow Christer Ho	√			√
Mr. Ho Kent Ching-tak		√		
Mr. Lim Leung Yau Edwin	√			
Mr. Alec Peter Tracy			√	

Name of Director	Accountancy	Business	Law	Psychology	Others
	Education Background				
Ms. Judy Chan				√	
Mr. Fan Chi Chiu	√				
Ms. Hou Tan Tan Danielle		√			
Mr. Chow Christer Ho		√			√
Mr. Ho Kent Ching-tak					√
Mr. Lim Leung Yau Edwin		√			
Mr. Alec Peter Tracy		√	√		√

The Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation.

Continuous Professional Development

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development ("CPD") to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

Pursuant to the code provision A.6.1 of the CG Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations.

During the Year, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

All Directors, namely Ms. Judy Chan, Mr. Fan Chi Chiu, Ms. Hou Tan Tan Danielle, Mr. Chow Christer Ho, Mr. Ho Kent Ching-tak, Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy, have been updated with the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

The Directors are asked to submit their training record to the Company on an annual basis.

BOARD COMMITTEE

The Board has established three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, which are sufficiently resourced to fulfil their roles and their terms of reference have been approved by the Board and are available on the Company's website (www.gracewine.com.hk) and the Stock Exchange's website (www.hkexnews.hk).

Audit Committee

The Audit Committee was established on 1 June 2018 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The Audit Committee comprises one non-executive Director, Mr. Chow Christer Ho, and two independent non-executive Directors, namely Mr. Ho Kent Ching-tak and Mr. Lim Leung Yau Edwin. Mr. Lim Leung Yau Edwin is the chairman of the Audit Committee.

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information, provide advice in respect of financial reporting and oversee the risk management and internal control procedures of the Company.

There were four meetings of the Audit Committee held during the Year, the attendance record of the committee members is set out in the section headed "Attendance Records of Meetings" below. The following is a summary of work performed by the Audit Committee during the Year:

- reviewed the quarterly, interim and annual financial statements, reports and results announcements for presentation to the Board for approval;

- reviewed the findings and recommendations of the external auditor; and

- monitored the Group's financial controls, internal control and risk systems.

Remuneration Committee

The Remuneration Committee was established on 1 June 2018 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and paragraph B.1 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The Remuneration Committee comprises one non-executive Director, Ms. Hou Tan Tan Danielle, and two independent non-executive Directors, namely Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy. Mr. Alec Peter Tracy is the chairman of the Remuneration Committee.

The primary duties of our Remuneration Committee are to review and make recommendation to the Board on the remuneration package of our Directors and members of our senior management.

There was one meeting of the Remuneration Committee held during the Year, the attendance record of the committee members is set out in the section headed "Attendance Records of Meetings" below. The following is a summary of work performed by the Remuneration Committee during the Year:

– review and make recommendation to the Board regarding the fee of the Non-Executive Directors; and

– review and make recommendation to the Board regarding the fees of the Independent Non-Executive Directors

Details of the Directors' remuneration for the year are set out in Note 7 to Financial Statements.

The remuneration of the senior management of the Group by band for the year ended 31 December 2019 is set out below:

Remuneration bands	Number of senior management
HK$1 to HK$1,000,000	3

Nomination Committee

The Nomination Committee was established on 1 June 2018 with written terms of reference in compliance with paragraph A.5 of the CG code as set out in Appendix 15 to the GEM Listing Rules. Prior to the appointment of Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy as members of the Nomination Committee of the Company on 20 March 2020, the Nomination Committee comprises one executive Director, Ms. Judy Chan, one non-executive Director, Mr. Chow Christer Ho and one independent non-executive Director, Mr. Ho Kent Ching-tak. Ms. Judy Chan is the chairlady of the Nomination Committee.

The primary duties of the Nomination Committee are to review the structure, size and diversity (including the skills, knowledge and experience) of the Board and make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for Directors.

There was one meeting of the Nomination Committee held during the Year, the attendance record of the committee members is set out in the section headed "Attendance Records of Meetings" below. The following is a summary of work performed by the Nomination Committee during the Year:

– review the Board structure, size, composition and board diversity (including skills, knowledge and experience etc.);

– review the effectiveness of the related Board Diversity Policy and Directors' Nomination Policy;

– review the independence of independent non-executive directors; and

– review and consider the retirement and re-nomination of directors for re-election at the forthcoming annual general meeting of the Company (the "AGM").

Corporate Governance Function

The Board is responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of directors and senior management. The Board reviews the disclosures in the corporate governance report to ensure compliance.

The Board's responsibility in this regard includes:

(a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;

(d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters; and

(e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

Attendance Records of Meetings

The attendance of each Director at Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting and general meeting during the Year is set out in the following table:

	Board Meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Number of meetings held during the Year	5	4	1	1	1
Name of Directors	**Number of meetings attended/Number of meetings entitled to attend**				
Executive Directors					
Ms. Judy Chan	4/5	–	–	1/1	1/1
Mr. Fan Chi Chiu	5/5	–	–	–	1/1
Non-executive Directors					
Ms. Hou Tan Tan Danielle	3/5	–	1/1	–	0/1
Mr. Chow Christer Ho	4/5	2/4	–	1/1	0/1
Independent non-executive Directors					
Mr. Ho Kent Ching-tak	4/5	4/4	–	1/1	0/1
Mr. Lim Leung Yau Edwin	4/5	4/4	1/1	–	0/1
Mr. Alec Peter Tracy	4/5	–	1/1	–	1/1

Note: With effect from 20 March 2020, Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy were appointed as members of the Nomination Committee of the Company.

NOMINATION POLICY

The Board has adopted a nomination policy which set out the criteria and process in the nomination and appointment of Directors. Below are the nomination procedures and the process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship.

(i) Selection Criteria

The Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorships:

- character, reputation and integrity;
- qualifications, experience and accomplishments, including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;
- requirement for the Board to have independent directors in accordance with the GEM Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the GEM Listing Rules;
- Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board;
- any other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning; and
- such other perspectives appropriate to the Company's business.

(ii) Directors Nomination Procedures

The Board has the relevant procedures for Directors Nomination which are pursuant to GEM Listing Rules and the Articles. The details set out in the sections headed "Appointment, Re-election and Removal of Directors" and "Procedures for a Shareholder of the Company to propose a person for election as a Director" in this annual report.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Group's financial reporting process. In preparing the consolidated financial statements for the year ended 31 December 2019, the Board has selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Auditor's Remuneration

During the year ended 31 December 2019, the remuneration paid or payable to the Company's auditor, Ernst & Young, in respect of their audit and non-audit services was as follows:

	RMB
Audit services	1,145,000
Non-audit services	484,000
Total	1,629,000

The remuneration for non-audit services represents the professional services for the performance of agreed-upon procedures on the interim and quarterly financial reports.

COMPANY SECRETARY

The Company has appointed, externally, Mr. Chiu Ming King ("Mr. Chiu") as the Company Secretary. His biographical details are set out in the section "Directors and Senior Management" of this annual report. During the year ended 31 December 2019, Mr. Chiu has confirmed that he has taken no less than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules. Mr. Chiu's primary contact with the Company is Mr. Fan Chi Chiu, the executive Director.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledged its overall responsibility to ensure that sound and effective risk management and internal controls are maintained, while the senior management is charged with the responsibility to design and implement an internal controls system to manage risks. A sound system of risk management and internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has established a risk management and internal control systems. Different functions and procedures of the systems are responsible by the Board of directors, the audit committee, the management of the Group (the "Management") and the internal control review team. The system monitors risks of the Group including, but not limited to, operational, financial, reporting and compliance risks. The system also aims at covering Environmental Social and Governance ("ESG") related risk factors in order to govern the identified ESG risks to the businesses and provide a robust monitoring system in all aspects. We strive to constantly enhance the system and expand the coverage of the risk factors in a feasible way.

BOARD OF DIRECTORS

The Board has a duty to ensure the effectiveness of the risk management and internal control systems of the Group. The Board oversees the risk management and internal control systems, assesses and evaluates the Group's business strategies and risk tolerance. The Board reviews, with the assistance of the Audit Committee, at least annually the effectiveness of the system and monitors it in an on-going manner.

AUDIT COMMITTEE

The Audit Committee has the primary responsibility for risk management and internal control after the Board. It assists the Board in overseeing the Group's risk management and internal control systems by providing support and advice, including on-going monitoring of the execution of risk management processes, reviewing the Group's risk register as well as reviewing and approving the internal control review plan and results.

MANAGEMENT

The Management is responsible for identifying and monitoring the risks relevant to the Group during daily operations, including strategic, operational, financial, reporting and compliance risks. The Management reports to the Board and the Audit Committee on the risks identified and their changes. The Management is also responsible for developing appropriate internal control measures to mitigate the risks, and identify and resolve material internal control defects.

INTERNAL CONTROL

The Group has established the internal audit function and the scope of work includes reviewing the effectiveness of risk management and internal control systems. The scope of the risk management and internal control review is risk-based and is reviewed by the Audit Committee. The internal audit function is able to communicate with the Audit Committee directly regarding the results of its review.

RISK MANAGEMENT PROCESS

The procedures for identifying, assessing, responding and monitoring risks and their changes are defined by the risk management process. Through regular discussions with each operating function, the Group strengthens the understanding of risk management such that all employees can understand and report various risks they have identified in a timely manner. It enhances the Group's ability to identify and manage risks.

To identify and prioritize material risks throughout the Group, the Management communicates with each operating function, collects significant risk factors that affect the Group from bottom to top, including strategic, operational, financial, reporting and compliance risks. After identifying all relevant risks, the Management assesses the potential impact and possibilities of the risks and prioritizes the risks. Appropriate internal control measures are then developed to mitigate the risks identified and the changes of risks are monitored in an on-going manner.

Major risks of the Group

Our risk management process has identified the following as major risks of the Group and their changes.

Risk	Description	Key Risk Mitigations	Changes
We relied on Shanxi as our major market	Sales in the Shanxi Province constitute a significant majority of the Group's total sales. Any material decline in the Shanxi market may result in a decline in the sales of our wine products and our revenue significantly, which may be caused by economy downturn, natural disasters, epidemics as well as other laws and regulation changes.	We have been continuously developing new markets and distribution channels including, but not limited to, online sales and cooperation with new distributors in regions outside the Shanxi Province.	Unchanged
We relied on a sole and exclusive distributor in our Shanxi market	We relied heavily on the sole and exclusive distributor, Shanxi Jiajia, for the sales and distribution of our wine product in the Shanxi Province. Any disruption on our business relationship with Shanxi Jiajia, or any inability of Shanxi Jiajia to deliver its sales target may result in a material impact to the total revenue of the Group.	In 2019, we have ceased the exclusivity of the existing distributor, Shanxi Jiajia, and commenced cooperation with new distributors to mitigate the concentration risk of the sales and distribution in the Shanxi Province.	Decreased due to the change in sales strategy and cooperation with new distributors in the Shanxi Province

Risk	Description	Key Risk Mitigations	Changes
New products and techniques developed may not be successful	Quality control of our products is extremely important to the success of the Group. When we develop new wine or other beverage products, we may incur material expenditure on manpower, production capacity and capital expenditure on plants and equipment investment. Our new product development activities involve formulating new types of wine or other beverage products. The investment may not pay off for a good quality output, and the new products may not be accepted by the market as expected, which may affect the financial results and positions of the Group.	Investment in quality control and extensive preparation on feasibility studies, market and technical research on new product development were carried out to mitigate the risks.	Increased due to the investment in the new whisky and gin production business
We faced intense competition in the domestic PRC market and from imported wine	Our sales growth by market expanding and penetration may be affected by the competition from other domestic wine producers given their existing presence in the regions. Our foreign competitors may have greater access to financial resources, being more experienced and have better capability in product innovation and longer operating histories. Given the increasing western influence over the PRC and the general consumer behavior in the PRC, our brand equity and advantages may be diluted by the increase of foreign brands in the PRC, which will affect our revenue directly.	Emphasis on quality and brand building is the key strategy in keeping our product outstanding from the competitors. We have also invested extensively in marketing and promotion events to ensure we can sustain a high level of customer satisfaction.	Unchanged

INTERNAL CONTROL REVIEW TEAM

During the year ended 31 December 2019, the Group had not established an internal control department internally. Instead, the Group has engaged an external internal control consulting company, Corporate Governance Professionals Limited, to conduct assessment and evaluation on the effectiveness of internal control measures and systems of the Group. Certain internal control enhancement suggestions have been identified and the Management has established action plans for improving the internal control effectiveness accordingly. An internal control review report has been provided to the Audit Committee which has also been reported to the Board about the findings and improvement measures. No material internal control deficiency has been identified during the year ended 31 December 2019 and the Board considers that the risk assessment and internal control function of the Group to be adequate and effective.

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Group strictly follows the requirements of the Securities and Futures Ordinance (the "SFO") and the GEM Listing Rules and ensures that inside information is disclosed to the public as soon as reasonably practicable unless the information falls within any of the safe harbours of the SFO. Before inside information is fully disclose to the public, such information is kept strictly confidential. In addition, the Group adopted the policy of disclosing relevant information only to appropriate staff within the Group.

In addition, as mentioned in the above section headed "Directors' Securities Transactions", the Company has adopted Model Code as its own code of conduct regarding securities transactions, directors and employees who are likely to be in possession of unpublished inside information (in which the matters relating to the sensitive information including both financial and non-financial information (e.g. harvest result of self-cultivated grapes for the year), etc.), shall be prohibited to deal in any of the Company's securities before the publication of such information.

SHAREHOLDERS' RIGHTS

Rights to convene Extraordinary General Meeting

As one of the measures to safeguard Shareholders' interests and rights, the Shareholders are encouraged to participate at the general meetings of the Company and to vote thereat. An annual general meeting of the Company shall be held each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

The annual general meeting of the Company will provide a forum for the Board and the Shareholders to communicate. The Board will answer questions raised by Shareholders at the annual general meeting.

Pursuant to Article 64 of the Articles, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two Months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for a Shareholder of the Company to propose a person for election as a Director

Subject to the Articles and the Companies Law of the Cayman Islands (as amended from time to time), the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy on the Board, or as an addition to the existing Board.

Article 113 of the Articles provides that no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his/her willingness to be elected shall have been lodged at the Head Office (as defined in the Articles) or at the Registration Office (as defined in the Articles). The period for lodgement of the notices required under this Article will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

Accordingly, if a Shareholder wishes to nominate a person to stand for election as a Director, the following documents must be validly served at the Company's principal place of business in Hong Kong at Unit 705, 7/F, Westlands Centre, No. 20 Westlands Road, Hong Kong or at the Company's Hong Kong share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, including (i) a notice signed by the Shareholder for which such notice is given of his/her intention to propose a candidate for election; and (ii) a notice signed by the proposed candidate of the candidate's willingness to be elected together with (a) that candidate's information as required to be disclosed under Rule 17.50(2) of the GEM Listing Rules, and (b) the candidate's written consent to the publication of his/her personal data.

Right to Put Enquires to the Board

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of the Company. Such questions, requests and comments can be addressed to the Company by mail to Unit 705, 7/F, Westlands Centre, No. 20 Westlands Road, Hong Kong or by email to contact@gracewine.com.hk.

INVESTORS RELATIONS

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include (i) the publication of quarterly, interim and annual reports and/or dispatching circulars, notices, and other announcements; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the websites of GEM and the Company; (iv) the Company's website offering communication channel between the Company and its stakeholders; and (v) the Company's share registrars in Hong Kong serving the Shareholders in respect of all share registration matters.

CHANGE IN CONSTITUTIONAL DOCUMENTS

There were no significant changes in the constitutional documents of the Company for the year ended 31 December 2019.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Grace Wine Holdings Limited ("Grace Wine" or the "Company", and together with its subsidiaries, the "Group", "we", "us" or "our") is pleased to present the second Environmental Social and Governance ("ESG") Report (this "Report"), summarising our commitment, approach and achievements in creating sustainable value through our operation. For the Corporate Governance section, please refer to the section headed "Corporate Governance Report" in this annual report.

Reporting Standards

In preparing this Report, we are in stringent compliance with the applicable disclosure requirements of the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

Reporting Period

This Report covers the period from 1 January 2019 to 31 December 2019 (the "Reporting Period").

Reporting Scope

Unless otherwise stated, this Report covers the significant environmental and social impacts of the Group's (i) Hong Kong office; (ii) Shanxi Vineyard; (iii) Ningxia Vineyard; and (iv) Xiamen Sales Offices in the People's Republic of China ("PRC").

Feedback

We value your opinions. Whether you are a customer, business partner, member of the public, media institution or social group, your comments and advices will help determine and reinforce the Group's future sustainability strategy. Please contact us via email contact@gracewine.com.hk.

About Grace Wine

As the largest wine maker in Shanxi of the Mainland, the Group is principally engaged in wine production and sales under the brand "Grace Vineyard" in the market. In 1997, with the aspiration of "introducing a European-style wine chateau to Shanxi and producing the best wine in China", Mr. Chan Chun Keung and Frenchman Sylvain Janvier co-founded Grace Vineyard in Taigu County, Shanxi under the help of Professor Denis Boubals, a French oenologist. Grace Vineyard is dedicated to producing quality value-for-money wine that meets the wide range of tastes and price preferences of customers. Inheriting the philosophy that "only a clan can make long-term plans to produce fine wine from generation to generation", Mr. Chan passed down the vineyard to his daughter Ms. Judy Chan, who studied in the United States in her early years, in 2002.

Our wine product portfolio mainly comprises red wine, and can be broadly categorised into higher-end wine which targets the executive clientele and corporate customers and entry-level wine that caters to the price-conscious mass market at reasonable retail prices. In response to our customers' tastes and preferences, we also from time to time make white and sparkling wine, seasonal series and special blends of red wine, and import an insignificant volume of overseas-made wine.

The Group was listed on the Stock Exchange on 27 June 2018, which completed its transition from a family enterprise to a public one. Owning Shanxi Grace Vineyard and Ningxia Grace Vineyard, the Group has established strategic presence in two production areas and laid the foundation for its development in the next three decades.

With over 20 years of development, Grace Vineyard has become a well-recognised boutique winery in China, and a well-known benchmark brand amongst Chinese boutique wineries with extensive acclaim in the international wine community, including renowned wine critics Jancis Robinson and James Halliday as well as international authoritative and professional magazines "Wine Spectator" and "Decanter".

Awards and Recognition

Winner/Company/Product	Award
Grace Vineyard – Judy Chan	2018 "New Maker 100" (Food Industry) by New Maker Academy of Channel Wu
Grace Vineyard – Judy Chan	"Top Ten Most Influential Wine Ladies in China" by The Drinks Business
Grace Vineyard – Judy Chan	The Top Ten Figures of 2019 WBO Wine Industry Awards
Grace Vineyard – Judy Chan	The Top Ten Figures of 2018 WBO Wine Industry Awards
Grace Vineyard	The Top Ten China Winery of 2019 WBO Wine Industry Awards
Grace Vineyard	The Top Ten China Winery of 2018 WBO Wine Industry Awards
Grace Vineyard	The Top Ten Leading Brand Enterprises of Food Industry in Shanxi Province
Grace Vineyard	Bronze Award in "Report to Motherland" & Public Innovation Contest for Culture, Creativity and Domestic Products
Grace Vineyard Tasya's Reserve Cabernet Sauvignon	Genting Singapore Wine Pinnacle Awards, Best Chinese Red
Grace Vineyard Tasya's Reserve Cabernet Sauvignon 2016	Silver Award in 2019 Hong Kong International Wine & Spirit Competition (HKIWSC)
Grace Vineyard Tasya's Reserve Shiraz 2016	Bronze Award in 2019 Hong Kong International Wine & Spirit Competition (HKIWSC)
Grace Vineyard Treasure this year 2018	Bronze Award in 2019 Decanter World Wine Awards (DWWA)
Grace Vineyard Treasure this year 2018	Bronze Award in 2019 Hong Kong International Wine & Spirit Competition (HKIWSC)
Grace Vineyard Treasure this year 2018	The Top Ten Emerging Brands of 2018 WBO Wine Industry Awards
Grace Vineyard Treasure this year 2018	The Top Five Innovative Marketing Cases of the Year of 2018 WBO Wine Industry Awards

Environmental, Social and Governance Report

Sustainable Development Strategy

Carrying the belief of "Respecting Nature, Vineyard, Every Bottle of Wine and Customers", the Group is rooted in Shanxi and devoted to the operation of Chinese fine wine. The word "Grace" in the Group's name "Grace Vineyard" represents "a garden of pleasant and enjoyment", as we wish our vineyard to bring soothing and relaxing experience to each individual. We aim to bring delightful moments of life to people with Grace Wine's premium wine.

Sustainable development constitutes an integral part to the Group's philosophy that "only a clan can make long-term plans to produce fine wine from generation to generation". We are convinced that successful production of quality wine hinges on a sustainable development strategy, which not just requires long-term planning and strategies, but also takes into account ecological balance, staff development, supply chain management and the wellbeing of nearby communities. As a responsible corporate citizen, the Group has formulated sustainability-related policies to fully integrate the value of sustainability into its daily operation. We promote the wine philosophy of "pathway to a well-lived life" in four areas, namely quality products, caring for employees, environmental protection and caring for the community to create long-term value for stakeholders.

Quality Products

We optimise the quality of wine production to produce premium wine.

Caring for Employees

We pay attention to the occupational health and safety of our employees, enhance their training and grow along with them.

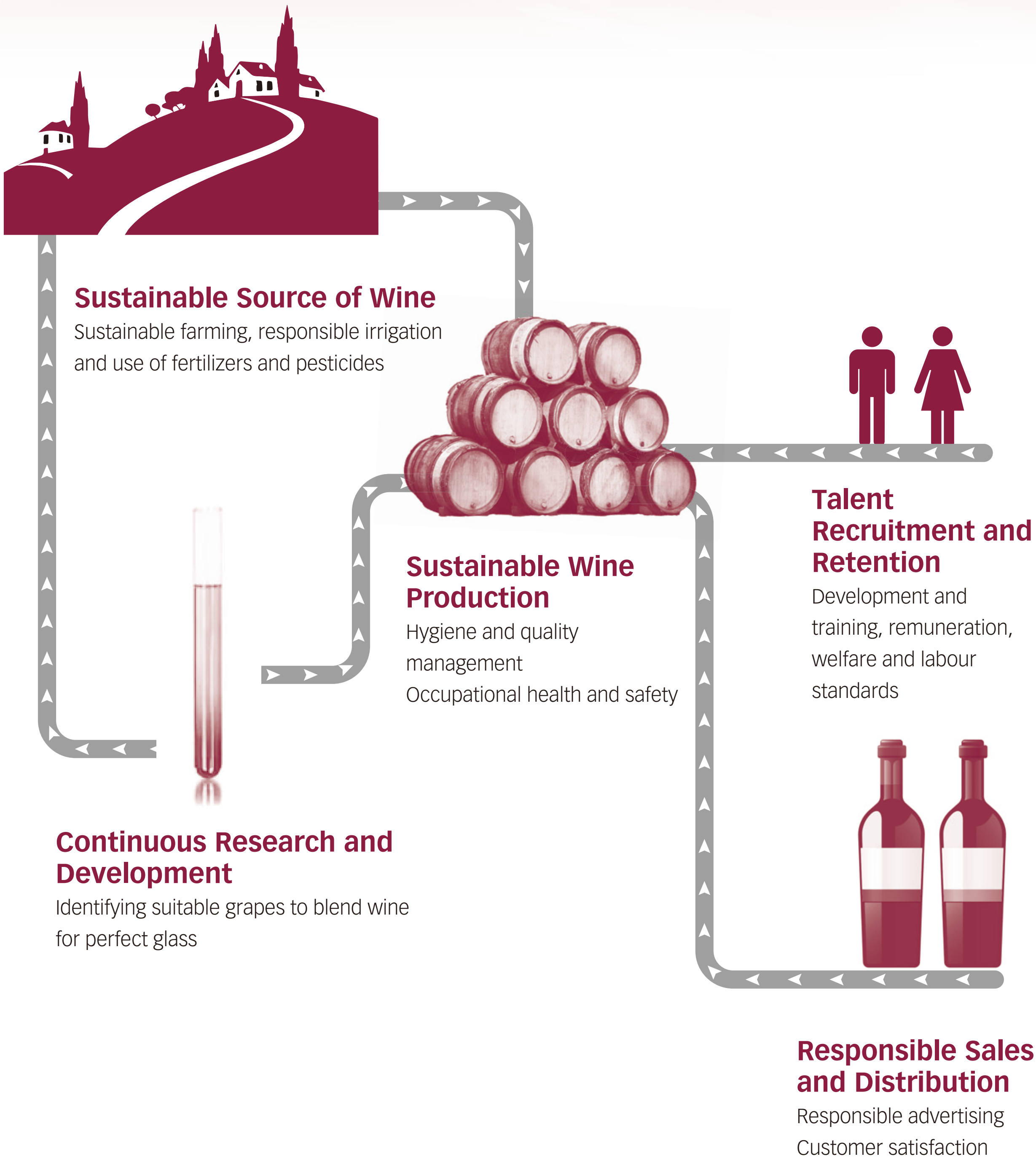
Environmental Protection

We take environmental protection into account, maintain the balance of our grape vines, improve energy efficiency, save water and reduce wastes and emissions.

Giving Back to the Community

We make the best of our business resources and strive to give back to society.

Environmental, Social and Governance Report



Environmental, Social and Governance Report

Stakeholder Engagement

Stakeholder engagement stands as another inevitable part of our sustainability strategy. The Group's stakeholders can be categorised into employees, customers, suppliers, distributors, business partners, shareholders and investors, government, media, and the wider community. We continue to communicate with the stakeholders to understand their demand and expectation for the Group.

Major Stakeholders and Communication Channels

Major Stakeholders	Communication Channels
Employees	• Daily communication and meetings • Training activities • Welfare activities • Regular performance appraisal • Questionnaires
Customers	• Telephone and face-to-face meetings • Social media • Customer activities • Questionnaires
Suppliers, distributors and other business partners[1]	• Meetings • Regular appraisal • Site inspection • Exchanges and visits • Direct communication
Shareholders and investors	• Annual general meetings or extraordinary general meetings • Regular corporate publications (including annual reports) • Issuance of circulars and announcements as necessary • Group website
Government	• Direct communication • Compliance management • Proactive tax payment • Information disclosure • Written communication as necessary
Media and the wider community	• Group website • Press release and announcement • Social media

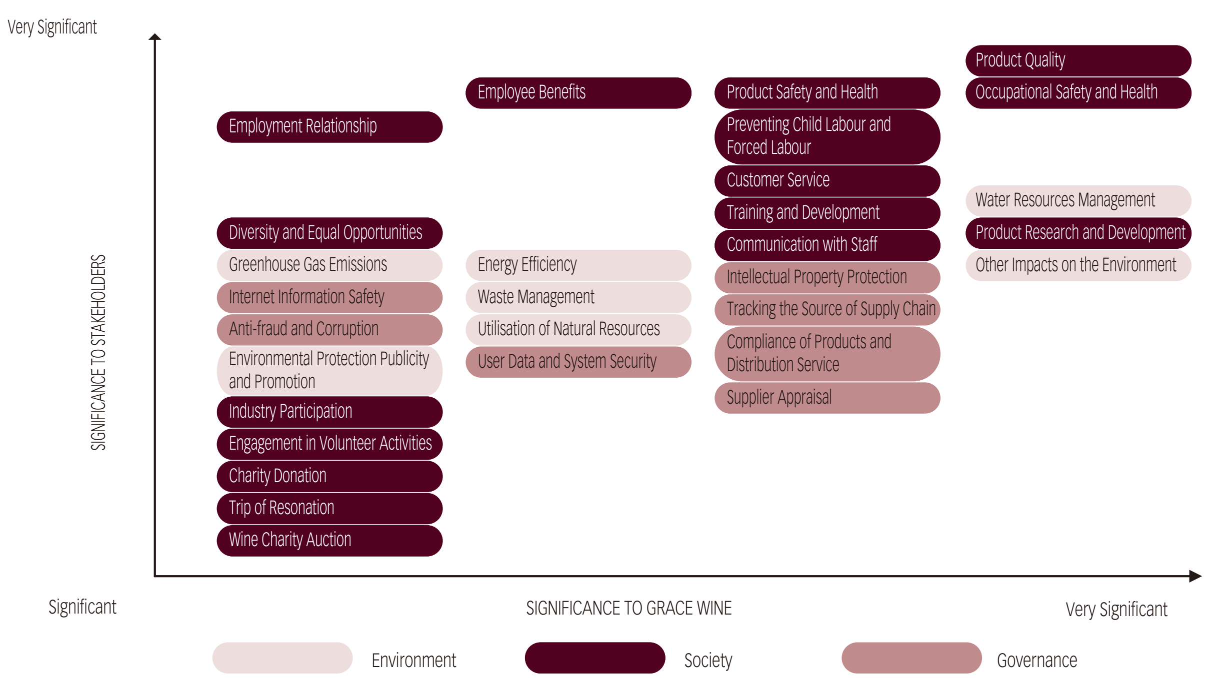
1 Including seasonal farmers

Environmental, Social and Governance Report

Materiality Assessment

To understand the matters of concern to our key stakeholders, we engaged independent third parties to conduct online questionnaire surveys during the Reporting Period, to engage the stakeholders and identify the material topics of the Group. We employ materiality assessment in our questionnaires to understand the opinion of our stakeholders, which helps to prepare the ESG Report and develop our corporate social responsibility ("CSR") strategy for the future. Based on our current and previous achievements in stakeholder engagement activities, industry trends and the ESG Reporting Guide of the Stock Exchange, we have concluded 30 ESG topics that are applicable to the Group. During our materiality assessment, we invited internal and external stakeholders to grade the 30 topics. Their valuable opinion helps us to arrange the following topics based on level of priority:

Materiality Matrix

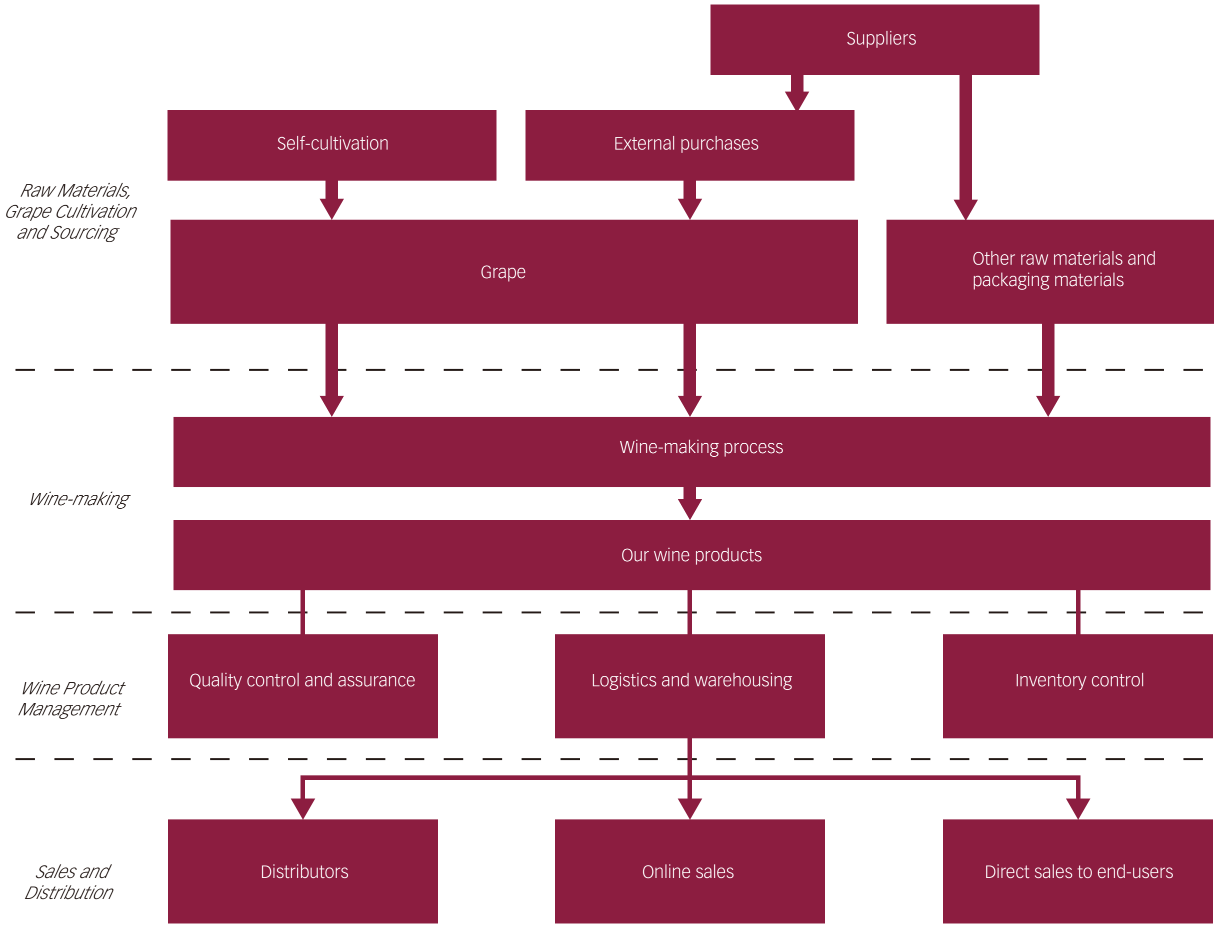


The vertical axis of the materiality matrix represents "Significance to Stakeholders", while the horizontal axis represents "Significance to Grace Wine". The upper right quadrant in the diagram is deemed the most significant topics. According to the above analysis, we identify the most significant 14 topics to stakeholders and the Group, which include product quality, occupational safety and health, product safety and health, preventing child labour and forced labour, training and development, water resources management, customer service, product research and development, communication with staff, other impacts on the environment, intellectual property protection, tracking the source of supply chain, compliance of products and distribution service and supplier appraisal.

Environmental, Social and Governance Report

Quality Products

Quality sits at the heart of a quality brand. For over two decades, the Group has been consistent in investing most of its efforts on quality. We affix the seal of the owner on our wine bottles to ensure its quality by the reputation of the entire family. Entering the Grace Vineyard, one would find every spot with an exquisite touch, as men and vines meet and grow on this golden land.



Supplier Management

Our major suppliers principally provide us with externally-sourced grapes, raw materials including base wine and grape juice (each as necessary based on individual wine formula), yeast and additives, as well as packaging materials such as corks, bottles, wine caps and boxes. The Group has established the "Procurement Management System" (《生產採購管理制度》) to systematically manage supplier selection and purchasing procedures, by assessing supplier quality, service quality, reputation, background, after-sales services and prices and conducting annual evaluation of existing suppliers. Furthermore, for the purpose of managing the environmental and social risks of supply chains, we conduct regular site inspection and process control. As of 31 December 2019, we had a total of 97 qualified suppliers, including 92 from China and 5 from other countries.

Viticulture

We grow our self-cultivated grapes at Shanxi Vineyard and Ningxia Vineyard. As a responsible and sustainable winemaker, we guide all our growing and harvesting procedures under the "Vineyard Management Handbook" (《釀酒葡萄基地管理手冊》) prepared in accordance with the "Agriculture Law of the People's Republic of China" (《中華人民共和國農業法》). The Handbook provides a detailed introduction to the botany of grapes, the characteristics of each grape, the best practice of pruning and positioning grapes and some recommendations of managing grape plants in different seasons. The Handbook also sets out recommended approaches to farmland management as well as optimised usage of agricultural chemicals such as pesticides and the use of fertilisers. We apply traditional cultivation methods to our self-cultivated grape. Traditional cultivation relies on manual labour, is subject to environmental and natural conditions and thus experiences variations from year to year. We engage local farmers (as casual workers) to cultivate grapes. We also provide seeds and other auxiliary materials as well as technical expertise to farmers. They are responsible for cultivating grapes under our management and supervision. Generally, since vines are dormant in winter, farmers would prune the new vines and fruits of old vines in spring as they thaw, followed by sowing, scaffolding installation, fertilisation and pest control. To ensure our self-cultivated grapes are of desirable quality, we offer regular testing and laboratory analysis on their sugar content, total acidity, pH value and other factors. To avoid food safety issues associated with the use of pesticides and fertilisers, our team of experienced professionals has prepared the "Annual Plan for the Use of Pesticide" (《年度噴藥計劃》) to ensure that the amount we apply are in compliance with the "Regulations on Pesticide Management of the People's Republic of China" (《中華人民共和國農藥管理條例》), with gradual reduction of pesticide use on grapes. The Annual Plan also outlines the ideal timing and methodology to apply pesticides to ensure the overall quality of the grapes harvested.

The harvest season runs from late August to early October each year, when we would test and inspect the levels of sugar content, proportion of rotten or dried grapes, flavour, ripeness and chemical residuals to ensure that the grapes are of good quality and suitable for making wine products. Our farmers would then handpick the desirable ripe grapes, carefully collect and transport them to our wine-making facilities. Upon their arrival at such facilities, our quality control team would inspect the grapes to ensure their quality in line with the standard that there should be no leaves, dirt, immature, rotten or dried grapes mixed within the lot.

In addition, the Group also procures grapes from the adjacent farms with similar demographic and climate and other necessary conditions. Our seasoned procurement staff would perform a series of quality tests based on the "Pre-Procurement Test Record for Wine Grapes" (《釀酒葡萄收購前判定記錄表》) to ensure the grapes meet our quality criteria in terms of total sugar content, chemical residues, appearance, hygiene and purity.

Wine-making Process

Our wine-making process mainly comprises de-stemming, crushing, cold soaking, fermentation, blending and, for the higher-end wine portfolio only, ageing. The Group has established the "Hygiene Management Policy for the Staff and Environment of Brewing Production Area" (《釀造部人員及環境衛生管理規範》) in line with the "Regulation on the Implementation of the Food Safety Law of the People's Republic of China" (《中華人民共和國食品安全法實施條例》), to provide clear guidance on the procedures for maintaining hygienic production and preventing contamination during the stages of "Crushing and Pressing" and "Fermentation". Staff members who work in the production area must wear the uniform and personal safety equipment (PPE) as specified in the working area. Shoes and hand cleaning should take place before the entry of production areas. Staff members who head for another production area are required to change their uniforms and PPEs accordingly. In addition, an annual physical check-up is offer to staff working in wine production plants to meet the criteria set out in the Health Permit. Those who fail to obtain the Permit are not allowed to work in the production area.

After "Fermentation", the wine will enter the final process of "Ageing and Bottling" in the factory where it undergoes a stringent and germ-free filtration process to remove bacteria and residues. The semi-finished wine will be delivered to our fully automated bottling line for bottling, corking and labelling. With the wine-making process completed, the wine products will be transported to our warehouse for storage.

Maintaining clean and efficient equipment operation in the Facility is of paramount importance to the smooth and clean production of Grace Wine. Following the "Standard Procedure of Cleaning the Vessel" (《洗罐操作規程》) and the "Management Policy of Bottling" (《灌裝管理制度》), the water used to clean the production equipment is performed with a laboratory test in the strictest compliance with "Sanitary Standard for Drinking Water" (《GB5749-2006生活飲用水衛生標準》) to ensure that the water for wine production is not contaminated and can be used safely in plant operations.

Throughout our production, different experiments and sampling tests will be conducted in our laboratory according to the requirements set out in the "Product Sample Check Policy" (《產品檢驗規程》) to ensure that the products and equipment used in our production comply with the statutory regulations under the "National Standard of Food Safety – Limits of Pathogen in Food" (《GB29921-2013食品中致病菌限量》), "National Standard of Food Safety – Maximum Residue Limits for Pesticides in Food" (《GB2763-2016食品中農藥最大殘留限量》) and "National Standard of Food Safety – Contamination Limits in Food" (《GB2762-2017-kw 食品中污染物限量》) as well as other applicable laws and regulations. Our entire wine-making process is certified by ISO9001: 2015.

Warehouse Management

We impose temperature and humidity requirements for the storage of finished wine products, to ensure their quality. Thermometers and hygrometers are placed in our warehouses, where their administrators check and record the temperature and humidity inside regularly as they start their shifts every morning and afternoon. If a considerable temperature and humidity change is identified, the warehouse team leader will be reported in time to make timely response. The warehouse will also implement prevention measures against fire, theft, leakage and work injury pursuant to the "Production Safety Law of the People's Republic of China" (《中華人民共和國安全生產法》) and the "Safety Management Regulations" (《安全管理制度》) of the Group.

Product Shipping and Tracking

After the goods are delivered, we will send a shipping notice to customers to inform them of the delivery, and provide logistics tracking service to ensure that they receive the ordered products on time. We also require the trucks coming into the factory to meet certain hygienic standards to ensure that such vehicles are clean, free of foreign objects and odours, and equipped with rain and dustproof facilities.

Customer Opinions Management

To shape a good corporate brand image, we have established a customer feedback processing system to ensure that customers' opinions are properly handled. We have also set up a customer feedback hotline, with personnel to receive calls and record feedback, and then arrange for relevant departments to handle it. After the problem is dealt with, we ask the responsible department to make a timely return visit to ensure that the customer is satisfied.

Labelling, Advertising and Privacy Management

Labelling, advertising and privacy management plays an important role in boosting consumer confidence in wine products. To increase tractability, the Group has established the "Labelling and Tractability Management System" to allow systematic management over every aspect of wine production. This approach enables the Group to identify and trace a quality issue should it arise and develop an appropriate solution. We work to ensure that the label on each wine bottle lists all the ingredients in the wine in accordance with the "Administrative Measures on Food Labelling" (《食品標識管理規定》), and that the labels are printed in a font that complies with the "National Standard of Food Safety – General Standard for the Labelling of Pre-Packaged Food" (《食品安全國家標準－預包裝食品標簽通則 GB7718-2011》) and the "General Standard for the Labelling of Pre-Packaged Alcoholic Beverages" (《預包裝飲料酒標簽通則 GB10344-2005》). The Group is also committed to promoting responsible drinking and provides the warning notice of "Excessive drinking can damage your health" (過量飲酒有害健康) on top of each bottle of Grace Wine. The Group prepares and reviews its promotion materials in accordance with the "Advertising Law of the People's Republic of China" (《中華人民共和國廣告法》) to ensure positive and healthy advertising content and build a positive brand image. Pursuant to the "Management Regulations for Alcohol Advertisements" (《酒類廣告管理辦法》), we ensure that the product has passed quality inspection before the launch of a wine advertisement. To protect consumer information and the Group's business information, the Group enforces password management requirements and requires its administrators to change operating system passwords on a regular basis. Pursuant to the "Criminal Law of the People's Republic of China" (《中華人民共和國刑法》) and the "Personal Data (Privacy) Ordinance of Hong Kong", the Group prohibits the illegal use of consumer data and the Group's business information.

Product Recall Procedures

In accordance with the "Law of the People's Republic of China on the Protection of Consumer Rights and Interests" (《中華人民共和國消費者權益保護法》), customers are entitled to product return and refund over any quality issues identified. Customers purchasing from our official sales and distribution channels and platforms can contact our Customer Service Representative for after-sales support. Once a non-conforming case is confirmed, it will be handled in accordance with the "Non-Conforming Product and Product Recall Management System" (《不合格品和產品召回管理制度》) to ensure that our customer's rights are protected. The System also emphasises the importance of analysing non-conforming incidents and identifying the room of improving our sales and distribution practice, thereby avoiding recurrence of such issues and maintaining consumer confidence and trust in our wine products.

Observing and Protecting Intellectual Property Rights

To protect the Group's trademarks and other intellectual property rights, when we sign an agreement with a distributor, we will set out the terms on intellectual property rights, which include granting the distributor to use designated trademarks, trade names and logos when distributing designated products within designated ranges. However, the distributor shall not possess, use, dispose of or make profits from the trademarks, trade names and logos beyond the scope agreed by the Group.

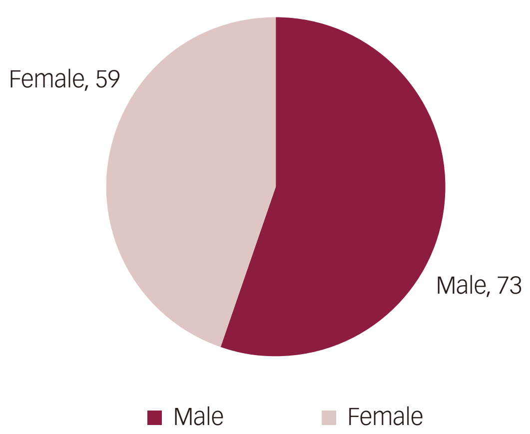
During the Reporting Period, we were not aware that the Group was involved in any serious violations of the laws and regulations on health and safety, advertising and privacy related to products and services.

Environmental, Social and Governance Report

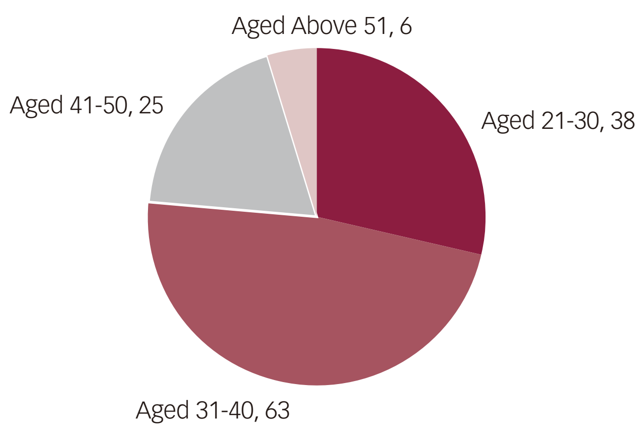
Caring for Employees

In order for our staff to thrive in a good working environment, the Group adheres to the "people-oriented" objective by continuously improving its human resources strategy and helping the staff achieve work-life balance. We also appreciate and respect cultural diversity, uphold the concept of equal employment, create a friendly and inclusive working environment, and provide our staff with a fair and challenging development platform. Generally, we comply with applicable regulations on employment and labour matters, such as the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》), the "Labour Contract Law of the People's Republic of China" (《中華人民共和國勞動合同法》) and the "Employment Ordinance" of Hong Kong. As of 31 December 2019, the Group had a total of 132* employees, all of whom were full-time members. Except for one senior management officer working at our office in Hong Kong, all the other staff worked in Mainland China, and all our staff departures during the Reporting Period comprised Mainland employees.

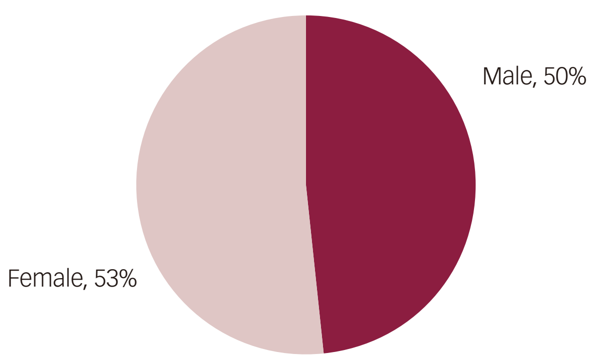
Total Number of Employees by Gender



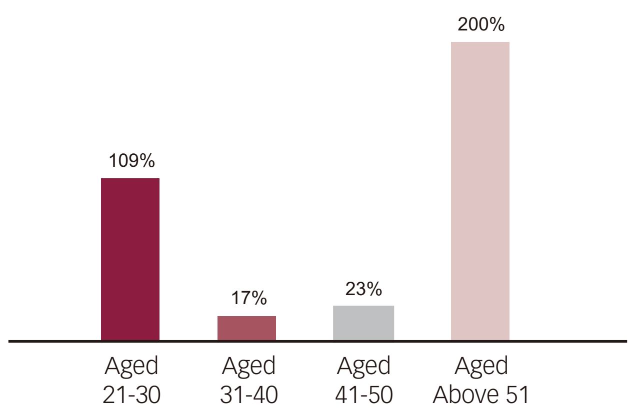
Total Number of Employees by Age Group



Employee Turnover Rate by Gender



Employee Turnover Rate by Age Group



* Only includes total number of employees in the reporting scope.

Remuneration and Benefits

The Group strives to provide competitive remuneration and benefits to employees, in order to recruit, incentivize and retain high-performing employees. Our salary mainly comprises seven components, including: basic salary, position salary, performance salary, full-attendance bonus, allowance, educational qualification salary and length-of-service salary.

Basic salary	Determined with reference to the average living standard, minimum living standard, and the price index of living expenses for local employees.
Position salary	Compensation determined with reference to the evaluation and grading results for each position in the Company, covering such factors as position rights, responsibilities, workload and working conditions, skills and safety coefficient.
Performance salary	Recognition of an employee's work performance and individual efforts, which are determined on the basis of appraisal results with respect to assignments, weighed indicators, performance of responsibilities and work efficiency in each department.
Full-attendance bonus	Granted to those with no lateness, early departure, sick leave, casual leave, absenteeism or resignation.
Allowance	Wage subsidies to compensate employees in specific positions for labour expenses and extra living expenses under special conditions.
Educational qualification salary	The Group will give appropriate allowances to staffs obtaining relevant educational qualification in educational institutions.
Length-of-service salary	Economic compensation granted according to the number of years of service provided by an employee, representing the accumulation of his/her work experience and contribution.

Other than remuneration packages, we also provide holidays and benefits. Formal employees are entitled to sick leave, marriage leave, maternity leave, breastfeeding leave and work injury leave. We also irregularly provide such benefits as travel allowance, festival bonus, marriage and family planning bonus, attendance bonus, performance bonus, free shuttle buses, medical expense subsidies for critical illness, annual physical examinations, annual dinners, celebration events and birthday parties.

Dismissal

If an employee cannot assume his/her post or fails to perform according to regulations during normal working hours due to various reasons, the Group may dismiss the employee. We require any department to notify the employee for dismissal, fill out and submit the "Employee Dismissal Approval Form" (《員工離職審批表》) to the HR and Administration Department for review, and obtain the management's approval. Under normal circumstances, the HR and Administration Department will issue a "Notice of Termination of Labour Contract" (《解除勞動合同通知書》) 30 days in advance, a document to be signed and received by the employee, which sets out the reason for termination of the contract and the procedures required to be completed. If an employee has to leave immediately, the Group will pay one month's salary and other statutory compensation. If there are serious violations of factory discipline and regulations or illegal and criminal acts involved, the employee may be asked to leave within a time limit.

Recruitment

The Group prepares its annual recruitment scheme and cost budget based on the annual development plan, preparation circumstance and human resource demand plan. We require all departments to fill out the "Human Resources Demand Application Form" (《人力資源需求申請表》) to declare manpower needs. The HR and Administration Department shall formulate a recruitment scheme and recruitment time, and fill out the "Annual Recruitment Plan Form" (《年度招聘計劃表》) according to the demand application form. We determine internal or external recruitment based on the existing human resources condition, to reasonably and effectively allocate human resources. Based on different positions and levels, we select an effective mix of recruitment channels, which primarily include department recommendation, on-site recruitment, online recruitment, campus recruitment and the Company's talent pool.

Promotion

We have a staff performance appraisal system in place, under which employees with outstanding work performance and performance appraisal results are selected for promotion. The employee shall first fill out the "Employee Application Form for Change of Position" (《員工移動申請審批表》) for the department's signature and submission to the HR and Administration Department, who would then arrange an interview and evaluate the employee's work ability and performance. If salary increase is involved, the department shall make an application to the HR and Administration Department who would then appraise his/her daily work performance, which is subject to the final approval by the general manager or his/her authorized person.

Working Hours

We implement a standard working hour system where our staff shall work for eight hours a day and five days a week, which shall not exceed 40 hours per week except in special circumstances such as the peak seasons for harvesting, pressing and production, emergency repair or equipment maintenance. We also have a working hour system in place which comprises irregular or integrated calculation of working hours for employees in special positions.

Equal Opportunity, Diversity and Anti-discrimination

We are committed to creating a culture of fairness, trust, respect, inclusiveness and diversity, which provides equal opportunities for all candidates and employees regardless of race, gender, marital status, age and disability.

During the Reporting Period, we were not aware that the Group was involved in any irregularities or illegal cases relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination as well as other benefits and welfare.

Occupational Health and Safety

We prioritise occupational health and safety, and established a safety management system to ensure proper prevention. We strictly implement the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases" (《中華人民共和國職業病防治法》) and the "Production Safety Law of the People's Republic of China" (《中華人民共和國安全生產法》), execute the safety production responsibility system, strengthen safety education training for production employees, and require them to undergo safety training assessment. We organise safety production competitions, promote safety production experience and reward employees who excel in safety production. We organise weekly plant-wide safety inspection, rectify hidden perils, and ensure that our production equipment, safety equipment, fire protection facilities, protective gears and first-aid equipment are in good condition. We establish and improve the plant-wide duty system to ensure that we have personnel responsible for production and management safety 24 hours a day. We also prepare emergency plans and arrange regular accident drills.

During the Reporting Period, we were not aware that the Group was involved in any irregularities or illegal cases relating to providing a safe working environment and protecting employees from occupational hazards.

Training

The Group has a well-established training system in place, to enrich the knowledge and skills of employees and continuously improve the overall quality and efficiency of the management team. In the five principles of full staffing, pertinence, planning, hierarchy and follow-up, the HR and Administration Department is responsible for planning and building the Company's training platform and integrating internal and external training resources at all levels. Our training comprises two main categories, namely public courses and specialised skills. Public courses are organized and implemented by the HR and Administration Department, and mainly cover corporate institutions and culture as well as employee behaviour standards. Specialized skills training provides training on the professional skills required for various positions such as the expertise and hand-on operations for functional departments, the examples of which include purchasing, planting, brewing, quality, finance, reception and safety education. During the Reporting Period, average training hours amounted to 10.8 hours for female staff, 13.69 hours for male staff, 6.46 hours for senior management, 9.31 hours for middle management and 13.88 hours for general staff.

During the Reporting Period, Shanxi Grace Vineyard organised wine training activities, bringing together a team of Shanxi distributors and end-sales staff. They visited the vineyards, production plants, wine cellars, etc. to learn about the art and science of wine making. In addition, they learnt wine tasting knowledge through sharing sessions, listened to the brand story of Grace Vineyard, and participated in the Grace Vineyard wine student certification exam.

Preventing Child Labour

The Group imposes a complete ban on child labour pursuant to the "Provisions on the Prohibition of Using Child Labour" (《禁止使用童工規定》). The Human Resources Department will check the applicant's ID card to ensure the applicant is qualified to work before offering the contract. In case of any child labour, the staff member concerned will be suspended immediately and reported to the local labour bureau, undergo a health check and be sent back to his/her original place of residence to the parents or guardian as soon as possible. During the Reporting Period, the Group was not aware of any use of child labour.

Forced Labour

The Group implements a standard system of 40 working hours per week. Employees who require overtime work shall first be approved by the management and compensated for such overtime hours. Forced labour is prohibited in the Group.

During the Reporting Period, we were not aware that the Group was involved in any irregularities or illegal cases relating to child or forced labour.

Anti-Corruption and Whistle-blowing Measures

Honesty, integrity and fair operation are essential to our business. We have zero tolerance for bribery, extortion, fraud and money laundering. With reference to the "Criminal Law of the People's Republic of China" (《中華人民共和國刑法》), the Group trains employees on public security regulations and legal common sense, strengthens management of employees, maintains normal working order, and enhances employees' legal concepts to raises legal awareness and protect their legitimate rights and interests from infringement so that every employee understands and abides by the law, works for the Company with passion and loyalty, and shares the same philosophy with it. We have a whistle-blowing system in place that allows our employees and partners and even third parties to report any misconduct through a confidential process.

During the Reporting Period, we were not aware that the Group was involved in any irregularities or illegal cases relating to corruption.

Environmental Protection

Major emission sources from our operations include production and domestic sewage, greenhouse gas ("GHG") emissions from the use of fertilisers, electricity and other fuels, as well as exhaust gas from boilers, vehicles and diesel-fuelled machineries. As a key environmental performance indicators for the Reporting Period, our density unit will be changed from wine bottle to litre for the purpose of more accurate annual comparisons.

Water Consumption Management

Water consumption in Ningxia and Shanxi Vineyard were supplied by water companies and underground wells. Given no water shortage due to the dry season in the Reporting Period, no major problems occurred in sourcing water that was fit for purpose. During the Reporting Period, to balance production volume with quality, our Shanxi vineyard reduced its yield by about 40% and irrigation frequency from thrice a year to once a year, which led to a significant decline in water consumption. The two main sources of sewage from our winery are production sewage and domestic sewage. The former mainly originates from cleaning containers and production equipment, washing bottles, cooling and boiler blowdown. Our operations stringently complied with the "Water Pollution Prevention and Control Law of the People's Republic of China" (《中華人民共和國水污染防治法》), with filtration, anaerobic, aerobic and sedimentation processes in place to treat sewage before its discharge. Internal and external testing takes place regularly to ensure the concentration of pollutants at discharge points aligns with with relevant environmental requirements, including the "Integrated Wastewater Discharge Standard" (《污水綜合排放標準 GB8979-2002》). To save water, the treated sewage will be used for greenery irrigation in the factory area.

Indicator	Unit	2019	2018
Total Water Consumption	m^3	12,915.75	40,372.73
Water Consumption Intensity	m^3/sales volume (litre)[2]	0.02	0.04[3]

2 The unit has been adjusted for the purpose of year-on-year and cross-industry comparison.

3 The figure has been adjusted in line with the revised unit.

Waste Management

Stem, seeds, skins and other solid residual wastes from grapes will be generated throughout our production. Other wastes include domestic wastes generated in our daily operation and the paper and plastic waste from our suppliers' packaging materials. Pursuant to the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes" (《中華人民共和國固體廢物污染環境防治法》), our domestic waste shall be collected by local government authorities. Organic wastes such as grape residues can serve as organic fertilisers. Most of our grape residues in this Reporting Period were reserved as our fertilisers or sold.

Indicator	Unit	2019	2018
Total Generation of Non-Hazardous Waste	Tonnes	211.82	198.52
Total Disposal of Non-Hazardous Waste	Tonnes	33.52	46.42
Paper	Tonnes	9.60	9.60
General Refuse	Tonnes	7.82	36.82
Food Waste	Tonnes	16.10	N/A[4]
Total Collection of Non-Hazardous Waste for Recycling	Tonnes	178.30	152.10
Paper	Tonnes	15.70	13.64
Plastic	Tonnes	1.06	0.88
Organic Waste	Tonnes	161.48	137.58
Electronic Waste	Tonnes	0.06	0.06
Total Generation of Non-Hazardous Waste in Intensity	kg/bottle (litre)[5]	0.26	0.22[6]

Regarding hazardous wastes such as fertiliser packaging products, we arrange seasonal farmers to properly sort and treat them so as to avoid affecting the natural environment. Due to a lack of accurate statistics on hazardous wastes such as fertiliser packaging products during the Reporting Period, this report did not disclose relevant data.

4 There were no reliable food waste statistics for disclosure in 2018.

5 The unit has been adjusted for the purpose of year-on-year and cross-industry comparison.

6 The figure has been adjusted in line with the revised unit.

Packaging Materials

Indicator	Unit	2019	2018
Packaging Materials in Total	Tonnes	821.25	636.46
Paper	Tonnes	79.48	89.79
Plastic	Tonnes	0.56	0.07
Glass	Tonnes	736.44	541.05
Wood	Tonnes	4.09	3.83
Others	Tonnes	0.68	1.72
Packaging Materials in Intensity	Kg/sales (litre)[7]	1.02	0.70[8]

Energy and Air Emissions Management

GHG and air emissions, including sulphur oxide (SOx), nitrogen oxide (NOx) and particulate matters (PM), are mainly generated from electricity and fuel consumption, use of fertilisers, boilers, vehicles and diesel-fuelled machinery as well as cooking. Pursuant to the requirements of the "Atmospheric Pollution Prevention and Control Law of the People's Republic of China" (《中華人民共和國大氣污染防治法》), boiler emissions shall be treated in a dust removal process and regularly tested by qualified third parties to ensure that the fumes emitted meet laws and regulations such as the "Emission Standard of Air Pollutants for Boilers" (《鍋爐大氣污染物排放標準GB13271-2001》). Furthermore, kitchen exhaust shall be processed by the electrostatic fume treatment system.

The Group continues to seek opportunities to minimise pollutants. The Group replaced coal boilers with natural gas boilers in 2018, which resulted in a significant decrease in pollutants emitted such as SOx and PM during the Reporting Period. Also in the Reporting Period, as the production volume of our Ningxia winery increased by approximately one third as compared with 2018, our electricity consumption grew accordingly.

Green Office

The Group strives to minimise the environmental impact from its entire operation where Green Office is no exception. The Group has established the "Energy Management System" to systematically manage the usage of water, electricity, natural gas and oil. The System also outlines the responsibility of different departments in maintaining efficient operation while minimising the wastage of natural resources. The system also provides some suggestions on efficient operation and action items. For example, system inspection should take place regularly, to ensure no water leakage in the system.

Reminders are posted in the office to remind the staff to turn off unused equipment and after office hours. To save energy in the office area, natural lighting is utilised as much as possible, with motion sensors installed in our corridors so that lights will only be switched on when people walk in the corridors.

7 The unit has been adjusted for the purpose of year-on-year and cross-industry comparison.

8 The figure has been adjusted in line with the revised unit.

Indicator	Unit	2019	2018
Total GHG Emission	Tonnes of CO_2e	5,981.50	2,533.97
GHG Emission (Scope 1)	Tonnes of CO_2e	4,825.47	1,405.03
GHG Emission (Scope 2)	Tonnes of CO_2e	1,175.68	1,145.62
GHG Removal from Planted Trees	Tonnes of CO_2e	19.64	16.68
GHG Emission Intensity (Scopes 1 and 2)	kg of CO_2e/ sales (litre)[9]	7.41	2.80[10]
Nitrogen Oxides (NOx)	kg	744.94	911.12
Sulphur Oxides (SOx)	kg	131.29	2,393.24
Particulate Matter (PM)	kg	8.73	398.51
Total Energy Consumption	MWh	5,239.38	3,672.56
Purchased Electricity	MWh	1,396.05	1,347.41
Diesel	MWh	56.43	103.97
Liquefied Petroleum Gas	MWh	70.78	68.78
Natural Gas	MWh	3,551.12	774.19
Unleaded Petrol	MWh	165.00	166.60
Coal	MWh	/	1,211.61
Energy Consumption Intensity	kWh/sales (litre)[9]	6.51	4.05[10]

9 The unit has been adjusted for the purpose of year-on-year and cross-industry comparison.

10 The figure has been adjusted in line with the revised unit.

Giving Back to the Community

"From a cup of drink, you can taste the weather and the land." Wine is a faithful recorder of time and a drinkable memory, as what we drink is not wine, but a lifestyle. The Group has been working with different units of the community to organise and engage in industry exchange activities, in the hope of facilitating domestic wine industry development.

Organiser	Industry Exchange Activity
Shanxi Provincial Committee and Provincial Government	The 4th Shanxi Cultural Industries Fair
Shanxi Food Industry Association (山西省食品工業協會)	2019 China Food Safety Publicity Week (Shanxi)
Wine Expo Myanmar	1st Wine Expo Myanmar
VINEXPO	VINEXPO Shanghai
Hangzhou Xibo Network Technology Co., Ltd. (杭州西博文化傳播有限公司)	Asia Design Management Forum & Art Design Media Festival 2019 (ADM2019)
JD.com and Renmin University of China	Discover China Wine Fair (發現中國葡萄酒品鑒會)
TravelLab, a new media platform under "Strait Travel" (《海峽旅遊》)	TALK XM offline activities
The Group and Shanshan Outlet Plaza (天美杉杉奧特萊斯) in Yuci District, Jinzhong City, Shanxi Province	Thanksgiving wine-tasting activity
Messe Düsseldorf GmbH	ProWein Fair Masterclass (Düsseldorf, Gemany)
Grace Vineyard and Chateau Star River Hotel (星河灣酒店)	"Savour Poetry and Wine" (詩酒趁年華), a wine-tasting event in Shanwei, Guangdong
Grace Vineyard, Shanxi 1919 (山西1919) and Spiritual Wealth Club Shuozhou Branch (樊登讀書會朔州分會)	A themed wine party in Shuozhou, Shanxi
Grace Vineyeard, Johnny Chef (長沙尊尼大廚) and Hampton by Hilton Hengyang Huanpeng (衡陽希爾頓歡朋酒店)	"Savour Poetry and Wine" (詩酒趁年華), a wine-tasting event in Hunan
Tmall platform (天貓平台)	The First Tmall New Culture and Creativity Conference Exhibition (首屆天貓新文創大會展覽)
Bettane & Dessseavue China (貝丹德梭中國)	Bettane & Dessseavue China Wine Fair and Sparkling Wine Masterclass (貝丹德梭中國葡萄酒品鑒會和起泡酒大師班)
Pinor Sommelier Academy	Boutique wine class in Shanghai, provided by Pinor Sommelier Academy China (品樂侍酒學院中國精品葡萄酒課程上海活動)
Ministry of Agriculture and Rural Affairs of the People's Republic of China, China Council for the Promotion of International Trade, and Shanxi Provincial People's Government	The Sixth Western China Agricultural Expo (Taigu, Jinzhong City) (第六屆西農博會(晉中太谷))
Publicity Department of Shanxi Provincial Committee (山西省委宣傳部會) and related departments	The Fourth Shanxi Cultural Industries Fair (Taiyuan)

A Sharing Activity Themed "Grace Vineyard – A Pioneer of Chinese Boutique Wineries"

As one of the leading premiers in domestic wine producers, the Group takes an active role in promoting fine wines and wine enjoyment in China. During the Reporting Period, ASC Fine Wines and Grapea & Co. hosted a sharing session on professional courses with the theme "Grace Vineyard – A Pioneer of Chinese Boutique Wineries" in Shanghai. Ms. Judy Chan, owner of Grace Vineyard, was invited to share and teach in the event. She talked on the development of Chinese fine wine, the brand story of Grace Vineyard and the characteristics of natural conditions in Shanxi and Ningxia, with more than twenty fans and practitioners who had signed up for the event.

Supporting the Development of Professional Wine Education

Well aware that the education and training of young talents is an important part of supporting the long-term and continuous development of the industry, the Group is committed to supporting young people for professional wine education. During the Reporting Period, the Group provided winery-based internships for seven grape and wine engineering students from the School of Food Science and Engineering of Shanxi Agricultural University (山西農業大學食品科學與工程學院), offering them an opportunity to harvest Merlot and monitor the condition of Aglianico. During the internship, students also had the chance to engage in the fermentation process such as aerating low wine and testing the extent of fermentation, as well as operations such as wine-filling in oak barrels, cleaning frames, cleaning stainless steel tanks of various tonnages, launching sparkling wine and detecting wine temperatures. Such experience allowed students to understand that a successful bottle of wine lies in attention to details and careful cultivation. Besides, as a gesture of support, the Group also sponsored the 2019 graduation wine reception for the School of Food Science and Engineering of Shanxi Agricultural University.

External Group's Visits to Our Vineyards

Apart from educational institutions, external groups are also welcome to visit our vineyards. During the Reporting Period, Shanxi 1919 Direct Wine Supply Team (山西1919酒類直供團隊) participated in a wine training activity in Grace Vineyard. They visited our vineyards, production plants and cellars to learn about the science and art of viticulture and vinification. Afterwards, they joined a study and sharing session on wine culture in the form of relaxing interaction and wine tasting, and listened to the brand story and development history of Grace Vineyard, as part of the efforts to savour a good life together.

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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.		Caring for Employees	47-50
KPI B2.1	Number and rate of work-related fatalities	Not disclosed	N/A
KPI B2.2	Lost days due to work injury.	Not disclosed	N/A
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Caring for Employees	49
Aspect B3: Development and Training			
General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Caring for Employees	50
KPI B3.1	The percentage of employees trained by gender and employee category.	Not disclosed	N/A
KPI B3.2	The average training hours completed per employee by gender and employee category.	Caring for Employees	50

Subject Areas, Aspects, General Disclosures and KPIs		Chapter/Disclosure	Page
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 or forced labour.		Caring for Employees	50
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Not disclosed	N/A
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Not disclosed	N/A
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure Policies on managing environmental and social risks of the supply chain.		Supplier Management	43
KPI B5.1	Number of suppliers by geographical region.	Supplier Management	43
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Not disclosed	N/A

Subject Areas, Aspects, General Disclosures and KPIs		Chapter/Disclosure	Page
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.		Quality Products	42-46
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not disclosed	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Not disclosed	N/A
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Quality Products	46
KPI B6.4	Description of quality assurance process and recall procedures.	Quality Products	42-46
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Quality Products	45

Subject Areas, Aspects, General Disclosures and KPIs		Chapter/Disclosure	Page
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.		Anti-corruption and whistle-blowing measures	50
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Anti-corruption and whistle-blowing measures	50
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption and whistle-blowing measures	50
Community			
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.		Giving Back to the Community	55-56
KPI B8.1	Focus areas of contribution.	Giving Back to the Community	55-56
KPI B8.2	Resources contributed to the focus area.	Giving Back to the Community	55-56

Report of Directors

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for FY2019.

LISTING ON THE GEM OF THE STOCK EXCHANGE AND REORGANISATION

The Company was incorporated in the Cayman Islands on 14 February 2012 as an exempted company with limited liability. Pursuant to the corporate reorganisation of the Group to rationalise the group structure in preparation for the Listing, the Company became the holding company of the Group in September 2017. Further details are set in the paragraph "Reorganisation" in the section headed "History, Reorganisation and Corporation Structure" to the Prospectus.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the Company's principal subsidiaries are set out in Note 1 to Financial Statements.

BUSINESS REVIEW

A fair review of the Group's business during the year and description of principal risks and uncertainties that the Group may be facing can be found in the "Management Discussion and Analysis" section on pages 5 to 13 of this annual report. Also, the financial risks are covered in Note 34 to Financial Statements in this annual report.

In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are all contained in the "Environmental, Social and Governance Report" section on pages 36 to 63. The potential future business development of the Group is set out in the Chairlady's Statement on page 4 and Business Review and Outlook section of the "Management Discussion and Analysis" on pages 5 to 6 of this annual report. Such discussions form part of this Report of Directors.

PRINCIPAL RISK AND UNCERTAINTIES

Details of principal risks and uncertainties are set out in the section headed "Management Discussion and Analysis" of this annual report on pages 32 to 33.

CHARITABLE DONATIONS

During FY2019, charitable donations made by the Group amounted to RMB54,000.

DIVIDEND POLICY

The Company has adopted a dividend policy that, in recommending or declaring dividends, the Company shall maintain adequate and sufficient cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Board has the full discretion to declare and distribute dividends to the shareholders of the Company, and any final dividend for a financial year will be subject to shareholders' approval. In proposing any dividend payout, the Board shall also take into account, among other things, the Group's financial results, cash flow situation, business conditions and strategies, expected future operations and earnings, capital requirements and expenditure plans, interests of shareholders, any restrictions on payment of dividends and any other factors the Board may consider relevant. In particular, the Board will consider declaring dividend out of the Group's profit if there is an excess cash balance by considering the Group's future cash flow in the next 12 months, after taking into account the Group's regular cash expenses and capital requirement for future potential investment. Any payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands, the Articles and the Shareholders.

RESULTS AND DIVIDEND

The consolidation results of the Group for FY2019 are set out on pages 82 to 88 of this annual report.

The Board does not recommend the payment of a final dividend for FY2019.

CLOSURE OF THE REGISTER OF MEMBERS

The AGM will be held on Friday, 19 June 2020. The register of members of the Company will be closed from Tuesday, 16 June 2020 to Friday, 19 June 2020, both dates inclusive, during which period no transfer of Shares could be registered for determination of entitlement of the Shareholders to attend and vote at the AGM. In order to qualify for attending and voting in the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with our Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 15 June 2020.

DEED OF NON-COMPETITION

On 1 June 2018, the Deed of Non-Competition (as defined in the Prospectus) was entered into by Ms. Judy Chan and Macmillan Equity Limited ("Macmillan Equity") in favour of the Company (for the Company and for the benefit of its subsidiaries) regarding non-competition undertakings, pursuant to which the controlling shareholders of the Company ("Controlling Shareholder(s)") unconditionally and irrevocably agrees, undertakes to and covenants with the Company (for itself and for the benefits of each other member of the Group) that they would not, and would procure that their close associates (other than any members of our Group) would not, directly or indirectly, either on their own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any activity or business which competes or is likely to compete, directly or indirectly, with the business operated by the Group as described in the Prospectus. Further details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed "Relationship with our Controlling Shareholders – Deed of Non-competition".

Our Company has received from each of the Controlling Shareholders an annual written declaration as to the compliance with the terms of the Deed of Non-Competition during FY2019. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the abovementioned Deed of Non-Competition have been complied with by the Controlling Shareholders up to the date of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during FY2019 are set out in Note 12 to the consolidated financial statements.

SHARES ISSUED IN THE YEAR

There was no change in the Company's share capital structure during FY2019. As at 31 December 2019, the total number of issued Shares is 800,000,000.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2019, the Company's reserves available for distribution to the Shareholders amounted to approximately RMB115.6 million (2018: RMB121.0 million).

BANK LOANS AND OTHER BORROWINGS

The Group did not have any bank loans or other borrowings as at 31 December 2019 (31 December 2018: nil).

LOAN AND GUARANTEE

During FY2019, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the Controlling Shareholders or their respective associates (as defined in the Listing Rules).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles or the Companies Law of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During FY2019, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer contributed 48.6% (2018: 63.4%) of the total revenue for the year while the Group's five largest customers accounted for 69.8% (2018: 84.5%) of the total revenue for the year. The Group's largest supplier contributed 24.3% (2018: 17.3%) of the aggregation of cost of materials for the year while the Group's five largest suppliers accounted for 82.6% (2018: 54.9%) of the aggregation of cost of materials for the year. To the best of the knowledge of the Directors, none of the Directors, their respective close associates (as defined in the GEM Listing Rules) or any Shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued shares) had any beneficial interest in any of the Group's five largest customers or suppliers referred to above.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders of the Company by reason of their respective holding of the Company's securities.

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted by the Company on 1 June 2018. The purpose of the Share Option Scheme is to enable the Company to grant options to Eligible Participants (as defined in the paragraph below) as incentives or rewards for their contribution or potential contribution to the Group.

Unless otherwise cancelled or amended, the Board is entitled at any time within the period of 10 years from the date of adoption of the Share Option Scheme to make an offer to the below eligible participants (the "Eligible Participants") of the Share Option Scheme:

(i) any full-time or part-time employees, or potential employees, executives or officers of the Company or any of its subsidiaries;

(ii) any Directors (including executive, non-executive and independent non-executive Directors) of the Company or any of its subsidiaries; and

(iii) any suppliers, customers, agents and advisers who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its subsidiaries.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date, being 80,000,000 Shares. Subject to Shareholders' approval in general meeting, the Board may (i) refresh this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or (ii) grant options beyond the 10% limit to Eligible Participants specially approved by the Shareholders in general meeting and the Eligible Participants are specifically identified by the Company before such approval is sought.

The total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. Any further grant of options to an Eligible Participant in excess of the 1% limit shall be subject to approval by Shareholders in general meeting with such Eligible Participant and his or her close associates (or his or her associates if such Eligible Participant is a connected person) abstaining from voting.

Each of the grantees to whom an option has been granted under the Share Option Scheme shall be entitled to exercise his/her option in the manner set out in his/her offer document, provided that such period of time shall not exceed a period of ten years commencing on the date on which the option is granted. The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of the Company.

Upon acceptance of an option to subscribe for Shares granted pursuant to the Share Option Scheme (the "Option"), the Eligible Participant shall pay HK$1.00 to the Company as consideration for the grant. The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Participant and shall be no less than the highest of:

(a) the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant, which must be a day on which the Stock Exchange is open for business of dealing in securities;

(b) the average of the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days (as defined in the GEM Listing Rules) immediately preceding the date of grant; and

(c) the nominal value of a Share.

No share option has been granted, exercised, cancelled and lapsed pursuant to the Share Option Scheme since its adoption and there was no share option outstanding under the Share Option Scheme as at 31 December 2019.

DIRECTORS

The Directors during FY2019 and up to the date of this report were:

Executive Directors
Ms. Judy Chan (Chairlady, Chief Executive Officer)
Mr. Fan Chi Chiu

Non-executive Directors
Ms. Hou Tan Tan Danielle
Mr. Chow Christer Ho

Independent non-executive Directors
Mr. Ho Kent Ching-tak
Mr. Lim Leung Yau Edwin
Mr. Alec Peter Tracy

Pursuant to the Articles, one-third of the Directors (whether executive or non-executive) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

UPDATE ON THE DIRECTOR'S INFORMATION UNDER RULE 17.50A(1) OF THE GEM LISTING RULES

The change in the Director's information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules is set out below:

– Ms. Hou Tan Tan Danielle resigned as the deputy art director of King Fook Holding Limited (SEHK: 280) with effect from 7 February 2020.

– Mr. Fan Chi Chiu has been appointed as an independent non-executive director of Shinelong Automotive Lightweight Application Limited (SEHK: 1930) and Hevol Services Group Co., Limited (SEHK: 6093) from 6 June 2019 and 14 June 2019 respectively.

– With effect from 20 March 2020, Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy were appointed as members of the Nomination Committee of the Company.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has signed a service agreement with the Company commencing on the Listing Date for a term of three years (subject to termination in certain circumstances as stipulated in the service agreement). Each of our non-executive Directors and independent non-executive Directors has signed a letter of appointment with us commencing on the Listing Date for a term of three years (subject to termination in certain circumstances as stipulated in the relevant letters of appointment). None of the Directors (including those proposed for re-election at the AGM) has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence. The Nomination Committee has assessed the independence of the independent non-executive Directors and affirmed that all independent non-executive Directors remained independent.

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

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Interests in the Company

Name of Director	Capacity/ Nature of interest	Number of ordinary shares held [1]	Approximate shareholding percentage
Ms. Judy Chan [2]	Interest in controlled corporation	404,820,000 (L)	50.60%
Mr. Fan Chi Chiu	Beneficial owner	600,000 (L)	0.075%

Notes:

1. The letter "L" denotes the person's long position in the shares.

2. Macmillan Equity is wholly-owned by Ms. Judy Chan, and therefore Ms. Judy Chan is deemed to be interested in the 404,820,000 shares held by Macmillan Equity pursuant to the SFO.

(ii) Interests in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of ordinary share(s) held [1]	Approximate shareholding percentage
Ms. Judy Chan [2]	Macmillan Equity	Beneficial owner	100 (L)	100%

Notes:

1. The letter "L" denotes the person's long position in the shares.

2. Macmillan Equity is wholly-owned by Ms. Judy Chan, and therefore Ms. Judy Chan is deemed to be interested in the 404,820,000 shares held by Macmillan Equity pursuant to the SFO.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required 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 were taken or deemed to have under the SFO), or pursuant to section 352 of the SFO, which were required to be recorded in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, which were to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors and the chief executive of the Company are aware, as at 31 December 2019, other than the Directors and Chief Executives, the following persons had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO, or which would be, directly or indirectly, 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 or any other members of the Group:

Name	Capacity/ Nature of interest	Number of ordinary shares held (1)	Approximate shareholding percentage
Macmillan Equity (2)	Beneficial owner	404,820,000 (L)	50.60%
Palgrave Enterprises Limited ("Palgrave Enterprises") (3)	Beneficial owner	173,180,000 (L)	21.65%
Ms. Wong Shu Ying (3)	Beneficial owner	680,000 (L)	0.085%
	Interest in controlled corporation	173,180,000 (L)	21.65%
Mr. Chan Chun Keung (4)	Interest of spouse	173,860,000 (L)	21.73%

Notes:

1. The letter "L" denotes the person's long position in the Shares.

2. Macmillan Equity is wholly-owned by Ms. Judy Chan.

3. Palgrave Enterprises is wholly-owned by Ms. Wong Shu Ying, and therefore Ms. Wong Shu Ying is deemed to be interested in the 173,180,000 shares held by Palgrave Enterprises pursuant to the SFO.

4. Mr. Chan Chun Keung, the spouse of Ms. Wong Shu Ying, is deemed to be interested in the 680,000 Shares held by Ms. Wong Shu Ying and the 173,180,000 Shares held by Ms. Wong Shu Ying through her controlled corporation, Palgrave Enterprises, pursuant to the SFO.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during FY2019, have the Directors and the chief executive of the Company and their respective close associates (as defined under the GEM Listing Rules) had any interest in, or had been granted, or exercised any rights to subscribe for Shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above in the section "Share Option Scheme", at no time during FY2019 was the Company, any of its subsidiaries, its associated companies or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the Shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

COMPETING INTERESTS

During FY2019, none of the Directors, the controlling shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interests (other than their interest in the Company or its subsidiaries) in any business which competed or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

During FY2019, there had been no contract of significance between the Company or any of its subsidiaries and a Controlling Shareholder (as defined in the GEM Listing Rules) or any of its subsidiaries, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 31 to Financial Statements in this annual report, none of the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of our Group, to which our Company or any of its subsidiaries was a party during FY2019.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for FY2019 are set out in Note 31 to Financial Statements.

Other than the connected transaction in respect of the acquisition of all issued shares of Maxco Asia set out below, such related party transactions did not fall under the definition of "connected transaction" or "continuing connected transaction" (as defined under Chapter 20 of the GEM Listing Rules) that needed to be disclosed under the GEM Listing Rules or are fully exempt continuing connected transactions under Rule 20.74(1) or Rule 20.96 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

During FY2019, the Company has strictly complied with the requirements specified under Chapter 20 of the GEM Listing Rules in respect of its connected transactions. Details of the relevant connected transaction are as follows:

Acquisition of All Issued Shares of Maxco Asia

On 12 August 2019, to achieve diversified and sustainable development and repositioning the Group's existing portfolio, PACIFIC SURPLUS LIMITED (the "Purchaser"), a direct wholly-owned subsidiary of the Company, and KINGDRIVE LIMITED (the "Vendor"), a company directly wholly-owned by Ms. Judy Chan and her associates, entered into a share purchase agreement pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell all issued shares of Maxco Asia (the "Acquired Group") at an aggregate consideration of HK$15.0 million. The Vendor is directly legally and beneficially owned as to 100% in aggregate by Ms. Judy Chan, an executive Director, the chief executive officer and a controlling shareholder of the Company, and Ms. Wong Shu Ying, a substantial Shareholder of the Company, together with their associates. Accordingly, the Vendor is an associate and a connected person of the Company under Chapter 20 of the GEM Listing Rules. The acquisition of the Acquired Group was completed on 11 October 2019. For details, please refer to the announcements of the Company dated 12 August 2019 and 11 October 2019.

CORPORATE GOVERNANCE

The Company has complied with all applicable principles and the code provisions of the CG Code contained in Appendix 15 to the GEM Listing Rules during the Year (except for the deviation from CG code provisions A.2.1 and A.5.1). Details of the Company's corporate governance practices are set out in the section "Corporate Governance Report" of this annual report.

Besides, to maintain high standards of corporate governance, the Company regularly reviews and maintains a sensitivity list identifying factors or developments which are likely to give rise to the emergence of inside information or development of a false market for its securities. Where applicable, the Company will publish relevant announcement relating to the Company's operation, including the information on harvest results of self-cultivated grapes, on a timely manner.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group is committed to support environmental protection to ensure business development and sustainability. The Group has implemented green office practices to reduce the consumption of energy and natural resources. These practices include the use of recycled paper, reduce energy consumption by switching off idle lightings, computers and electrical appliances and the use of environmentally friendly products whenever possible. The Environmental, Social and Governance Report are set out in the section headed as the same in this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS AND RELATIONSHIPS WITH KEY SHAREHOLDERS

The Company has complied with all applicable laws and regulations in all material respects and maintained good relationship with its customers, suppliers, employees and investors. During FY2019, there were no material and significant dispute between the Group and its employees, customers and/or suppliers.

COMPLIANCE ADVISER'S INTERESTS

As at 31 December 2019, save and except for the compliance adviser's agreement entered into between the Company and Southwest Securities (HK) Capital Limited (the "Compliance Adviser") dated 20 September 2017, neither the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to rule 6A.32 of the GEM Listing Rules.

PERMITTED INDEMNITY PROVISIONS

The Articles provide that every Director shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses, whatsoever which they or any of them may incur as a result of any act or failure to act in carrying out their functions other than such liability (if any) that they may incur by reason of their own actual fraud or willful defaults. The Company has arranged for appropriate insurance coverage in respect of potential legal actions against its Directors and senior management.

EMOLUMENT POLICY

The remuneration policy of the Group is to reward its employees and executives based on, among other things, the Group's operating results, individual performance and comparable market statistics. Remuneration package typically comprises of salaries, contribution to pension schemes and discretionary bonuses.

The Remuneration Committee will review annually the remuneration of all the Directors to ensure that it is attractive enough to attract and retain a competent team of executive members. The Director's fee for each of the Directors is subject to the Board's review from time to time in its discretion after taking into account the recommendation of the Remuneration Committee. The remuneration package of each of the Directors is determined by reference to market terms, seniority, experiences, duties and responsibilities of that Director within the Group.

RETIREMENT BENEFITS PLAN

Details of retirement benefits plan of the Group for FY2019 are set out in "Employee benefits" section of Note 2.4 to Financial Statements.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the Directors' remuneration and the five highest paid individuals for FY2019 are set out in Notes 7 and 8 to Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of at least 25% of the issued Shares as at the latest practicable date prior to the issue of this annual report as required under the GEM Listing Rules.

EVENT AFTER THE REPORTING PERIOD

Saved as the events after the reporting period disclosed in the Note 35 to the Financial Statements in this annual report, the Group has no significant events subsequent to 31 December 2019 and up to the date of this report.

AUDITOR

Ernst & Young will retire, and being eligible, offer themselves for re-appointment at the AGM. A resolution for their re-appointment as auditor of the Company will be proposed at the AGM. There has been no change of auditor of the Company since the Listing Date.

By order of the Board
Grace Wine Holdings Limited
Judy Chan
Chairlady, Chief Executive Officer and Executive Director

Hong Kong, 20 March 2020

22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Independent Auditor's Report

To the shareholders of Grace Wine Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Grace Wine Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 82 to 163, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report

To the shareholders of Grace Wine Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	**How our audit addressed the key audit matter**
Valuation of biological assets	
As disclosed in note 16 to the consolidated financial statements, the Group's biological assets during the year comprised grapes growing on bearer plants, and were accounted for at fair value less costs to sell through to the point of harvest. At the point of harvest, the valuation of the grapes was approximately RMB1.7 million. The estimation of the fair value less costs to sell of the biological assets requires significant management judgement. Independent external valuations were obtained to assist management with their estimate of the fair value of the biological assets. Key assumptions adopted included the estimated market prices and growing costs. Related disclosures are included in notes 2.4, 3 and 16 to the consolidated financial statements.	Our audit procedures included the following: • We evaluated the independent external valuer's competence, objectivity and qualifications; • We evaluated the appropriateness of the methodologies used in valuing the biological assets by involving our internal valuation specialists; • We evaluated the appropriateness of the key assumptions and inputs, including the estimated market prices and growing costs, based on market available data and the historical performance of the Group; and • We assessed the adequacy of the fair value disclosures in relation to the biological assets.

To the shareholders of Grace Wine Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Accounting for acquisition of a 100% equity interest in Maxco Asia Limited and its subsidiary (the "Acquisition")	
We identified the accounting for the Acquisition as a key audit matter due to the judgement exercised by the Group in accordance with HKFRS 3 *Business Combinations*. As disclosed in note 26 to the consolidated financial statements, the total consideration in relation to the Acquisition which engage in the production of spirits during the year ended 31 December 2019, was RMB13.6 million (equivalent to HK$15 million). In application of HKFRS 3, the Group has determined the Acquisition to be a business combination for which the purchase price is to be allocated between the identifiable assets acquired and liabilities assumed, leading to the resultant recognition of goodwill at the fair value of RMB2.7 million. An independent external valuer was engaged by the Group to perform the purchase price allocation exercise and the fair valuation of the acquired assets and liabilities and/or identification and valuation of intangible assets, if any. Related disclosures are included in notes 2.4, 3 and 26 to the consolidated financial statements.	Our audit procedures included the following: • We obtained an understanding of how management accounted for the Acquisition under HKFRS 3; • We discussed with management the key estimates adopted by management in assessing the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed; • We evaluated the independent external valuer's competence, objectivity and acquired qualifications; • We evaluated the appropriateness of the methodologies used in valuing the assets and liabilities acquired by involving our internal valuation specialists; and • We evaluated the appropriateness of the key assumptions and significant inputs used in relation to the calculation of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed in the business combination to assess the reasonableness of the judgements and estimations.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

To the shareholders of Grace Wine Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

To the shareholders of Grace Wine Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

To the shareholders of Grace Wine Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHIU, Caroline Su Yuen.

Ernst & Young
Certified Public Accountants
Hong Kong
20 March 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**72,709**	72,556
Cost of sales		**(40,792)**	(47,124)
Gross profit		**31,917**	25,432
Other income and gains, net	5	**1,951**	6,841
Selling and distribution expenses		**(4,797)**	(4,245)
Administrative expenses		**(24,467)**	(24,123)
Other expenses and losses		**(99)**	(194)
Finance costs	13(d)	**(92)**	–
PROFIT BEFORE TAX	6	**4,413**	3,711
Income tax credit/(expense)	9	**(4,383)**	2,454
PROFIT FOR THE YEAR AND PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY		**30**	6,165
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted (RMB cents)	11	**0.004**	0.88

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
PROFIT FOR THE YEAR	**30**	6,165
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial information	**731**	2,425
Release of reserve upon disposal of subsidiaries	**–**	(65)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**731**	2,360
TOTAL COMPREHENSIVE INCOME FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**761**	8,525

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**76,137**	81,513
Right-of-use assets	13(b)	**22,642**	–
Prepaid land lease payments	13(a)	**–**	12,867
Prepayments for acquisition of plant and equipment	18	**4,128**	–
Goodwill	14	**4,087**	1,361
Total non-current assets		**106,994**	95,741
CURRENT ASSETS			
Inventories	15	**66,608**	65,051
Biological assets	16	**–**	–
Trade receivables	17	**2,173**	18,124
Prepayments and other receivables	18	**5,633**	3,458
Cash and cash equivalents	19	**93,719**	82,099
Total current assets		**168,133**	168,732
CURRENT LIABILITIES			
Trade payables	20	**5,631**	142
Other payables and accruals	21	**7,782**	8,676
Tax payable		**3,087**	2,064
Lease liabilities	13(c)	**612**	–
Total current liabilities		**17,112**	10,882
NET CURRENT ASSETS		**151,021**	157,850
TOTAL ASSETS LESS CURRENT LIABILITIES		**258,015**	253,591

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	22	**2,095**	2,601
Deferred income		**326**	348
Lease liabilities	13(c)	**1,519**	–
Total non-current liabilities		**3,940**	2,949
Net assets		**254,075**	250,642
EQUITY			
Equity attributable to owners of the Company			
Issued capital	23	**674**	674
Reserves	24	**253,401**	249,968
Total equity		**254,075**	250,642

Judy Chan
Director

Fan Chi Chiu
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company						
	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (note 24(i))	Statutory reserve funds RMB'000 (note 24(ii))	Exchange fluctuation reserve RMB'000 (note 24(iii))	Retained profits RMB'000	Total RMB'000
At 1 January 2018	–	104,194	93	13,544	(7,922)	94,149	204,058
Profit for the year	–	–	–	–	–	6,165	6,165
Other comprehensive income for the year:							
Exchange differences on translation of financial information	–	–	–	–	2,425	–	2,425
Release of reserve upon disposal of subsidiaries	–	–	–	–	(65)	–	(65)
Total comprehensive income for the year	–	–	–	–	2,360	6,165	8,525
Transfer from retained profits	–	–	–	202	–	(202)	–
Share Offer (Note 23(i))	169	58,847	–	–	–	–	59,016
Capitalisation Issue (Note 23(iii))	505	(505)	–	–	–	–	–
Expenses incurred in connection with the issue of new shares (Note 23(ii))	–	(10,957)	–	–	–	–	(10,957)
2018 special dividend (Note 10)	–	(10,000)	–	–	–	–	(10,000)
At 31 December 2018 and 1 January 2019	**674**	**141,579***	**93***	**13,746***	**(5,562)***	**100,112***	**250,642**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**30**	**30**
Other comprehensive income for the year:							
Exchange differences on translation of financial information	**–**	**–**	**–**	**–**	**731**	**–**	**731**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**731**	**30**	**761**
Transfer from retained profits	**–**	**–**	**–**	**451**	**–**	**(451)**	**–**
Capital contribution from shareholders	**–**	**–**	**2,672**	**–**	**–**	**–**	**2,672**
At 31 December 2019	**674**	**141,579***	**2,765***	**14,197***	**(4,831)***	**99,691***	**254,075**

* These reserve accounts comprise the consolidated reserves of RMB253,401,000 (2018: RMB249,968,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**4,413**	3,711
Adjustments for:			
Bank interest income	5	**(890)**	(528)
Depreciation of property, plant and equipment	6	**10,048**	10,495
Depreciation of right-of-use assets/amortisation of prepaid land lease payments	6	**1,037**	534
Gains on disposal of items of property, plant and equipment, net	5	**(191)**	(27)
Losses arising from changes in fair value of agricultural produce at the date of harvest	6	**1,016**	418
Government grants income	5	**(543)**	(504)
Write-off of inventories	6	**55**	–
Gain on disposal of subsidiaries	5	**–**	(5,660)
Equity-settled share-based payment expenses	25	**2,672**	–
		17,617	8,439
Decrease in inventories		**351**	15,812
Additions to biological assets		**(2,401)**	(3,195)
Decrease/(increase) in trade receivables		**15,951**	(5,325)
Decrease/(increase) in prepayments and other receivables		**(2,659)**	2,885
Increase/(decrease) in trade payables		**5,489**	(703)
Increase/(decrease) in other payables and accruals		**(457)**	5,917
Receipt of government grants		**543**	504
Cash generated from operations		**34,434**	24,334
Interest received		**659**	297
PRC income tax paid		**(3,295)**	(3,306)
Net cash flows from operating activities		**31,798**	21,325

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Net cash flows from operating activities		**31,798**	21,325
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(4,957)**	(11,626)
Proceeds from disposal of items of property, plant and equipment		**212**	144
Deposits received from disposal of an item of property, plant and equipment		**–**	200
Prepayment for property, plant and equipment		**(2,054)**	–
Acquisition of subsidiaries	26	**(12,895)**	–
Disposal of subsidiaries	27	**–**	(59)
Withholding taxes paid on investing activities		**(600)**	(300)
Decrease/(Increase) in non-pledged time deposits with original maturity of over three months when acquired		**17,786**	(17,786)
Net cash flows used in investing activities		**(2,508)**	(29,427)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares		**–**	59,017
Expenses paid in connection with the issue of shares		**–**	(10,957)
Dividend paid	10	**–**	(10,000)
Repayment of advances from related parties		**(243)**	(131)
Principal portion of lease payments		**(381)**	–
Net cash flows from/(used in) financing activities		**(624)**	37,929
NET INCREASE IN CASH AND CASH EQUIVALENTS		**28,666**	29,827
Cash and cash equivalents at beginning of year		**64,313**	32,152
Effect of foreign exchange rate changes, net		**740**	2,334
CASH AND CASH EQUIVALENTS AT END OF YEAR		**93,719**	64,313
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	**52,193**	26,898
Non-pledged time deposits with original maturity of less than three months when acquired		**41,526**	37,415
Non-pledged time deposits with original maturity of more than three months when acquired		**–**	17,786
Cash and cash equivalents as stated in the statement of financial position		**93,719**	82,099
Non-pledged time deposits with original maturity of more than three months when acquired		**–**	(17,786)
Cash and cash equivalents as stated in the statement of cash flows		**93,719**	64,313

Notes to Financial Statements

Year ended 31 December 2019

1. CORPORATE INFORMATION

Grace Wine Holdings Limited ("the Company") is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company had its listing (the "Listing") on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 June 2018.

The Company is an investment holding company. The Company's principal subsidiaries were engaged in the production and distribution of wine products.

The immediate and ultimate holding company of the Company is Macmillan Equity, a company incorporated in the British Virgin Islands ("BVI"). The entire issued capital of Macmillan Equity is held by Ms. Judy Chan.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Dragonet Limited	Hong Kong 3 September 1997	HK$100	–	100	Investment holding and distribution of wine products
Shanxi Grace Vineyard Co., Limited*# (山西怡園酒莊有限公司)	People's Republic of China (the "PRC")/ Mainland China 7 August 1998	RMB46,800,000	–	100	Production and distribution of wine products
Shanxi Ziyuan Agricultural Development Co., Limited (山西紫源農業開發有限公司)*# ("Shanxi Ziyuan")	PRC/ Mainland China 21 November 2013	HK$1,300,000	–	100	Planting of vines and sale of wine grapes

1. CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Deep Blue Wine Trading (Shanghai) Limited*# (創平酒業貿易(上海)有限公司)	PRC/ Mainland China 14 July 2010	US$200,000	–	100	Distribution of wine products
Ningxia Grace Vineyard Co., Limited (寧夏怡園酒莊有限公司)*# ("Ningxia Grace Vineyard")	PRC/ Mainland China 12 September 2012	RMB50,000,000	–	100	Production of wine products
Xiamen Taofu Trading Co., Limited (廈門萄福貿易有限公司)*# ("Xiamen Taofu")	PRC/ Mainland China 29 September 2012	US$165,000	–	100	Distribution of wine products
Taiyuanshi Taofu Trading Co., Limited (太原市萄福貿易有限公司)*# ("Taiyuanshi Taofu")	PRC/ Mainland China 9 July 2019	RMB100,000	–	100	Distribution of wine products
Fujian Dexi Wine Co., Limited (福建德熙酒業有限公司)*# ("Fujian Dexi")	PRC/ Mainland China 4 December 2017	RMB30,000,000	–	100	Production of wine products

Notes:

* *Registered as wholly-foreign-owned enterprises under the law of the PRC*

\# *For identification purposes only*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for biological assets, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PRESENTATION (CONTINUED)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land and buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for the following elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. There was no lease asset recognised previously under finance leases that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying HKFRS 16 in 2019:

- Using a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relying on its assessment of whether leases are onerous immediately before the date of initial application.
- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.
- Excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

As a lessee – Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under HKAS 17.

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of RMB15,540,000 were recognised and presented separately in the statement of financial position.
- Additional lease liabilities of RMB1,827,000 were recognised.
- Prepaid land lease payments of RMB13,713,000 were derecognised.

For the year ended 31 December 2019:

- Depreciation expense (as included in cost of sales and administrative expenses) increased by RMB1,353,000 relating to the depreciation of additional assets recognised (i.e., increase in right-of-use assets).
- Rental expense (as included in administrative expenses) decreased by RMB430,000 relating to previous operating leases.
- Amortisation of prepaid land lease expenses (as included in costs of sales and administrative expenses) decreased by RMB885,000 relating to the prepaid land leases.
- Finance costs increased by RMB92,000 relating to the interest expense on additional lease liabilities recognised.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (Continued)

As a lessee – Leases previously classified as finance leases (Continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	3,006
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(766)
	2,240
Weighted average incremental borrowing rate as at 1 January 2019	4.75%
Discounted operating lease commitments as at 1 January 2019	1,827

The Group recognised rental expenses from short-term leases of RMB719,000 for the year ended 31 December 2019.

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The Group determined that the interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below. Whilst management has performed an assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5% to 20%
Leasehold improvements	5% to 10%
Plant and machinery	9% to 48%
Furniture and fixtures	10% to 48%
Motor vehicles	20% to 33.3%
Vineyard infrastructure	10%
Bearer plants	Over the shorter of the lease terms and 5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction and bearer plants before they reach maturity, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction/plantation during the period of construction/plantation. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Biological assets

Biological assets comprise grapes before harvest in leased farms and are classified as current assets due to the short development period, prior to harvest.

Biological assets are stated at fair value less costs to sell from initial measurement up to the point of harvest, except where fair value cannot be measured reliably due to unavailability of quoted market prices and no reliable alternative estimates exist to determine fair value, in which case the assets are held at growing cost incurred less impairment losses.

Once the fair value becomes reliably measurable, the biological assets are measured at fair value less costs to sell and changes in fair value are recognised in the consolidated statement of profit or loss for the period in which it arises.

Biological assets that meet the definition of bearer plants (i.e., grapevines) are within the scope of HKAS 16 *Property, Plant and Equipment*. Bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by management. After initial recognition, bearer plants are measured at accumulated cost less any impairment before maturity. Subsequently when the bearer plants are mature, they are measured at cost, less any subsequent accumulated depreciation and impairment, with changes recognised in profit or loss.

The grapevines are presented and accounted for as bearer plants, see "property, plant and equipment". However, the fresh fruit bunches growing on the grapevines are accounted for as biological assets until the point of harvest. Harvested grapes are transferred to inventories at fair value less costs to sell when harvested. Fair value at the point of harvest is based on the selling prices for similar fruits prevailing in the market as at or close to the harvest dates.

Costs to sell include the incremental selling costs, including auctioneers' fees, commission paid to brokers and dealers and estimated costs of transport to the market but exclude finance costs and income taxes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land	5-50 years
Buildings	2-5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessee (Continued)

(b) Lease liabilities (Continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Leases (applicable before 1 January 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses (''ECL'') for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related companies/parties and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)
Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost or the deemed cost for agricultural produce harvested from biological assets and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

The Group is mainly involved in the sale of wine products. Revenue is measured based on the fair value of consideration received or receivable specified in the contracts with customers.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and the payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Tourism and servicing income

Tourism and servicing income represented income earned from the provision of services to customers staying overnight in the vineyard. Revenue is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

Share-based payments

Awarded shares/share options granted to employees and service providers

For grants of shares/share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of shares/share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity. For grants of shares/share options that vest immediately at the date of grant, the fair value of the awarded shares is recognised immediately in profit or loss.

At the end of the reporting period, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital reserve.

When share options are exercised, the amount previously recognised in capital reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in capital reserve will be transferred to retained profits.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Company's functional currency is the Hong Kong Dollar ("HK$"). Because the functional currency of most of the subsidiaries is RMB, the financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of operations with functional currencies other than RMB are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Fair value measurements and valuation processes of biological assets

The biological assets of the Group are measured at fair value less costs to sell for financial reporting purposes. The directors of the Company have engaged qualified external valuers to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of biological assets, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Management reports the external valuers' findings to the board of directors of the Company regularly.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Purchase price allocation

The Group performed the purchase price allocation exercise for acquisitions in accordance with HKFRS 3. The allocation has to be finalised within the twelve-month period following the acquisition date. The purchase price allocation requires the alignment of the accounting records of the acquired entities with the accounting policies of the Group and involves significant judgements and estimates by management to assess the fair value of the assets acquired and liabilities assumed in accordance with HKFRS 3. Independent professional valuers were engaged by the Group to perform purchase price allocation exercise, including the fair valuation of the acquired assets and liabilities. The Group has entered in a business combination which resulted in goodwill recognised amounting to RMB2.7 million for the production of spirits cash-generating unit as of 31 December 2019.

4. SEGMENT INFORMATION

Operating segments

No operating segment information for the Group is presented as over 90% of the Group's revenue, expenses, assets, liabilities and capital expenditure are attributable to the production and distribution of wine products during the year.

Geographical information

No geographical information for the Group is presented as over 90% of the Group's revenue and assets are derived from customers and operations based in the PRC during the year.

Information about a major customer

Revenue amounting to 10 percent or more of the Group's revenue derived from sales to a single customer was RMB35,328,000 (2018: RMB46,003,000).

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers		
Sales of goods	**72,709**	72,556

All of the Group's revenue was recognised at a point in time during the year.

	2019 RMB'000	2018 RMB'000
Geographical market		
Mainland China	**71,558**	70,985
Hong Kong	**1,000**	1,233
Other jurisdictions	**151**	338
Total revenue from contracts with customers	**72,709**	72,556

For the years ended 31 December 2018 and 2019, there was no revenue recognised that was included in contract liabilities at the beginning of the reporting period.

The performance obligation for sales of goods is satisfied upon delivery of wine products.

5. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

Other income and gains

	2019 RMB'000	2018 RMB'000
Other income		
Bank interest income	890	528
Government grants*	543	504
Others	267	122
	1,700	1,154
Gains		
Gains on disposal of items of property, plant and equipment, net	191	27
Gain on disposal of subsidiaries	–	5,660
Foreign exchange difference, net	60	–
	251	5,687
Other income and gains, net	1,951	6,841

* The Group received various government grants for the promotion of the wine industry, support of agricultural development and stabilisation of employment in Mainland China. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. There were no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2019 RMB'000	2018 RMB'000
Cost of inventories sold		**24,754**	28,935
Employee benefit expense (including directors' remuneration (note 7)):			
Wages and salaries		**10,760**	9,708
Pension scheme contributions (defined contribution schemes)		**1,612**	1,631
Equity-settled share-based payment expenses		**1,461**	–
		13,833	11,339
Depreciation of property, plant and equipment	12	**10,356**	10,802
Less: government grants released		**(46)**	(22)
Less: amount capitalised into inventories		**(262)**	(285)
		10,048	10,495
Depreciation of right-of-use assets (2018: amortisation of prepaid land lease payments)	13	**1,353**	868
Less: amount capitalised into biological assets		**(316)**	(334)
		1,037	534
Minimum lease payments under operating leases			
– offices		**–**	1,108
– farmland		**–**	4
		–	1,112
Lease payments not included in the measurement of lease liabilities	13(d)	**719**	–
Auditor's remuneration		**1,226**	1,636
Listing expenses		**–**	4,321
Write-off of inventories*		**55**	–
Losses arising from changes in fair value of agricultural produce at the date of harvest*	16	**1,016**	418
Foreign exchange differences, net		**–**	585

* The above items are included in "Cost of sales" in the consolidated statement of profit or loss for the year.

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019	2018
	RMB'000	RMB'000
Fees	**1,391**	1,232
Other emoluments:		
Salaries, allowances and benefits in kind	**189**	176
Pension scheme contributions	**16**	15
Equity-settled share-based payment expense	**145**	–
	1,741	1,423

(a) Executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share-based payment expense RMB'000	Total remuneration RMB'000
Year ended 31 December 2019					
Judy Chan	**634**	**189**	**16**	**–**	**839**
Fan Chi Chiu	**317**	**–**	**–**	**145**	**462**
	951	**189**	**16**	**145**	**1,301**
Year ended 31 December 2018					
Judy Chan	610	176	15	–	801
Fan Chi Chiu	305	–	–	–	305
	915	176	15	–	1,106

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

7. DIRECTORS' REMUNERATION (CONTINUED)

(b) Non-executive directors

	2019 **RMB'000**	2018 RMB'000
Fees		
Hou Tan Tan Danielle	**88**	85
Chow Christer Ho	**88**	85
	176	170

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(c) Independent non-executive directors

	2019 **RMB'000**	2018 RMB'000
Fees		
Ho Kent Ching-tak	**88**	49
Lim Leung Yau Edwin	**88**	49
Alec Peter Tracy	**88**	49
	264	147

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Ho Kent Ching-tak, Lim Leung Yau Edwin and Alec Peter Tracy were appointed as independent non-executive directors of the Company on 1 June 2018.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2018: one director). The details of directors' remuneration are set out in note 7 above. Details of the remuneration of the remaining three (2018: four) highest paid employees who are not directors during the year are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	946	1,142
Performance related bonuses	198	110
Pension scheme contributions	126	134
Equity-settled share-based payments	1,316	–
	2,586	1,386

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2019	2018
Nil to HK$1,000,000	1	4
HK$1,000,001 to HK$1,500,000	2	–
	3	4

During the year, no remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong during the year.

Under the Law of the PRC on Enterprises Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for the PRC subsidiaries is 25%.

According to relevant EIT Law and Implementation Regulation of the EIT Law, a wholly-owned subsidiary in agricultural operation in the PRC is exempted from Enterprise Income Tax ("EIT") on profits derived from fruit cultivation for the years ended 31 December 2019 and 2018, subject to annual review by the local PRC tax authority of the subsidiary and any future changes in the relevant tax exemption policies or regulations.

	Note	**2019** **RMB'000**	2018 RMB'000
Current – Mainland China			
Charge for the year		**4,902**	4,263
Underprovision in prior years		**15**	–
Deferred tax	22	**(534)**	(6,717)
Total tax charge/(credit) for the year		**4,383**	(2,454)

9. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expenses at the effective tax rates is as follows:

2019

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	13,482		(9,069)		4,413	
Tax at the weighted average applicable tax rate	3,371	25.0	(1,496)	16.5	1,875	42.5
Lower tax rate for specific provinces or enacted by local authority	(395)		–		(395)	
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	295		–		295	
Adjustments in respect of current tax of previous periods	15		–		15	
Income not subject to tax	–		(147)		(147)	
Temporary difference not recognised	1,305		–		1,305	
Expenses not deductible for tax	165		486		651	
Tax losses utilised from previous periods	(436)		–		(436)	
Tax losses not recognised	63		1,157		1,220	
Tax charge for the year	4,383	32.5	–	–	4,383	99.3

9. INCOME TAX (CONTINUED)

2018

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	11,726		(8,015)		3,711	
Tax at the weighted average applicable tax rate	2,932	25.0	(1,323)	16.5	1,609	43.4
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	(6,340)		–		(6,340)	
Income not subject to tax	–		(875)		(875)	
Expenses not deductible for tax	(27)		1,093		1,066	
Tax losses not recognised	981		1,105		2,086	
Tax charge for the year	(2,454)	(20.9)	–	–	(2,454)	(66.1)

The weighted average applicable tax rate was computed at the weighted average of domestic tax rates applicable to profits/losses in the respective jurisdictions. The change in the weighted average applicable tax rate was caused by a change in the profitability of the Group's subsidiaries in the respective jurisdictions and the reversal of deferred tax due to the update in dividend policy in 2018.

10. DIVIDENDS

	2019 RMB'000	2018 RMB'000
2018 special interim dividend at RMB10,000 per ordinary share (note (i))	–	10,000

Note:

(i) On 4 June 2018, the Company declared and approved a special dividend of RMB10,000,000 to its then shareholders.

The board of directors does not recommend any payment of final dividend for the year ended 31 December 2019 (2018: Nil).

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of RMB30,000 (2018: RMB6,165,000), and the weighted average number of ordinary shares of 800,000,000 (2018: 703,013,699) in issue during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2018 represented 1,000 ordinary shares of the Company as at 1 January 2018, 599,999,000 ordinary shares of the Company issued under the Capitalisation Issue (as defined in note 23) as if these additional shares issued under Capitalisation Issue had been in issue throughout the year ended 31 December 2018, and weighted average number of 103,013,699 ordinary shares of the Company issued upon the Listing on GEM of the Stock Exchange on 27 June 2018.

No adjustment has been made to the basic earnings per share presented for the years ended 31 December 2019 and 2018 as the Group had no potentially dilutive ordinary shares in issue during these years.

12. PROPERTY, PLANT AND EQUIPMENT

	Notes	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Vineyard infrastructure RMB'000	Bearer plants RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019										
At 31 December 2018 and 1 January 2019:										
Cost		87,745	6,539	46,293	19,724	2,700	700	3,715	1,306	168,722
Accumulated depreciation		(29,879)	(3,265)	(34,156)	(15,524)	(2,469)	(343)	(1,573)	–	(87,209)
Net carrying amount		57,866	3,274	12,137	4,200	231	357	2,142	1,306	81,513
At 1 January 2019, net of accumulated depreciation		57,866	3,274	12,137	4,200	231	357	2,142	1,306	81,513
Additions		894	88	499	1,723	218	–	5	2,037	5,464
Acquisition of subsidiaries	26	–	–	23	21	–	–	–	–	44
Disposals and write-off		(107)	–	(405)	(2)	(14)	–	–	–	(528)
Depreciation provided during the year	6	(3,827)	(761)	(3,650)	(1,523)	(103)	(70)	(422)	–	(10,356)
Transfers		3,254	–	–	–	–	–	–	(3,254)	–
At 31 December 2019, net of accumulated depreciation		58,080	2,601	8,604	4,419	332	287	1,725	89	76,137
At 31 December 2019:										
Cost		91,786	6,627	46,410	20,198	2,526	700	3,720	89	172,056
Accumulated depreciation		(33,706)	(4,026)	(37,806)	(15,779)	(2,194)	(413)	(1,995)	–	(95,919)
Net carrying amount		58,080	2,601	8,604	4,419	332	287	1,725	89	76,137
31 December 2018										
At 1 January 2018:										
Cost		85,292	5,898	42,468	16,899	2,450	1,881	7,963	1,164	164,015
Accumulated depreciation		(25,131)	(2,705)	(31,328)	(13,785)	(2,382)	(824)	(3,930)	–	(80,085)
Net carrying amount		60,161	3,193	11,140	3,114	68	1,057	4,033	1,164	83,930
At 1 January 2018, net of accumulated depreciation		60,161	3,193	11,140	3,114	68	1,057	4,033	1,164	83,930
Additions		–	641	2,025	2,825	260	186	–	5,757	11,694
Disposal of subsidiaries	27	–	–	(2)	–	–	(765)	(2,092)	(333)	(3,192)
Disposals and write-off		(3)	–	(104)	–	(10)	–	–	–	(117)
Depreciation provided during the year	6	(4,748)	(560)	(2,828)	(1,739)	(87)	(121)	(719)	–	(10,802)
Transfers		2,456	–	1,906	–	–	–	920	(5,282)	–
At 31 December 2018, net of accumulated depreciation		57,866	3,274	12,137	4,200	231	357	2,142	1,306	81,513
At 31 December 2018:										
Cost		87,745	6,539	46,293	19,724	2,700	700	3,715	1,306	168,722
Accumulated depreciation		(29,879)	(3,265)	(34,156)	(15,524)	(2,469)	(343)	(1,573)	–	(87,209)
Net carrying amount		57,866	3,274	12,137	4,200	231	357	2,142	1,306	81,513

In prior years, the Group received a residential flat from the Shanxi government as a result of being a significant taxpayer in the region. The Group is in the process of applying for the property certificate. The carrying value of this residential flat as at 31 December 2019 was RMB360,000 (2018: RMB370,000).

13. LEASES

The Group as a lessee

The Group has lease contracts for various items of offices, staff quarters and warehouses used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 5 years, while farmland generally has lease terms of 5 years. Other buildings generally have lease terms of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Prepaid land leases payments (before 1 January 2019)

	RMB'000
Carrying amount at 1 January 2018	14,736
Additions	–
Disposal of subsidiaries	(155)
Recognised in profit or loss during the year	(868)
Carrying amount at 31 December 2018	13,713
Analysed into:	
Current portion	846
Non-current portion	12,867

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Notes	**Prepaid land lease payments RMB'000**	**Buildings RMB'000**	**Farmland RMB'000**	**Total RMB'000**
As at 1 January 2019		**13,713**	**1,819**	**8**	**15,540**
Additions		**–**	**685**	**–**	**685**
Additions as a result of acquisition of subsidiaries	26	**7,770**	**–**	**–**	**7,770**
Depreciation charge	6	**(885)**	**(465)**	**(3)**	**(1,353)**
As at 31 December 2019		**20,598**	**2,039**	**5**	**22,642**

13. LEASES (CONTINUED)

The Group as a lessee (Continued)

(c) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 RMB'000
Carrying amount at 1 January	1,827
New leases	685
Accretion of interest recognised during the year	92
Payments	(473)
Carrying amount at 31 December	2,131
Analysed into:	
Current portion	612
Non-current portion	1,519

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	Notes	2019 RMB'000
Interest on lease liabilities		92
Depreciation charge of right-of-use assets	6	1,353
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	6	719
Total amount recognised in profit or loss		2,164

14. GOODWILL

	Note	2019 RMB'000	2018 RMB'000
At the beginning of the year			
Cost		**1,361**	1,361
Net carrying amount		**1,361**	1,361
Carrying amount at the beginning of the year		**1,361**	1,361
Acquisition of subsidiaries	26	**2,726**	–
Cost at the end of the year		**4,087**	1,361
At the end of the year:			
Cost		**4,087**	1,361
Net carrying amount		**4,087**	1,361

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Online sale of wine cash-generating unit; and
- Production of spirits cash-generating unit

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Online sale of wine		Production of spirits		Total	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Carrying amount of goodwill	**1,361**	1,361	**2,726**	–	**4,087**	1,361

14. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

Online sale of wine cash-generating unit

The recoverable amount of the online sale of wine cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 23.3% (2018: 22.2%). The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2018: 3%).

Assumptions were used in the value in use calculation of the online sale of wine cash-generating unit for 31 December 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increase for expected efficiency improvements, and expected market development.

Discount rate – the discount rate used is before tax and reflects specific risks relating to the relevant unit.

Growth rate – the growth rate is based on management expectation of the long-term forecast growth rate of the product.

The values assigned to key assumptions are consistent with external information sources.

Production of spirits cash-generating unit

The recoverable amount of the production of spirits cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets cover a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 24.8%. The growth rate used to extrapolate the cash flows beyond the five-year period is 3%.

14. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

Production of spirits cash-generating unit (Continued)

Assumptions were used in the value in use calculation of the production of spirits cash-generating unit for 31 December 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins based on industry comparison.

Discount rate – the discount rate used is before tax and reflects specific risks relating to the relevant unit.

Growth rate – the growth rate is based on management expectation of the long-term forecast growth rate of the product.

The values assigned to key assumptions are consistent with external information sources.

15. INVENTORIES

	2019	2018
	RMB'000	RMB'000
Raw materials	**3,300**	3,065
Work in progress	**54,805**	56,171
Finished goods	**8,503**	5,815
	66,608	65,051

16. BIOLOGICAL ASSETS

Movements of biological assets, representing grapes growing on bearer plants, are summarised as follows:

	Notes	**2019** **RMB'000**	2018 RMB'000
At the beginning of the year		**–**	–
Increase due to cultivation		**2,717**	3,529
Disposal of subsidiaries	27	**–**	(796)
Losses arising from changes in fair value of agricultural produce at the date of harvest	6	**(1,016)**	(418)
Transfer of harvested grapes to inventories		**(1,701)**	(2,315)
At the end of the year		**–**	–

During the year, the Group harvested 175.8 tonnes (2018: 269.5 tonnes) of grapes. The directors measured the fair value less costs to sell of grapes at harvest based on market prices as at or close to the harvest dates.

Cultivation costs incurred are accounted for as additions to the biological assets. All grapes are harvested annually from late August to October of each year. After the harvest, plantation works commence again on the farmland. The directors consider that there was no active market for the grapes before harvest. The market approach is adopted to value the harvested grapes ("Agricultural Produce") and the cost approach is adopted to value the immature grapes ("Immature Grapes") during the growing period. The costs of direct raw materials, direct labour, labour service and cultivation cost incurred, including fertilisers, pesticides, labour costs and rentals of the farmlands, have been considered in the calculation of the fair values for the growing period and these costs approximate to their fair values. During the harvesting period, the market approach is adopted whereby the fair values of the Agricultural Produce are calculated to be the product of market price and estimated quantities of the Agricultural Produce after deducting reasonable costs related to selling.

The fair value measurement of the grapes is categorised as level 3 fair value measurement within the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. Significant unobservable inputs are mainly the replacement cost for Immature Grapes and the market price for harvested grapes.

During the year, no transfers occurred between levels in the hierarchy.

The fair value was determined by the independent qualified valuer, Avista Valuation Advisory Limited, with reference to market-determined prices, cultivation areas, species, growing conditions, cost incurred and expected yield of crops. Avista Valuation Advisory Limited is located at 23rd Floor, Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong.

16. BIOLOGICAL ASSETS (CONTINUED)

The fair value of agricultural produce is calculated based on the inputs to the valuation technique used. The following table gives information about how the fair values of these biological assets are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Biological assets	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Range
Immature Grapes	3	Replacement cost approach The key input is: Various costs for replacing	Various costs for replacing	The higher the costs incurred, the higher the fair value	Not applicable
Agricultural Produce	3	Market approach The key input is: Market price per kilogram ("kg") of grapes	Market price of grapes	The higher the market price, the higher the fair value	2019: RMB9.5 per kg to RMB11.5 per kg; (2018: RMB8.50 per kg to RMB9.50 per kg); varies for different types of grapes

Sensitivity analysis

For Agricultural Produce, a 10% increase in the market price or quantity would lead to a 10% increase in the value of the Agricultural Produce, causing the appraised value to be RMB1,871,000 (2018: RMB2,546,000) at the point of harvest in 2019. A 10% decrease in the market price or quantity would lead to a 10% decrease in the value of the Agricultural Produce, causing the appraised value to be RMB1,531,000 (2018: RMB2,083,000) at the point of harvest in 2019.

17. TRADE RECEIVABLES

	Notes	2019 RMB'000	2018 RMB'000
Trade receivables from third parties		**2,129**	18,089
Due from related companies	(ii)	**44**	37
Impairment		**–***	(2)
Trade receivables	(i)	**2,173**	18,124

* Less than RMB1,000.

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period from one to three months. The Group seeks to apply strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Notes:

(i) Trade receivables

An ageing analysis of the trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2019 RMB'000	2018 RMB'000
Within 60 days	**2,173**	17,404
61 to 90 days	**–**	720
	2,173	18,124

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of year	**(2)**	(2)
Impairment losses, net	**2**	–*
At end of year	**–***	(2)

* Less than RMB1,000.

17. TRADE RECEIVABLES (CONTINUED)

Notes: (Continued)

(i) Trade receivables (Continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and credit rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than six months and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	**0.01%**	**0.50%**	**5.00%**	**5.00%**	**0.00%**
Gross carrying amount (RMB'000)	**2,140**	**33**	**–**	**–**	**2,173**
Expected credit losses (RMB'000)	**–***	**–***	**–**	**–**	**–***

As at 31 December 2018

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.01%	0.50%	5.00%	5.00%	0.01%
Gross carrying amount (RMB'000)	18,057	69	–	–	18,126
Expected credit losses (RMB'000)	2	–*	–	–	2

* Less than RMB1,000.

17. TRADE RECEIVABLES (CONTINUED)

Notes: (Continued)

(ii) Due from related parties

	Notes	2019 RMB'000	2018 RMB'000
Chan Kwan	(a)	**6**	8
Judy Chan		**–**	29
Chan Chun Keung	(b)	**38**	–
		44	37

Notes:

(a) Chan Kwan is a brother of Judy Chan.

(b) Chan Chun Keung is the father of Judy Chan and spouse of Wong Shu Ying.

The balances are unsecured, non-interest-bearing and have repayment terms of 90 days, which are on credit terms similar to those offered to other customers.

18. PREPAYMENTS AND OTHER RECEIVABLES

	Note	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Prepayments for acquisition of plant and equipment		**4,128**	–
CURRENT ASSETS			
Prepayments		**2,546**	1,160
Deposits and other receivables		**1,041**	1,182
Prepaid land lease payments	13(a)	**–**	846
VAT recoverable		**2,046**	270
		5,633	3,458

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

19. CASH AND CASH EQUIVALENTS

	2019 RMB'000	2018 RMB'000
Cash and bank balances	**52,193**	26,898
Time deposits	**41,526**	55,201
	93,719	82,099

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to RMB72,032,000 (2018: RMB25,414,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. TRADE PAYABLES

As at the end of the reporting period, an ageing analysis of the trade payables, based on the invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
Within 30 days	**1,628**	94
31 to 90 days	**3,934**	48
91 days to 1 year	**69**	–
	5,631	142

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

21. OTHER PAYABLES AND ACCRUALS

	Notes	2019 RMB'000	2018 RMB'000
Accruals		**1,366**	2,037
Other payables	(i)	**3,784**	6,123
Contract liabilities	(ii)	**2,583**	200
Deferred revenue		**22**	46
Due to related parties	(iii)	**27**	270
		7,782	8,676

Notes:

(i) Other payables are non-interest-bearing and have an average term of 30 to 90 days.

(ii) Contract liabilities mainly represent short-term advances received to deliver wine products. The increase in contract liabilities in 2019 was mainly due to increase in the short-term advances received from customers in relation to the delivery of goods at the end of the year.

(iii) Due to related parties:

	Note	2019 RMB'000	2018 RMB'000
Chan Kwan		**–**	270
Sanlion International Investment Limited	(a)	**27**	–
		27	270

(a) Chan Chun Keung, Judy Chan, Wong Shu Ying, Chan Kwan and Chan Pak Lim Brian (brother of Judy Chan), each effectively hold 60%, 10%, 10%, 10% and 10% equity interests in this company, respectively.

The outstanding balances with related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

22. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	Fair value of agricultural produce at the date of harvest RMB'000	Withholding taxes RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Deferred income RMB'000	Depreciation in excess of related depreciation allowance RMB'000	Right-of-use assets RMB'000	Total RMB'000
Gross deferred tax assets/(liabilities) at 1 January 2018	(198)	(9,219)	–	99	–	–	(9,318)
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 9)	199	6,340	–	(5)	183	–	6,717
At 31 December 2018 and 1 January 2019	**1**	**(2,879)**	**–**	**94**	**183**	**–**	**(2,601)**
Acquisition of subsidiaries (note 26)	**–**	**–**	**(28)**	**–**	**–**	**–**	**(28)**
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 9)	**212**	**305**	**–**	**(5)**	**–**	**22**	**534**
At 31 December 2019	**213**	**(2,574)**	**(28)**	**89**	**183**	**22**	**(2,095)**

22. DEFERRED TAX LIABILITIES (CONTINUED)

The Group has tax losses arising in Hong Kong of RMB47,754,000 (2018: RMB40,740,000) and is subject to the confirmation of tax losses from the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group has tax loss arising in Mainland China of RMB252,000 (2018: RMB1,745,000) as at 31 December 2019, that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. Deferred tax liabilities have been provided based on the foreseeable dividend distributions in coming years by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

23. SHARE CAPITAL

	2019			2018		
	Number of shares	HK$'000	RMB'000 equivalent	Number of shares	HK$'000	RMB'000 equivalent
Authorised:						
Ordinary shares of HK$0.001 each	8,000,000,000	8,000		8,000,000,000	8,000	
Issued and fully paid:						
Ordinary shares of HK$0.001 each	800,000,000	800	674	800,000,000	800	674

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Issued capital RMB'000
At 1 January 2018	1,000	–
Share Offer (note (i))	200,000,000	169
Capitalisation Issue (note (iii))	599,999,000	505
At 31 December 2018, 1 January 2019 and 31 December 2019	800,000,000	674

Notes:

(i) In connection with the Listing of the shares of the Company on the Stock Exchange, 200,000,000 new ordinary shares of HK$0.001 each of the Company were issued at a price of HK$0.35 per ordinary share for a total cash consideration, before expenses, of HK$70.0 million (equivalent to approximately RMB59.0 million) (the "Share Offer") and the amount of share capital issued was HK$200,000 (equivalent to approximately RMB169,000). Dealings in the shares of the Company on the Stock Exchange commenced on 27 June 2018.

(ii) Upon the Listing of the Company on 27 June 2018, the expense related to the issuance of new shares of HK$13.0 million (equivalent to approximately RMB11.0 million) was debited and deducted from the Company's share premium account.

(iii) Upon the creation of the Company's share premium account as a result of the Share Offer, an amount of HK$600,000 (equivalent to approximately RMB505,000) standing to the credit of the share premium account of the Company has been capitalised on 27 June 2018 by applying such sum towards paying up in full at par a total of 599,999,000 ordinary shares for allotment and issue to the then existing shareholders (the "Capitalisation Issue"). Immediately following the completion of the Share Offer and the Capitalisation Issue, the number of total outstanding ordinary shares of the Company was 800,000,000 including 200,000,000 ordinary shares issued upon the Share Offer.

24. RESERVES

The amounts of the Group's reserves and movements therein for the reporting period are presented in the consolidated statement of changes in equity.

(i) Capital reserve

Capital reserve represented the excess of capital contribution over the registered capital upon the capital injection of subsidiaries of the Group established in the PRC and capital contribution from shareholders on share-based payment expenses.

(ii) Statutory reserve funds

In accordance with the Law of the PRC for Enterprise with Foreign Investments and the articles of association of subsidiaries of the Group established in the PRC, appropriations from net profits, after offsetting accumulated losses brought forward from prior years, should be made to the reserve funds before distributions are made to the owners. The percentage of net profits to be appropriated to the reserve funds should not be less than 10% of the net profits. When the balance of the reserve funds reaches 50% of the paid-up capital, no further appropriations are required to be made.

(iii) Exchange fluctuation reserve

Exchange fluctuation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements.

25. SHARE-BASED PAYMENTS

(a) Share award

During the year ended 31 December 2019, 11,000,000 shares of the Company, representing 1.4% of the issued shares of the Company as at date of grant, were transferred from Macmillan Equity and Palgrave Enterprises, which are held by shareholders of the Company, Judy Chan and Wong Shu Ying, respectively, to personnel contributed to the Listing to the Company, including senior management and Director of the Company.

Details of the share award plan are as follows:

Grant date	Transferee	Number of shares granted	Fair value at grant date per share	Fair value (RMB'000)
26 March 2019	Director – Fan Chi Chiu	600,000	HK$0.275	145
26 to 29 March 2019	Senior management	5,400,000	HK$0.275 – HK$0.280	1,316
26 March 2019	Consultant	5,000,000	HK$0.275	1,211
		11,000,000		2,672

The management of the Company considers that the vesting condition set out in the relevant award notices has been achieved. The estimated fair value of the award shares as at the grant date amounting to RMB2,672,000 has been recognised in profit or loss for the year ended 31 December 2019.

(b) Share options scheme

In order to attract and retain the eligible participants, to provide incentive or rewards for their contribution to the Group and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (the ''Scheme'') on 1 June 2018 whereby the board of directors (the ''Board'') is authorised, at its absolute discretion and subject to the terms of the Scheme, to grant options for subscribing the shares of the Company (the ''Shares'') to, inter alia, any employees (full-time or part-time), potential employee, executive or officers (including executive, non-executive and independent non-executive Directors) of the Group and any suppliers, customers, agents and advisers who contributed to the Group. The Scheme shall be valid and effective for a period of ten years commencing on 1 June 2018, subject to the early termination provisions contained in the Scheme.

25. SHARE-BASED PAYMENTS (CONTINUED)

(b) Share options scheme (Continued)

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the Shares in issue on the Listing Date. The Company may at any time refresh this limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time.

The total number of shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 0.1% of the Shares in issue.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within seven days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the official closing price of the Shares as stated in The Stock Exchange's daily quotation sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days (as defined in the GEM Listing Rules) immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option provided always that for the purpose of calculating the subscription price, where the Company has been listed on The Stock Exchange for less than five business days, the issue price shall be used as the closing price for any trading day falling within the period before the date of listing of the Shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

At 31 December 2019 and at the date of approval of these financial statements, the Company had no share options outstanding under the Scheme.

26. BUSINESS COMBINATION

On 11 October 2019, the Group acquired a 100% interest in Maxco Asia, a wholly-owned immediate holding company of Fujian Dexi from Judy Chan. Maxco Asia Limited is an investment holding company and Maxco Asia is engaged in the production of spirits. The acquisition was made as part of the Group's strategy to achieve diversified and sustainable development into the Group. The purchase consideration for the acquisition of HK$15.0 million (equivalent to RMB13.6 million) was in the form of cash paid on the same date.

The fair values of the consolidated identifiable assets and liabilities of Maxco Asia and Fujian Dexi as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition RMB'000**
Property, plant and equipment	12	**44**
Right-of-use assets	13(b)	**7,770**
Cash and bank balances		**661**
Prepayments, deposits and other receivables		**2,430**
Other payables and accruals		**(47)**
Deferred tax liabilities	22	**(28)**
Total identifiable net assets at fair value		**10,830**
Goodwill on acquisition	14	**2,726**
Satisfied by cash		**13,556**

The fair value of the other receivables as at the date of acquisition amounted to RMB25,000. The gross contractual amount of other receivables was RMB25,000, of which no other receivables are expected to be uncollectible.

The Group incurred no material transaction costs for this acquisition.

26. BUSINESS COMBINATION (CONTINUED)

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash consideration	(13,556)
Cash and bank balances acquired	661
Net outflow of cash and cash equivalents included in cash flows from investing activities	(12,895)
Transaction costs of the acquisition included in cash flows from operating activities	–
	(12,895)

Since the acquisition, Fujian Dexi has not contributed any revenue to the Group and has caused a loss of the Group of RMB316,000 to the Group's consolidated result for the year ended 31 December 2019.

Had the combination taken place at the beginning of the period, the revenue of the Group and the loss of the Group for the year ended 31 December 2019 would have been RMB72,709,000 and RMB598,000, respectively.

27. DISPOSAL OF SUBSIDIARIES

On 1 June 2018, the Group and Judy Chan entered into a share transfer agreement, pursuant to which the Company transferred its 100% equity interest in Interfusion Limited and its subsidiaries, Corpwealth Asia Limited and Ningxia Ganlin Agricultural Development Co., Limited (collectively the "Disposal Group"), at a consideration of RMB1 to Judy Chan to rectify certain defects to the land use rights and non-compliant land usage of a parcel of land in Ningxia.

	Notes	RMB'000
Net liabilities disposed of:		
Property, plant and equipment	12	3,192
Prepaid land lease payments		101
Inventories		59
Biological assets		796
Prepayments and other receivables		67
Cash and bank balances		59
Trade payables		(15)
Other payables and accruals		(9,984)
		(5,725)
Release of exchange fluctuation reserve upon disposal of subsidiaries		65
Gain on disposal of subsidiaries	5	(5,660)
Satisfied by:		
Cash		–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	RMB'000
Cash consideration	–
Cash and bank balances disposed of	(59)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(59)

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB685,000 and RMB685,000, respectively, in respect of lease arrangements for lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

The table below details the cash flows and non-cash changes in the Group's liabilities arising from financing activities. Except as disclosed below, there were no non-cash changes in the Group's liabilities arising from financing activities.

	Dividends payable RMB'000	Lease liabilities RMB'000	Due to related parties RMB'000	Total RMB'000
At 1 January 2018	–	–	401	401
Financing cash flows	(10,000)	–	(131)	(10,131)
Dividends declared	10,000	–	–	10,000
At 31 December 2018	–	–	270	270
Effect of adoption of HKFRS 16	–	1,827	–	1,827
At 1 January 2019 (restated)	**–**	**1,827**	**270**	**2,097**
New leases	**–**	**685**	**–**	**685**
Interest expense	**–**	**92**	**–**	**92**
Interest paid classified as operating cash flows	**–**	**(92)**	**–**	**(92)**
Financing cash flows	**–**	**(381)**	**(243)**	**(624)**
At 31 December 2019	**–**	**2,131**	**27**	**2,158**

29. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had no significant contingent liabilities.

30. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2019 RMB'000	2018 RMB'000
Contracted, but not provided for:		
Plant and machinery	**3,279**	–
Construction in progress	**–**	527
	3,279	527

(b) Operating lease commitments as at 31 December 2018
The Group leased farmland and offices under operating lease arrangements. Leases were negotiated for terms ranging from one to ten years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000
Farmland	
Within one year	–
In the second to fifth years, inclusive	11
After five years	4
	15
Offices	
Within one year	1,119
In the second to fifth years, inclusive	1,872
	2,991

30. COMMITMENTS (CONTINUED)

(c) The Group has lease contracts for offices that have not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts are RMB342,000 due within one year and RMB461,000 due in the second to fifth years, inclusive.

(d) The Group's lease commitments for short-term leases accounted for RMB75,000 as at 31 December 2019.

31. RELATED PARTY TRANSACTIONS

(a) In addition to those transactions and balances disclosed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

	2019 **RMB'000**	2018 RMB'000
Sales of products		
– Rugao Hengfa Water Treatment Company Limited (note (a)(i))	**4**	–
– Chan Kwan	**27**	9
– Chan Chun Keung	**167**	90
– Wong Shu Ying	**–**	11
– Judy Chan	**4**	64
– Fan Chi Chiu	**–**	1
– Lo Ying Ying (note (a)(ii))	**–**	2
– Keyway Pride Limited (note (a)(iii))	**–**	22

Notes:

(a) (i) Judy Chan and Wong Shu Ying, effectively hold 20% and 30% interests in this company, respectively. The remaining 50% equity interest is held by Chan Chun Keung. Judy Chan also serves as a director of this company.

Rugao Hengfa Water Treatment Company Limited is a wholly-owned subsidiary of ELL Environmental Holdings Limited. Chan Kwan has an equity interest in ELL Environmental Holdings Limited. Judy Chan also serves as a director of Rugao Hengfa Water Treatment Company Limited.

(ii) Lo Ying Ying is a director of certain subsidiaries.

(iii) Keyway Pride Limited is a wholly-owned company of Judy Chan.

(iv) All of the above transactions were conducted at prices mutually agreed between the parties.

The above transactions also constitute connected transactions as defined in Chapter 20 of the GEM Listing Rules.

31. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes: (Continued)

(b) The Group has paid Dragonfield Management Limited amounting to RMB580,000 (2018: RMB590,000) for leases of commercial premises for use as offices during the year. The payment in respect of other administrative services provided by Dragonfield Management Limited during the year on behalf of the Group was RMB849,000 (2018: RMB808,000).

(c) The Group also received administrative services provided by Shanghai Taihuan Environmental Technology Company Limited# ("Shanghai Taihuan") (上海泰環環保科技有限公司) during the year at nil consideration as mutually agreed with Shanghai Taihuan. Judy Chan serves as a director of Everbest Water Treatment Development Company Limited, the immediate holding company of Shanghai Taihuan.

(d) On 11 October 2019, the Group acquired the entire equity interest in Maxco Asia and its subsidiary Fujian Dexi from Judy Chan. Further details are included in note 26.

(e) On 1 June 2018, the Group disposed of its 100% equity interest in the Disposal Group to Judy Chan. Further details are included in note 27.

(f) Outstanding balances with related parties:

Details of the Group's balances with the related parties are included in notes 17 and 21 to the financial statements.

(g) Compensation of key management personnel of the Group:

	2019	2018
	RMB'000	RMB'000
Fees	**1,127**	1,084
Salaries, allowances and benefits in kind	**1,135**	1,156
Performance related bonuses	**73**	46
Pension scheme contributions	**142**	179
Equity-settled share-based payment expense	**1,461**	–
	3,938	2,465

Further details of directors' emoluments are included in note 7 to the financial statements.

\# *The English name of this company represents the best effort made by management of the Company to directly translate the Chinese name of this company as it has not registered any official English name.*

32. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group as at the end of the reporting period are loans and receivables, and financial liabilities stated at amortised cost, respectively.

33. FAIR VALUE HIERARCHY

At the end of the reporting period, the Group did not have any financial assets or financial liabilities measured at fair value.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk refers to the risk on the fluctuation of fair value or future cash flows of financial instruments which arose from changes in exchange rates.

The Group's businesses are mainly located in Mainland China and are mainly transacted and settled in RMB. Accordingly, the directors considered that the Group's foreign currency exchange risk is insignificant. Certain sales and purchases were settled in other currencies including Hong Kong dollars, United States dollars and Euro. The fluctuation of the exchange rates of such currencies against RMB will affect the Group's results of operations. In addition, RMB is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange by complying with certain procedural requirements. However, approval from appropriate PRC Government authorities is required where RMB is to be converted into foreign currencies and remitted out of Mainland China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

Currently, the Group's PRC subsidiaries may purchase foreign exchange for settlement of current account transactions, including payment of dividends to the shareholders of the PRC subsidiaries, with the prior approval of the State Administration for Foreign Exchange. The Group's PRC subsidiaries may also retain foreign exchange in their current accounts to satisfy foreign exchange liabilities or to pay dividends. Since foreign exchange transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange, this could affect the Group's subsidiaries' ability to obtain the required foreign currency amounts through debt or equity financing, including by means of loans or capital contributions from the Company. There are limited hedging instruments available in the PRC to reduce the Group's exposure to exchange rate fluctuations between RMB and other currencies. To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risks. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and the Group may not be able to hedge the Group's exposure successfully, or at all. A reasonably possible change of 5% in the exchange rate between the Hong Kong dollar and RMB would have no material impact on the Group's profit during the year and there would be no impact on the Group's equity.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, trade receivables, and prepayments and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group has no significant concentration of credit risk on prepayments and other receivables, with exposure spread over a large number of counterparties and customers.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (Continued)

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Trade receivables*	–	–	–	2,173	2,173
Financial assets included in prepayments and other receivables					
– Normal**	1,042	–	–	–	1,042
Cash and cash equivalents					
– Not yet past due	93,719	–	–	–	93,719
	94,761	–	–	2,173	96,934

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Trade receivables*	–	–	–	18,124	18,124
Financial assets included in prepayments and other receivables					
– Normal**	1,182	–	–	–	1,182
Cash and cash equivalents					
– Not yet past due	82,099	–	–	–	82,099
	83,281	–	–	18,124	101,405

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the financial statements.

** The credit quality of the financial assets included in prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the financial statements.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

Liquidity risk refers to the risk that an enterprise may encounter difficulties to obtain adequate finance to repay the debt related to financial instruments. Liquidity risk may arise from the inability to dispose of financial assets promptly, counterparties being unable to repay their contracted debt obligations, the repayment of debts before the maturity dates of debt obligations, or the inability to generate the expected cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of cash deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's objective is to maintain a balance between continuity of funding and flexibility through the funding from related parties. In the opinion of the directors of the Company, the Group expects to have adequate sources of funding to finance the Group and manage the liquidity position.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

As at 31 December 2019

	Within 1 year or on demand RMB'000	**Between 2-3 years RMB'000**	**Over 3 years RMB'000**	**Total RMB'000**
Trade payables	**5,631**	**–**	**–**	**5,631**
Other payables and accruals	**5,149**	**–**	**–**	**5,149**
Due to related parties	**27**	**–**	**–**	**27**
Lease liabilities	**612**	**1,243**	**276**	**2,131**
	11,419	**1,243**	**276**	**12,938**

As at 31 December 2018

	Within 1 year or on demand RMB'000	Between 2-3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Trade payables	142	–	–	142
Other payables and accruals	8,160	–	–	8,160
Due to related parties	270	–	–	270
	8,572	–	–	8,572

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, and to maintain healthy capital ratios in order to support its business.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a net debt to equity ratio, which is calculated as total interest-bearing bank borrowings net of cash and bank balances, and divided by total equity and multiplied by 100%. Net debt includes interest-bearing bank borrowings (as shown in the consolidated statement of financial position) less cash and bank balances. Total equity includes all components of equity attributable to owners of the Company. The Group aims to maintain the net debt to equity ratio at a reasonable level. The net debt to equity ratio as at the end of the reporting period was as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Net cash	**–**	(82,099)
Total equity	**–**	250,642
Net debt to equity ratio	**N/A**	N/A

35. EVENTS AFTER THE REPORTING PERIOD

The outbreak of the COVID-19 since late 2019 has brought challenges and uncertainty to the industry. The Group has assessed the impact of the status on its operations and details in relation to the outbreak of coronavirus are set out in the announcement dated on 25 February 2020.

Saved as disclosed above and in this report, the Group does not have other significant subsequent events after the reporting period.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**13,532**	3
CURRENT ASSETS		
Due from subsidiaries	**148,950**	139,143
Prepayments	**134**	132
Cash and bank balances	**21,552**	36,192
Total current assets	**170,636**	175,467
CURRENT LIABILITIES		
Other payables and accruals	**606**	2,029
Due to subsidiaries	**55,175**	44,702
Total current liabilities	**55,781**	46,731
NET CURRENT ASSETS	**114,855**	128,736
Net assets	**128,387**	128,739
EQUITY		
Issued capital	**674**	674
Reserves (note)	**127,713**	128,065
Equity	**128,387**	128,739

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	104,194	–	809	(7,877)	97,126
Loss for the year	–	–	–	(12,685)	(12,685)
Other comprehensive income for the year:					
Exchange differences on translation of financial information	–	–	6,239	–	6,239
Total comprehensive loss for the year	–	–	6,239	(12,685)	(6,446)
Share offer (Note 23(i))	58,847	–	–	–	58,847
Capitalisation Issue (Note 23(iii))	(505)	–	–	–	(505)
Expense incurred in connection with the issue of new shares (Note 23(ii))	(10,957)	–	–	–	(10,957)
2018 special dividend (Note 10)	(10,000)	–	–	–	(10,000)
At 31 December 2018 and 1 January 2019	**141,579**	**–**	**7,048**	**(20,562)**	**128,065**
Loss for the year	**–**	**–**	**–**	**(5,439)**	**(5,439)**
Other comprehensive income for the year:					
Exchange differences on translation of financial information	**–**	**–**	**2,415**	**–**	**2,415**
Total comprehensive loss for the year	**–**	**–**	**2,415**	**(5,439)**	**(3,024)**
Capital contribution from shareholders	**–**	**2,672**	**–**	**–**	**2,672**
At 31 December 2019	**141,579**	**2,672**	**9,463**	**(26,001)**	**127,713**

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2020.

Financial Summary

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the Company's audited consolidated financial statements and the Prospectus, is set out below:

RESULTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**72,709**	72,556	70,384	53,367	68,436
Profit before tax	**4,413**	3,711	8,659	16,941	26,608
Income tax credit/(expense)	**(4,383)**	2,454	(7,545)	(5,656)	(8,250)
Profit for the year	**30**	6,165	1,114	11,285	18,358

ASSETS AND LIABILITIES

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**275,127**	264,473	228,819	296,681	273,849
Total liabilities	**21,052**	13,831	24,759	182,186	163,299
Total equity	**254,075**	250,642	204,060	114,495	110,550