

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



Interim Report  
**2020**

## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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 of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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## BOARD OF DIRECTORS

### Executive Directors

Ms. Judy Chan  
(*Chairlady and 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  
Mr. Alec Peter Tracy

## 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

## 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 interim report for the six months ended 30 June 2020.

For the first half year of 2020, our revenue was RMB19.6 million, which was, as expected, significantly lower than the corresponding period in 2019. However, it is positive for us to see that the decrease in sales in the first half of 2020 as compared to the same period last year fell from approximately 46.0% in the first quarter to approximately 23.8% in the second quarter. As a result, we recorded a profit after tax of approximately RMB0.5 million for the second quarter of 2020 as compared to a loss after tax of approximately RMB2.4 million for the first quarter of 2020. The management is optimistic that we can continue to improve our results with our existing plans.

As I mentioned in my last statement, in order to “get closer” to our customers, we have decided to change our distribution strategy in Shanxi, the PRC, this year. Currently, we have 12 distributors covering the main cities there, 11 of which were newly appointed this year. Selecting and appointing appropriate partners was our main focus for the first half of 2020. For the second half of 2020, our team will work closely with each distributor to develop and implement sales and marketing support policies which address each specific partner’s need. We believe this “one-city-one-policy” approach will help us increase our market presence and penetration.

None of us imagined that the world would still be in the middle of the pandemic of the Conronavirus Disease 2019 (“**COVID-19**”). Despite the uncertain outlook and business environment of the wine industry caused by the outbreak of COVID-19, we believe we can weather through the adverse landscape by focusing on our priorities and strategies. Our top three priorities for the remaining financial year are:

1. To maintain prudent operation and focus on liquidity adequacy;
2. To achieve our goal in the new sales strategy in Shanxi; and
3. To drive demand for our wines through micro-segmentation in our distribution channels.

Finally, I would like to share some updates on our whisky and gin project. The distillery facility construction will commence later this year. The target completion date is expected to be in the fourth quarter instead of the second quarter of 2021. In order to speed up the progress of the project, the management has identified an existing distillery owned and operated by an independent third party which we can utilise for our early operation during the construction of the distillery facility. This will allow us to start the production of gin immediately and conduct product development on whisky in the meantime.

This is a difficult time for everyone, but we are optimistic and excited about our plans and initiatives. Fortunately, both Shanxi and Fujian have been affected relatively lightly by the pandemic so far, and we have already seen that wine consumption has generally resumed based on our sales figures for the six months ended 30 June 2020. 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*

6 August 2020

# Unaudited Interim Results

The Board presents the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2020, together with the comparative unaudited figures of the corresponding period in 2019. Where appropriate, numerical figures or percentages presented herein are approximate figures and percentages (as the case may be).

## Unaudited Condensed Consolidated Statement of Profit or Loss

For the three months and six months ended 30 June 2020

	Notes	For the six months ended 30 June		For the three months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
REVENUE	5	<b>19,625</b>	29,461	<b>12,764</b>	16,761
Cost of sales		<b>(10,286)</b>	(18,638)	<b>(6,492)</b>	(10,182)
Gross profit		<b>9,339</b>	10,823	<b>6,272</b>	6,579
Other income and gains, net	6	<b>1,105</b>	1,012	<b>669</b>	286
Selling and distribution expenses		<b>(2,737)</b>	(2,594)	<b>(1,431)</b>	(1,236)
Administrative expenses		<b>(9,000)</b>	(11,094)	<b>(4,579)</b>	(4,455)
Other expenses and losses		<b>(88)</b>	(32)	<b>(60)</b>	(6)
Finance costs, net		<b>(64)</b>	(43)	<b>(29)</b>	(20)
PROFIT/(LOSS) BEFORE TAX	7	<b>(1,445)</b>	(1,928)	<b>842</b>	1,148
Income tax expense	8	<b>(500)</b>	(1,085)	<b>(345)</b>	(969)
PROFIT/(LOSS) FOR THE PERIOD AND PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY		<b>(1,945)</b>	(3,013)	<b>497</b>	179
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY					
Basic and diluted (RMB cents)	10	<b>(0.24)</b>	(0.38)	<b>0.06</b>	0.02

# Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2020

	For the six months ended 30 June		For the three months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
PROFIT/(LOSS) FOR THE PERIOD	<b>(1,945)</b>	(3,013)	<b>497</b>	179
OTHER COMPREHENSIVE INCOME/ (LOSS)				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent period:				
Exchange differences:				
Exchange differences on translation of financial information	<b>445</b>	(59)	<b>(84)</b>	910
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME/ (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	<b>(1,500)</b>	(3,072)	<b>413</b>	1,089



# Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Note	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	74,734	76,137
Right-of-use assets		22,372	22,642
Prepayments		5,983	4,128
Goodwill		4,087	4,087
<b>Total non-current assets</b>		<b>107,176</b>	106,994
<b>CURRENT ASSETS</b>			
Inventories		64,425	66,608
Biological assets	12	1,002	–
Trade receivables	13	963	2,173
Prepayments, deposits and other receivables		5,624	5,633
Cash and cash equivalents		85,590	93,719
<b>Total current assets</b>		<b>157,604</b>	168,133
<b>CURRENT LIABILITIES</b>			
Trade payables	14	3,329	5,631
Other payables and accruals		2,954	7,782
Tax payable		1,681	3,087
Lease liabilities		910	612
<b>Total current liabilities</b>		<b>8,874</b>	17,112
<b>NET CURRENT ASSETS</b>		<b>148,730</b>	151,021
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>255,906</b>	258,015

Unaudited Condensed Consolidated Statement of Financial Position  
As at 30 June 2020



	Note	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 (Audited) RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>1,527</b>	2,095
Deferred income		<b>315</b>	326
Lease liabilities		<b>1,489</b>	1,519
Total non-current liabilities		<b>3,331</b>	3,940
Net assets		<b>252,575</b>	254,075
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	15	<b>674</b>	674
Reserves		<b>251,901</b>	253,401
Total equity		<b>252,575</b>	254,075

# Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the Company						
	Issued capital	Share premium	Capital and other reserve	Statutory funds	Exchange fluctuation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	674	141,579*	2,765*	14,197*	(4,831)*	99,691*	254,075
Loss for the period	-	-	-	-	-	(1,945)	(1,945)
Other comprehensive income/(loss) for the period:							
Exchange differences:							
Exchange difference on translation of financial information	-	-	-	-	445	-	445
Total comprehensive income/(loss) for the period	-	-	-	-	445	(1,945)	(1,500)
At 30 June 2020 (unaudited)	674	141,579*	2,765*	14,197*	(4,386)*	97,746*	252,575
At 1 January 2019	674	141,579	93	13,746	(5,562)	100,112*	250,642
Loss for the period	-	-	-	-	-	(3,013)	(3,013)
Other comprehensive loss for the period:							
Exchange differences:							
Exchange difference on translation of financial information	-	-	-	-	(59)	-	(59)
Total comprehensive loss for the period	-	-	-	-	(59)	(3,013)	(3,072)
Capital contributions from shareholders	-	-	2,672	-	-	-	2,672
At 30 June 2019 (unaudited)	674	141,579	2,765	13,746	(5,621)	97,099	250,242

\* These reserve accounts comprise the consolidated reserves of RMB251,901,000 (31 December 2019: RMB253,401,000) in the unaudited condensed consolidated statement of financial position.

# Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	For the six months ended 30 June 2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows from/(used in) operating activities	<b>(2,727)</b>	10,504
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	<b>(3,388)</b>	(2,880)
Proceeds from disposal of items of property, plant and equipment	<b>41</b>	61
Prepayments of property, plant and equipment	<b>(1,855)</b>	–
Withholding taxes paid on investing activities	<b>–</b>	(300)
Net cash flows used in investing activities	<b>(5,202)</b>	(3,119)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal portion of lease payments	<b>(638)</b>	(215)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>(8,567)</b>	7,170
Cash and cash equivalents at beginning of period	<b>93,719</b>	82,099
Effect of foreign exchange rate changes, net	<b>438</b>	(25)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>85,590</b>	89,244
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances as stated in the unaudited condensed consolidated statement of financial position	<b>85,590</b>	89,244

# Notes to Unaudited Condensed Consolidated Interim Financial Information

30 June 2020

## 1. GENERAL

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

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

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of Group has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Hong Kong Companies Ordinance.

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements and should read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

The unaudited condensed consolidated interim financial information of the Group has been prepared in accordance with the same accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of the revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) as disclosed in note 3 below.

This unaudited condensed consolidated interim financial information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated. This unaudited condensed consolidated interim financial information has not been audited or reviewed by the Company's external auditors, but has been reviewed by the Company's Audit Committee ("**Audit Committee**").



### 3. CHANGES IN ACCOUNTING POLICIES

In the accounting period beginning from 1 January 2020, the Group has adopted, for the first time, the following amendments to HKFRSs issued by the HKICPA that affect the Group and are adopted for the current period's financial information:

Amendment to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

These amendments have had no material effect on how the Group's results and financial position for the current or prior periods that have been presented in this unaudited condensed consolidated interim financial information. The Group has not applied any other new standards or interpretation that is not yet effective for the current accounting period.

### 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 period.

#### **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 People's Republic of China ("PRC") during the period.

#### **Information about major customers**

For the six months ended 30 June 2020, revenue amounting to 10 percent or more of the Group's total revenue derived from sales to a customer was RMB8,209,000 (30 June 2019: RMB18,233,000).

## 5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June		For the three months ended 30 June	
	2020	2019	2020	2019
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Revenue from contracts with customers				
Sales of goods	<b>19,625</b>	29,461	<b>12,764</b>	16,761

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

	For the six months ended 30 June		For the three months ended 30 June	
	2020	2019	2020	2019
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
<i>Geographical markets</i>				
Mainland China	<b>19,556</b>	28,755	<b>12,764</b>	16,109
Hong Kong	<b>69</b>	633	-	579
Other jurisdictions	-	73	-	73
Total revenue from contracts with customers	<b>19,625</b>	29,461	<b>12,764</b>	16,761

## 6. OTHER INCOME AND GAINS, NET

An analysis of other income and gains is as follows:

	For the six months ended 30 June		For the three months ended 30 June	
	2020	2019	2020	2019
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Bank interest income	432	510	313	281
Government grants*	611	460	298	–
Gains on disposal of items of property, plant and equipment, net	36	17	36	2
Others	26	25	22	3
<b>Other income and gains, net</b>	<b>1,105</b>	1,012	<b>669</b>	286

- \* The Group received various government grants for the promotion of the wine industry, support of agricultural development and stabilisation of employment in Mainland China and Hong Kong. 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.



## 7. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June		For the three months ended 30 June	
	2020	2019	2020	2019
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Cost of inventories sold	<b>4,528</b>	10,250	<b>3,290</b>	6,389
Depreciation of property, plant and equipment	<b>4,998</b>	5,353	<b>2,503</b>	2,553
Less: government grants released	<b>(11)</b>	(11)	<b>(5)</b>	(5)
	<b>4,987</b>	5,342	<b>2,498</b>	2,548
Depreciation of right-of-use assets	<b>1,016</b>	638	<b>499</b>	319
Less: amount capitalised into biological assets	<b>(160)</b>	(158)	<b>(160)</b>	(158)
	<b>856</b>	480	<b>339</b>	161

## 8. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the reporting period. The provision for the PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC.

	For the six months ended 30 June		For the three months ended 30 June	
	2020	2019	2020	2019
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Group:				
Current – Mainland China				
Charge for the period	<b>589</b>	657	<b>415</b>	532
Under-provision/(over- provision) in prior periods	<b>(91)</b>	327	<b>(91)</b>	327
Deferred tax	<b>2</b>	101	<b>21</b>	110
<b>Total tax charge for the period</b>	<b>500</b>	1,085	<b>345</b>	969

## 8. INCOME TAX (CONTINUED)

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

### For the six months ended 30 June 2020

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	1,395		(2,840)		(1,445)	
Tax at the weighted average applicable tax rate	349	25.0	(467)	16.5	(118)	8.2
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	(14)		-		(14)	
Adjustments in respect of current tax of previous periods	(91)		-		(91)	
Income not subject to tax	(47)		-		(47)	
Expenses not deductible for tax	33		-		33	
Tax losses not recognised	270		467		737	
Tax charge for the period	500	35.8	-	-	500	(34.6)



## 8. INCOME TAX (CONTINUED)

For the six months ended 30 June 2019

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	3,447		(5,375)		(1,928)	
Tax at the weighted average applicable tax rate	862	25.0	(887)	16.5	(25)	1.3
Lower tax rate for specific provinces or enacted by local authority	(361)		–		(361)	
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	130		–		130	
Expenses not deductible for tax	55		440		495	
Tax losses not recognised	399		447		846	
Tax charge for the period	1,085	31.5	–	–	1,085	(56.3)

## 9. DIVIDENDS

The Directors do not recommend or declare the payment of any dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

## 10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share for the six months ended 30 June 2020 is based on the loss for the period attributable to owners of the Company of RMB1,945,000 (for the six months ended 30 June 2019: RMB3,013,000), and the weighted average number of ordinary shares of 800,000,000 (for the six months ended 30 June 2019: 800,000,000) in issue during the period.

The calculation of basic earnings per share for the three months ended 30 June 2020 is based on the profit for the period attributable to owners of the Company of RMB497,000 (for the three months ended 30 June 2019: RMB179,000), and the weighted average number of ordinary shares of 800,000,000 (for the three months ended 30 June 2019: 800,000,000) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share presented for the three months and six months ended 30 June 2020 and 2019 as the Group had no potentially dilutive ordinary shares in issue during these periods.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group acquired items of plant and machinery with a cost of approximately RMB3,388,000 (30 June 2019: RMB2,880,000). Items of plant and machinery with a net book value of approximately RMB5,000 (30 June 2019: RMB44,000) were disposed of during the six months ended 30 June 2020, resulting in a gain on disposal of approximately RMB36,000 (30 June 2019: RMB17,000).

## 12. BIOLOGICAL ASSETS

All grapes are harvested annually from late August to the end of September 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 at the end of the reporting periods and therefore the cost approach is adopted to value the immature grapes during the growing period as at the end of the reporting periods.

Cultivation costs incurred are accounted for as additions to the biological assets and have been considered in the calculation of the fair values for the growing period and these costs approximate to their fair values. During the six months ended 30 June 2020, the Group incurred RMB1,002,000 on the plantation of biological assets.

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.

During each of the reporting periods, no transfers occurred between levels in the hierarchy.

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 technique and key input	Significant unobservable input	Relationship of unobservable input to fair value
Immature grapes	Level 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

### 13. TRADE RECEIVABLES

	<b>As at 30 June 2020 (Unaudited) RMB'000</b>	<b>As at 31 December 2019 (Audited) RMB'000</b>
Trade receivables from third parties	<b>908</b>	2,129
Due from related companies	<b>55</b>	44
Impairment	<b>—*</b>	—*
<b>Trade receivables</b>	<b>963</b>	<b>2,173</b>

\* Less than RMB1,000.

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period up to three months. The Group does not hold any collateral or other credit enhancements over its trade receivable balances and the trade receivables are non-interest-bearing.

Note:

- (i) Trade receivables

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

	<b>As at 30 June 2020 (Unaudited) RMB'000</b>	<b>As at 31 December 2019 (Audited) RMB'000</b>
Within 60 days	<b>894</b>	2,173
61 to 90 days	<b>69</b>	—
<b>Trade receivables</b>	<b>963</b>	<b>2,173</b>



## 14. TRADE PAYABLES

An aged analysis of the trade payables, based on the invoice date, is as follows:

	<b>As at 30 June 2020 (Unaudited) RMB'000</b>	As at 31 December 2019 (Audited) RMB'000
Within 30 days	<b>25</b>	1,628
31 to 90 days	<b>3,296</b>	3,934
91 days to 1 year	<b>8</b>	69
	<b>3,329</b>	5,631

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

## 15. SHARE CAPITAL

	As at 30 June 2020			As at 31 December 2019		
	Number of shares	HK\$'000	(Unaudited) RMB'000 equivalent	Number of shares	HK\$'000	(Audited) 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

## 16. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at the end of the reporting period.



## 17. COMMITMENTS

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

	<b>As at 30 June 2020 (Unaudited) RMB'000</b>	As at 31 December 2019 (Audited) RMB'000
Contracted, but not provided for: Plant and machinery	<b>2,256</b>	3,279

## 18. RELATED PARTY TRANSACTIONS

- (a) In addition to those transactions and balances disclosed elsewhere in the unaudited condensed consolidated interim financial information, the Group had the following transactions with related parties during the period:

	<b>For the six months ended 30 June 2020 (Unaudited) RMB'000</b>	2019 (Unaudited) RMB'000
<b>Sales of products</b>		
– Chan Kwan (note (a)(i))	–	19
– Chan Chun Keung (note (a)(ii))	<b>94</b>	113
– Judy Chan (note (a)(iii))	<b>13</b>	4
– Rugao Hengfa Water Treatment Company Limited <sup>#</sup> (note (a)(iv))	–	4

- <sup>#</sup> 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.



## 18. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (Continued)

Notes:

- (a)(i) Chan Kwan is a brother of Judy Chan.
- (a)(ii) Chan Chun Keung is the father of Judy Chan and the spouse of Wong Shu Ying.
- (a)(iii) Judy Chan is the executive director.
- (a)(iv) Judy Chan and Wong Shu Ying, effectively hold 20% and 30% interests in the 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 a 35.17% interest in ELL Environmental Holdings Limited.

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

- (b) The Group has paid Dragonfield Management Limited RMB112,000 (30 June 2019: RMB301,000) for the leasing of commercial premises for use as offices during the period ended 30 June 2020. The payment in respect of other administrative services provided by Dragonfield Management Limited during the period on behalf of the Group was RMB489,000 (30 June 2019: RMB413,000).

## 18. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Fee	629	554
Salaries, allowances and benefits in kind	582	514
Performance related bonuses	–	9
Pension scheme contributions	43	72
Equity-settled share-based payment expense	–	1,435
	<b>1,254</b>	2,584

## 19. FAIR VALUE HIERARCHY

Other than biological assets, as disclosed in note 12, the Group did not have any financial assets or financial liabilities measured at fair value at the end of the reporting period.



## BUSINESS REVIEW AND OUTLOOK

According to data released by China's National Bureau of Statistics, the country's gross domestic product ("GDP") reached RMB20.6 trillion<sup>1</sup> in the first quarter of 2020, representing a decrease of 6.8% compared with the same period last year. The domestic economy is facing unprecedented challenges under the influence of the novel coronavirus pneumonia pandemic. The average income of urban households has continued to climb over the past number of years, alongside the continuous growth of China's macroeconomy and ongoing urbanization. Per capita disposable income in the first quarter rose from RMB5,562 in 2014<sup>2</sup> to RMB8,493 for the same quarter in 2019<sup>3</sup>, representing a compound annual growth rate ("CAGR") of 8.83%. However, due to the influence of the pandemic, per capita disposable income growth for quarter one of 2020 slowed significantly to RMB8,561<sup>4</sup>, with 0.8% growth relative to the same quarter last year. It is predicted that the pandemic will negatively effect the Chinese economy over the short to medium-term.

In the first half of 2020, the novel coronavirus pneumonia pandemic had a noticeable impact on the Chinese wine market. Data from the China Merchant Industry Research Institute (中商產業研究院) shows that national wine output was 102,000 kiloliters<sup>5</sup> during January to May, 2020, representing a relative decline of 32% from the corresponding period last year. Industry data shows that the cumulative sales income of companies producing wine on a national scale or larger was RMB2.669 billion<sup>6</sup>, representing a relative decrease of 37.87%. Challenges the wine industry is facing as a whole include blocked food and beverage supply and sales channels; stagnated domestic and international production, marketing and business activities; reduced consumption due to a decrease in social activities and a lack of manpower due to travel restrictions on winemakers and other personnel. Although the wine market is showing a drop in production and sales over the short to medium-term due to the macro environment and other factors, as the influence of the pandemic gradually subsides in the PRC, and food, beverage and business venues gradually recover, we expect that there will be a resurgence in domestic wine consumption. Looking towards the long term, there is still growth potential for the wine industry. China is currently the fifth largest wine-consuming nation. International Wine & Spirit Research (國際葡萄酒及烈酒研究中心) predicts that by 2021, China will become the world's second-largest wine consuming nation. As the demand for alcohol diversifies and we see changes in the mode of consumption as well as an increase in health-consciousness, consumers' demand for wine is no longer restricted to formal occasions such as business gatherings. Wine consumption in informal context such as food and beverage venues and leisure and entertainment venues is becoming more common. Wine culture is slowly being nurtured across the country. As such, we believe that there is room for steady long-term growth in consumption.

<sup>1</sup> [http://www.stats.gov.cn/tjsj/zxfb/202004/t20200417\\_1739602.html](http://www.stats.gov.cn/tjsj/zxfb/202004/t20200417_1739602.html)

<sup>2</sup> [http://www.stats.gov.cn/tjsj/zxfb/201404/t20140416\\_539846.html](http://www.stats.gov.cn/tjsj/zxfb/201404/t20140416_539846.html)

<sup>3</sup> [http://www.stats.gov.cn/tjsj/zxfb/201904/t20190417\\_1659987.html](http://www.stats.gov.cn/tjsj/zxfb/201904/t20190417_1659987.html)

<sup>4</sup> [http://www.stats.gov.cn/tjsj/zxfb/202004/t20200417\\_1739334.html](http://www.stats.gov.cn/tjsj/zxfb/202004/t20200417_1739334.html)

<sup>5</sup> <http://www.winesinfo.com/html/2020/6/12-83360.html>

<sup>6</sup> <http://www.winesinfo.com/html/2020/6/171-83395.html>

As we step in the last year of the “13th Five-Year Plan for the Wine Industry” (《葡萄酒行業十三五規劃》), the Chinese government plans to foster the construction of wine grape cultivation bases to cultivate wine grapes that can better satisfy the tastes of local residents. These policies and measures are expected to have positive effects on the winemaking industry. For instance, both Shanxi and Ningxia provincial governments have provided subsidies to vineyard farmers. The China Alcoholic Drinks Association (“**CADA**”) (中國酒業協會) issued the “13th Five-Year Development Guide for the Chinese 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 provincial 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 is aimed at promoting the planting of fruits, such as grapes and apples, and facilitating the development of processed winemaking for fruit wines such as grape wine. Additionally, in quarter four of 2019, CADA implemented two group standards, “Wine Grapes” and “Oak Barrels”, to unify standards in China for wine-making techniques and testing parameters, and provide clear standards for evaluation based on wine quality and the use of raw materials. At the same time, at CADA’s Annual National Wine Tasting Convention, the association released “Standard Wine-Producing Regions”, in an attempt to clearly define standard wine producing regions in China, and stimulate healthy development of the Chinese wine industry. Many small and medium-sized businesses were forced to withdraw from the market due to not meeting these standards. Large-scale businesses, especially wine grape cultivators, strive to adapt as businesses that could integrate high-quality wine production, logistics, and sales. Such businesses will benefit from the policies mentioned above, and will provide more business opportunities for our Group.

In terms of financial condition, the Group recorded a 13.7% decrease in gross profit for the first half of 2020, mainly because production activities are brought to a standstill under the COVID-19 epidemic, which led to a decline in wine sales. In addition, the significant decline in the number of gathering for meals occurring domestically and sharp drop in wine consumption during the outbreak has negatively affected the short-term business of the Group. Despite the hardship, the Group is still actively exploring different ways to expand its market and distribution channels by collaborating with offline distributors to increase distribution channels instead of relying on the only distributor as in the past. We expect an increase in the gross profit margin and net profit margin in the second half of the year as the epidemic slows down. In the mid to long term, we plan to continue expanding our market coverage by increasing the number of distribution channels, so as to boost sales. In response to market changes, the Group will actively expand diversified sales channels to promote our products to more consumers.



The Group completed the acquisition of a 100% equity interest in Maxco Asia Limited (“**Maxco Asia**”) on 11 October 2019. Maxco Asia owns Fujian Dexi Wine Company Limited, which was established in China and mainly produces whiskey and gin in Fujian Province, China. The preliminary process of the construction of the production plant was delayed due to the impacts brought about by the epidemic, and the Group is still making active preparations. We believe that the Group can continue to benefit from the existing sales network and extensive experience in brewing alcoholic beverages. It is expected that the acquisition will have a synergetic effect on the Group’s wine business and lay a foundation for the entering into the spirits industry of the Group, leading the wine business into a diversified and sustainable development.

We believe that the Group’s sales will slowly recover in the second half of the period as the COVID-19 is brought into control. The Group will continue to focus on improving product quality and consumer satisfaction, maintaining the status of the Group’s wine brand in the minds of the consumers. Looking forward to the future, although there are numerous obstacles ahead, the Group will rise up to challenges and bring healthy and long-term sustainable development by actively establishing sales channels, giving full play to its competitive advantages and diversifying its business.

## FINANCIAL REVIEW

### Revenue

Our revenue decreased by RMB9.8 million or 33.4% from RMB29.5 million for the six months ended 30 June 2019 (“**1H2019**”) to RMB19.6 million for the six months ended 30 June 2020 (“**1H2020**”) as a result of the decrease in total sales volume.

We sold 254,000 bottles in 1H2020 as compared to 425,000 bottles in 1H2019, while our average selling price increased from RMB69.2 in 1H2019 to RMB77.3 in 1H2020. This was due to an increase in the sales of our high-end wine portfolio products, which have higher selling prices. The table below sets out the analysis of revenue and sales volume by our product mix:

	For the six months ended 30 June 2020		For the six months ended 30 June 2019	
	Revenue	Sales volume	Revenue	Sales volume
High-end	66.3%	33.0%	58.4%	26.9%
Entry-level	33.7%	67.0%	41.6%	73.1%

## **Cost of sales**

Our cost of sales decreased by RMB8.4 million or 44.8% from RMB18.6 million for 1H2019 to RMB10.3 million for 1H2020 primarily due to (i) the decrease in total sales volume and (ii) the decrease in unit costs of production as a result of the increasing production volume during the years where the products sold during 1H2020 were produced.

## **Gross profit and gross profit margin**

Our overall gross profit decreased by RMB1.5 million or 13.7% from RMB10.8 million for 1H2019 to RMB9.3 million for 1H2020, due to (i) the decrease in total sales and (ii) the decrease in unit costs of sales of the products sold which were produced in the years of higher production volume as aforementioned, offset by the increase in unit profit margin due to the increase in sales mix of our high-end portfolio products as aforementioned. Our overall gross profit margin, therefore, increased from 36.7% for 1H2019 to 47.6% for 1H2020.

## **Other income and gains, net**

Other net income and gains increased by RMB0.1 million or 9.2% from RMB1.0 million for 1H2019 to RMB1.1 million for 1H2020, which mainly comprised government grant of RMB0.6 million and bank interest income of RMB0.4 million.

## **Selling and distribution expenses**

Selling and distribution expenses increased slightly by RMB0.1 million or 5.5% from RMB2.6 million for 1H2019 to RMB2.7 million for 1H2020, mainly comprising higher promotion and marketing expenses.

## **Administrative expenses**

Administrative expenses decreased by RMB2.1 million or 18.9% from RMB11.1 million for 1H2019 to RMB9.0 million for 1H2020, which was mainly attributable to the absence of staff costs due to the share-based payments made as remuneration to certain management personnel amounting to RMB2.6 million in 1H2019, offset by the increase in administrative expenses in relation to our whisky and gin production project amounting to RMB0.6 million.

## **Finance costs, net**

Our finance costs was RMB64,000, which represented the unwinding of the discounted lease liabilities recognised under HKFRS 16 Leases (1H2019: RMB43,000).



## **Income tax expense**

Our income tax expense decreased by RMB0.6 million or 53.9% from RMB1.1 million for 1H2019 to RMB0.5 million for 1H2020 due to the decrease in profit before tax for our PRC subsidiaries.

## **Loss for the period**

As a result of the foregoing, a loss for the period of RMB1.9 million was recognised for 1H2020 (1H2019: RMB3.0 million).

## **Liquidity, financial and capital resources**

Our principal liquidity and capital requirements primarily relate to acquisition of raw materials for wine production as well as other costs and expenses related to our business operation. As at 30 June 2020, the carrying amount of the Group's cash and cash equivalents was RMB85.6 million, representing a decrease of 8.7% as compared with that of RMB93.7 million as at 31 December 2019.

As at 30 June 2020, the Group's cash and cash equivalents include RMB66.6 million, USD2.65 million, HK\$0.2 million, and some insignificant amounts of EUR.

## **Gearing ratio**

The Group's gearing ratio is measured by total external borrowings divided by total equity. As at 30 June 2020, the Group does not have any external borrowings (31 December 2019: nil).

## **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 will 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.



## **Contingent liabilities**

As at 30 June 2020, the Group had no contingent liabilities (31 December 2019: nil).

## **Pledge of assets**

As at 30 June 2020, the Group did not have any assets pledged for credit facilities (31 December 2019: nil).

## **Employee and remuneration policies**

As at 30 June 2020, the Group had, including Directors, 146 employees (31 December 2019: 148 employees). Staff costs, including Directors' emoluments, amounted to RMB4.5 million for 1H2020 (1H2019: RMB6.0 million). The remuneration policies for our Directors and employees are based on their experience, level of responsibility and general market conditions, and are reviewed and adjusted on an annual basis.

The Company has adopted a share option scheme on 1 June 2019 for the purpose of providing incentives and rewards to eligible members of the scheme.

## **Events after the reporting period**

There were no significant events after the reporting period up to the date of this report.

## **Significant investments, material acquisition and disposals**

During 1H2020, the Group did not have any significant investments, material acquisitions or disposal of assets, subsidiaries, associates or joint ventures.

## **Interim dividend**

The Board does not recommend the payment of any dividend for 1H2020.

## **Future plans for material investments and capital assets**

Save as disclosed in the Prospectus (defined below) and this report, the Group does not have other plans for material investments and capital assets.



### 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 of the Company dated 12 June 2018 (the “Prospectus”) with the Group’s actual business progress up to 30 June 2020:

Business objectives from 1 January 2020 to 30 June 2020 as set out in the Prospectus	Actual business progress up to 30 June 2020
--	---

**(i) To increase our brand awareness and sales by collaborating with selected distributors**

We intend to use approximately 2.4% of the net proceeds, or approximately RMB0.8 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 formulated new strategies on the distributorship in the Shanxi Province. During 1H2020, we have entered into 11 new distribution agreements within the Shanxi Province in order to enhance our penetration in the market via different distribution channels. We have conducted marketing events including wine tasting and new distributors welcoming events. We have also collaborated with other online platforms to promote our brand and engaged consultants to design our showroom, packaging and labelling, as well as to publish advertising articles.

We will continue to spend more effort in brand building and marketing in the future.

**Business objectives from 1 January 2020 to 30 June 2020 as set out in the Prospectus**

**Actual business progress up to 30 June 2020**

**(ii) To increase wine-making capacity**

- We intend to use approximately 7.6% of the net proceeds, or approximately RMB2.5 million, to construct the second phase of our Ningxia Winery, namely, the construction of the winery, including completing the greenery and landscaping.  
With the consideration of risk factors of our business plan in relation to the expansion of the Ningxia Winery including, inter alia, the slowdown of economy of the PRC, the impact from the epidemic of COVID-19 and its direct impact on the consumer market, and the change of distributorship in our major sales location, i.e. the Shanxi Province, the potential business risk in our new investment in the construction of the second phase of our Ningxia Winery has increased, therefore making it an unfavourable move for the Group at the moment. The construction of the winery has therefore been 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 3.0% of the net proceeds, or approximately RMB1.0 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 (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.

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 30 June 2020 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 30 June 2020 RMB'000	Actual use of net proceeds during the period from the Listing Date to 30 June 2020 RMB'000	Unutilized Proceeds RMB'000	Expected timeline for the unutilized proceeds
<b>To construct the second phase of our Ningxia Winery</b>					
(i) Construction of the winery	15,000	12,500	-	15,000	By 31 December 2021 <sup>Note (a)</sup>
(ii) Purchase of plants and equipment	6,800	6,800	-	6,800	By 31 December 2021 <sup>Note (a)</sup>
<b>Initial production costs of the first phase of our Ningxia Winery</b>	6,700	5,000	5,000	1,700	The unutilized use of proceeds will be used as per the Prospectus
<b>Sales and marketing expenses</b>	3,000	2,250	2,250	750	The unutilized use of proceeds will be used as per the Prospectus <sup>Note (b)</sup>
<b>General working capital</b>	1,598	1,198	1,198	400	The unutilized use of proceeds will be used as per the Prospectus <sup>Note (c)</sup>

Notes:

- As mentioned in the annual report of the Company for year ended 31 December 2019, 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.
- As per the Prospectus, the Company intends to use RMB1,500,000 for the year ending 31 December 2020.
- As per the Prospectus, the Company intends to use RMB800,000 for the year ending 31 December 2020.

## IMPACT OF COVID-19

Amidst the epidemic of COVID-19, the management has been closely monitoring the Group's cash flow to ensure the sufficiency of its short-term liquidity by focusing on improving the Group's sales performance and optimising its operating expenditures. As at the date of this report, the management does not foresee any material liquidity issues for the Group and considered that the Group has sufficient funds to continue its normal operations in the foreseeable future, but will continue to evaluate various measures to preserve cash and enhance the Group's liquidity position as necessary.

### 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 30 June 2020, 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 Securities and Futures Ordinance (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 <sup>(1)</sup>	Approximate shareholding percentage
Ms. Judy Chan <sup>(2)</sup>	Interest in controlled corporation	404,820,000 (L)	50.60%
Mr. Fan Chi Chiu	Beneficial Owner	600,000 (L)	0.075%

Notes:

- The letter "L" denotes the person's long position in the Shares.
- 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 <sup>(1)</sup>	Approximate Shareholding percentage
Ms. Judy Chan <sup>(2)</sup>	Macmillan Equity	Beneficial owner	100 (L)	100%

Notes:

- The letter "L" denotes the person's long position in the Shares.
- Macmillan Equity is wholly-owned by Ms. Judy Chan.

Save as disclosed above, as at 30 June 2020, 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 30 June 2020, other than the Directors and chief executive of the Company, 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 <sup>(1)</sup>	Approximate shareholding percentage
Macmillan Equity <sup>(2)</sup>	Beneficial owner	404,820,000 (L)	50.60%
Palgrave Enterprises Limited ("Palgrave Enterprises") <sup>(3)</sup>	Beneficial owner	173,180,000 (L)	21.65%
Ms. Wong Shu Ying	Beneficial owner	11,160,000 (L)	1.40%
	Interest in controlled corporation <sup>(3)</sup>	173,180,000 (L)	21.65%
Mr. Chan Chun Keung <sup>(4)</sup>	Interest of spouse	184,340,000 (L)	23.04%
Mr. Ting Tan Ming	Beneficial owner	40,290,000 (L)	5.04%

Notes:

- The letter "L" denotes the person's long position in the Shares.
- Macmillan Equity is wholly-owned by Ms. Judy Chan.
- 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.
- Mr. Chan Chun Keung, the spouse of Ms. Wong Shu Ying, is deemed to be interested in the 11,160,000 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 30 June 2020, the Directors were not aware of any person or corporation (other than the Directors and the chief executive of the Company) 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.

### SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was adopted by the Company on 1 June 2018. Details of the Share Option Scheme are set out in Appendix V to the Prospectus. No share option has been granted pursuant to the Share Option Scheme since its adoption.

### RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during 1H2020 and up to the date of this report, 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 1H2020 and up to the date of this report 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).

### COMPETING INTERESTS

As at 30 June 2020, except as disclosed below, 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.

Mr. Ho Kent Ching-tak (“**Mr. Ho**”), an independent non-executive Director of the Company, is a director of BP Wines (AU) Pty Ltd, an entity which owns Bass Phillip, a winery based in Australia which produces and sells wine globally with the PRC being one of its target markets. Mr. Ho is also the general partner of Spectrum 28 X Fund, LP which, through BP Wines (SG) Pte. Ltd., an investment holding entity of which he is a director, has shareholding interests in BP Wines (AU) Pty Ltd.



## DEED OF NON-COMPETITION

The Deed of Non-Competition dated 1 June 2018 (as defined in the Prospectus) was entered into by Ms. Judy Chan and Macmillan Equity in favour of the Company (for the Company and for the benefit of its subsidiaries) in regard to non-competition undertakings. The 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” and the non-competition undertaking has become effective since the Shares were listed on the GEM of the Stock Exchange on the Listing Date.

## 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 1H2020.

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.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During 1H2020 and up to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## COMPLIANCE ADVISER’S INTERESTS

As at 30 June 2020, 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.

## 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 during 1H2020.



### **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 that 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. For the period from 1 January 2020 to 19 March 2020, the nomination committee of the Company (the "**Nomination Committee**") 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 did not comprise a majority of independent non-executive Directors.

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.



## AUDIT COMMITTEE

The Audit Committee was established 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 two independent non-executive Directors and one non-executive Director, namely Mr. Lim Leung Yau Edwin, Mr. Ho Kent Ching-tak and Mr. Chow Christer Ho. 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.

The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Group for 1H2020 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board

### **Grace Wine Holdings Limited** **Judy Chan**

*Chairlady, Chief Executive Officer and Executive Director*  
Hong Kong, 6 August 2020

*As at the date of this report, the Board comprises Ms. Judy Chan and Mr. Fan Chi Chiu as executive Directors, Ms. Hou Tan Tan Danielle and Mr. Chow Christer Ho as non-executive Directors, and Mr. Ho Kent Ching-tak, Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy as independent non-executive Directors.*