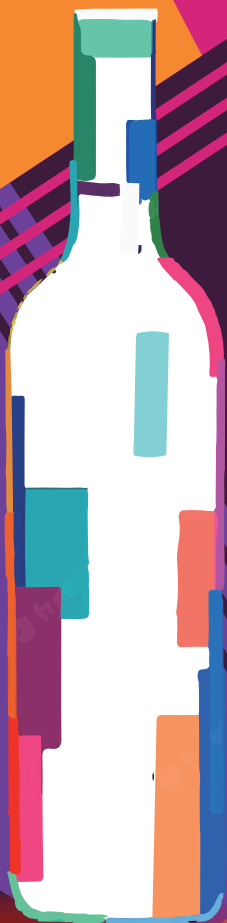


2022

INTERIM REPORT



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

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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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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Judy Chan
(*Chairlady and Chief Executive Officer*)
Mr. Lam Wai Kit Ricky

Non-executive Directors

Mr. Chow Christer Ho
Dr. Cheung Chai Hong

Independent non-executive Directors

Mr. Ho Kent Ching-tak
Mr. Lim Leung Yau Edwin
Mr. Alec Peter Tracy

COMPLIANCE OFFICER

Mr. Lam Wai Kit Ricky

COMPANY SECRETARY

Mr. Chiu Ming King

AUTHORISED REPRESENTATIVES

Mr. Lam Wai Kit Ricky
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*)
Dr. Cheung Chai Hong
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

INVESTMENT COMMITTEE

Ms. Judy Chan (*Chairlady*)
Mr. Lam Wai Kit Ricky
Mr. Chow Christer Ho
Dr. Cheung Chai Hong
Mr. Lim Leung Yau Edwin

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

HONG KONG LEGAL ADVISER

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 2304, 23/F
Westlands Centre
20 Westlands Road
Quarry Bay
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 (the "**Board**") of Directors of Grace Wine, I would like to present the Company's interim report for the six months ended 30 June 2022.

For the first half of 2022, our revenue was RMB28.2 million, which was 34% down from the same period in 2021. Our business was severely affected by the COVID-19 lockdown in China during the past six months. We were not able to send out wines as highways were shut down and mobility between cities was restricted. In addition, all of our marketing events were cancelled as restaurants were shut down and gatherings were not allowed. We believe these measures were temporary and the markets have started to open up again. However, our main concern is the consumers' confidence, their willingness to make discretionary spending decisions and what we can do to address it.

We intend to regain lost ground in the second half of the year, which is also our peak sales season. We decided to adopt the "guerilla" marketing strategy. Instead of hosting big events which need longer preparation time, we will organise smaller gatherings whenever we see the opportunity.

As the trend-setting city of Shanghai slowly opens up, we will concentrate on organising as many Grace 25th Anniversary promotional events there as possible. We are going to partner with a few key opinion leaders and the broader media to launch our special anniversary wine.

In uncertain times like now, regaining our consumers', partners' and employees' confidence is crucial. We have decided to maintain our marketing budget adopted at the beginning of the year, despite our revenue was behind schedule. In times like these, we need to be more visible and active. We will, however, carefully monitor our cashflow.

Our distillery is scheduled to be opened at the end of the year and it would be one of the highlights of our 25th Anniversary celebration. The distillery will not only be a production facility, but also an experience center, which we believe will attract substantially more visitors. We are excited to launch several varieties of gin before the end of the year, thereby expanding our portfolio of spirits.

On behalf of the Board and the team, once again I would like to express my gratitude to the shareholders of the Company ("**Shareholders**") and our clients for your support.

Judy Chan

Chairlady

Unaudited Interim Results

The board of directors (the “**Board**”) of Grace Wine Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three and six months ended 30 June 2022, together with the comparative unaudited figures of the corresponding period in 2022.

Unaudited Condensed Consolidated Statement of Profit or Loss

For the three months and six months ended 30 June 2022

	Notes	For the six months ended 30 June		For the three months ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
REVENUE	5	28,184	42,836	12,448	13,403
Cost of sales		(11,102)	(18,757)	(4,615)	(6,048)
Gross profit		17,082	24,079	7,833	7,355
Other income and gains, net	6	728	1,128	265	608
Selling and distribution expenses		(5,632)	(8,192)	(3,343)	(3,908)
Administrative expenses		(10,247)	(10,071)	(5,313)	(5,311)
Other expenses		(209)	(159)	(195)	(155)
Finance costs		(32)	(60)	(20)	(32)
PROFIT/(LOSS) BEFORE TAX	7	1,690	6,725	(773)	(1,443)
Income tax expense	8	(854)	(3,188)	(180)	(592)
PROFIT/(LOSS) FOR THE PERIOD AND PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY		836	3,537	(953)	(2,035)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Basic and diluted (RMB cent)	10	0.10	0.44	(0.12)	(0.25)

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2022

	For the six months ended 30 June		For the three months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
PROFIT/(LOSS) FOR THE PERIOD	836	3,537	(953)	(2,035)
OTHER COMPREHENSIVE INCOME/ (LOSS)				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of financial information	482	(289)	611	(311)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME/ (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	1,318	3,248	(342)	(2,346)

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	145,045	127,318
Right-of-use assets		18,607	19,546
Deferred tax assets		3,338	3,704
Prepayments for acquisition of plant and equipment		1,224	3,766
Goodwill		4,087	4,087
Total non-current assets		172,301	158,421
CURRENT ASSETS			
Inventories		66,094	67,222
Biological assets	12	1,196	–
Trade receivables	13	1,817	1,539
Prepayments and other receivables		11,947	14,466
Cash and cash equivalents		70,775	67,678
Total current assets		151,829	150,905
CURRENT LIABILITIES			
Trade payables	14	5,628	6,681
Other payables and accruals		30,448	34,779
Interest-bearing bank borrowings		8,000	–
Tax payable		1,738	4,069
Lease liabilities		526	738
Total current liabilities		46,340	46,267
NET CURRENT ASSETS		105,489	104,638
TOTAL ASSETS LESS CURRENT LIABILITIES		277,790	263,059

Unaudited Condensed Consolidated Statement of Financial Position
As at 30 June 2022

	Note	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		17,320	–
Deferred tax liabilities		2,750	2,726
Lease liabilities		–	229
Total non-current liabilities		20,070	2,955
Net assets		257,720	260,104
EQUITY			
Equity attributable to owners of the Company			
Issued capital	15	675	674
Reserves		257,045	259,430
Total equity		257,720	260,104

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the Company							
	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Statutory reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2022	674	141,579*	2,765*	269*	15,703*	(6,249)*	105,363*	260,104
Profit for the period	-	-	-	-	-	-	836	836
Other comprehensive income for the period:								
Exchange differences on translation of financial information	-	-	-	-	-	482	-	482
Total comprehensive income/(loss) for the period	-	-	-	-	-	482	836	1,318
Issue of shares upon exercise of share options	1	141	-	(45)	-	-	-	97
Equity-settled share option arrangements	-	-	-	201	-	-	-	201
Transfer from retained profits	-	-	-	-	(14)	-	14	-
Special final 2021 dividend	-	(4,000)	-	-	-	-	-	(4,000)
At 30 June 2022 (unaudited)	675	137,720*	2,765*	425*	15,689*	(5,767)*	106,213*	257,720
At 1 January 2021	674	141,579	2,765	-	14,874	(5,879)	98,452	252,465
Profit for the period	-	-	-	-	-	-	3,537	3,537
Other comprehensive loss for the period:								
Exchange differences on translation of financial information	-	-	-	-	-	(289)	-	(289)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(289)	3,537	3,248
Equity-settled share option arrangements	-	-	-	53	-	-	-	53
Transfer from retained profits	-	-	-	-	(6)	-	6	-
At 30 June 2021 (unaudited)	674	141,579	2,765	53	14,868	(6,168)	101,995	255,766

* These reserve accounts comprise the consolidated reserves of RMB257,045,000 (31 December 2021: RMB259,430,000) in the unaudited condensed consolidated statement of financial position as at 30 June 2022.

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	For the six months ended 30 June 2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows from/(used in) operating activities	(1,235)	2,476
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(3,136)	(3,020)
Proceeds from disposal of items of property, plant and equipment	3	120
Increase in construction in progress	(18,050)	–
Prepayment of property, plant and equipment	–	(896)
Net cash flows used in investing activities	(21,183)	(3,796)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	97	–
New bank loans	25,320	–
Principal portion of lease payments	(378)	(656)
Net cash flows from/(used in) financing activities	25,039	(656)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,621	(1,976)
Cash and cash equivalents at beginning of period	67,678	90,840
Effect of foreign exchange rate changes, net	476	(272)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	70,775	88,592

Notes to Unaudited Condensed Consolidated Interim Financial Information

30 June 2022

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 were engaged in the production and distribution of wine and other alcoholic products.

The immediate and ultimate holding company of the Company is Macmillan Equity Limited, a company incorporated in the British Virgin Islands (the "**BVI**"). The entire issued capital of Macmillan Equity Limited 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 "**GEM Listing Rules**").

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 2021.

The unaudited condensed consolidated interim financial information of the Group has been prepared in accordance with the same accounting policies adopted in the Group' annual financial statements for the year ended 31 December 2021, 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 AND DISCLOSURES

In the accounting period beginning from 1 January 2022, 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:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

4. SEGMENT INFORMATION

Operating segments

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. For management purpose, resources are allocated to two reportable operating segments, namely (i) production of wines; and (ii) production of spirits.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the reportable segment's profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income and corporate income/(expenses) are excluded from such measurement.

Segment assets exclude deferred tax assets, cash and cash equivalents and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities, interest-bearing bank borrowings and other unallocated corporate liabilities as these liabilities are managed on a group basis.

4. SEGMENT INFORMATION (CONTINUED)

Operating segments (continued)

	Production of wines		Production of spirits		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:						
Sales to external customers	28,184	42,836	-	-	28,184	42,836
Other revenue	259	738	201	-	460	738
	28,443	43,574	201	-	28,644	43,574
Segment results	3,931	9,734	(380)	(1,079)	3,551	8,655
Reconciliation:						
Other unallocated income					14	-
Interest income					254	390
Corporate and other unallocated expenses					(2,120)	(2,320)
Finance costs (other than interest on lease liabilities)					(9)	-
Profit before tax					1,690	6,725

4. SEGMENT INFORMATION (CONTINUED)

Operating segments (continued)

	Production of wines		Production of spirits		Total	
	As at	As at	As at	As at	As at	As at
	30 June	31 December	30 June	31 December	30 June	31 December
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	155,737	159,867	93,803	77,443	249,540	237,310
Reconciliation:						
Corporate and other unallocated assets					74,590	72,016
Total assets					324,130	309,326
Segment liabilities	(12,663)	(18,528)	(19,561)	(23,251)	(32,224)	(41,779)
Reconciliation:						
Corporate and other unallocated liabilities					(34,186)	(7,443)
Total liabilities					66,410	(49,222)

Over 90% of the Group's non-current assets are based in Mainland China.

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June		For the three months ended 30 June	
	2022	2021	2022	2021
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Revenue from contracts with customers				
Sales of goods	28,184	42,836	12,448	13,403

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

	For the six months ended 30 June		For the three months ended 30 June	
	2022	2021	2022	2021
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
<i>Geographical markets</i>				
Mainland China	27,747	41,910	12,407	12,708
Other jurisdictions	437	926	41	695
Total revenue from contracts with customers	28,184	42,836	12,448	13,403

6. OTHER INCOME AND GAINS, NET

An analysis of other income and gains, net is as follows:

	For the six months ended 30 June		For the three months ended 30 June	
	2022	2021	2022	2021
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Bank interest income	254	390	128	169
Government grants*	357	606	26	344
Covid-19-related rent concessions from lessors	62	–	62	–
Gains on disposal of items of property, plant and equipment, net	3	110	3	76
Others	52	22	46	19
	728	1,128	265	608

- * The Group received various government grants for promoting the wine industry, supporting agricultural development and improving environmental infrastructure. 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	
	2022	2021	2022	2021
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Cost of inventories sold	7,441	13,346	3,281	3,709
Depreciation of property, plant and equipment	3,861	4,011	1,830	1,905
Less: government grants released	–	(11)	–	(5)
	3,861	4,000	1,830	1,900
Depreciation of right-of-use assets	939	994	720	530
Less: amount capitalised into biological assets	(159)	(165)	(159)	(165)
	780	829	561	365
Impairment of trade receivables, net	16	–	–	–

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	
	2022	2021	2022	2021
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Current – Mainland China				
Charge for the period	625	3,041	(68)	611
(Over-provision)/under- provision in prior periods	(160)	66	(30)	66
Deferred tax	389	81	278	(85)
Total tax charge for the period	854	3,188	180	592

8. INCOME TAX (CONTINUED)

A reconciliation of the tax expense/(credit) 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 expense at the effective tax rates is as follows:

For the six months ended 30 June 2022

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	3,724		(2,034)		1,690	
Tax at the weighted average applicable tax rate	931	25.0	(336)	16.5	595	35.2
Lower tax rate for specific provinces or enacted by local authorities	(158)		–		(158)	
Adjustments in respect of current tax of previous periods	(160)		–		(160)	
Income not subject to tax	(63)		–		(63)	
Expenses not deductible for tax	10		6		16	
Tax losses utilised from previous periods	–		(16)		(16)	
Tax losses not recognised	294		346		640	
Tax charge for the period	854	22.9	–	–	854	50.5

8. INCOME TAX (CONTINUED)

For the six months ended 30 June 2021

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	9,698		(2,973)		6,725	
Tax at the weighted average applicable tax rate	2,424	25.0	(491)	16.5	1,933	28.7
Lower tax rate for specific provinces or enacted by local authorities	(34)		–		(34)	
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	64		–		64	
Adjustments in respect of current tax of previous periods	66		–		66	
Income not subject to tax	(75)		(10)		(85)	
Expenses not deductible for tax	110		103		213	
Tax losses not recognised	633		398		1,031	
Tax charge for the period	3,188	32.9	–	–	3,188	47.4

9. DIVIDENDS

	For the six months ended 30 June 2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Special final 2021 dividend – HK0.62 cents (2021: Nil) per ordinary share	4,000	–

The Directors do not recommend or declare the payment of any dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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

The calculation of basic earnings per share for the six months ended 30 June 2022 is based on the profit for the period attributable to owners of the Company of RMB836,000 (for the six months ended 30 June 2021: profit of RMB3,537,000), and the weighted average number of ordinary shares of 800,146,000 (for the six months ended 30 June 2021: 800,000,000) in issue during the period.

The calculation of basic loss per share for the three months ended 30 June 2022 is based on the loss for the period attributable to owners of the Company of RMB953,000 (for the three months ended 30 June 2021: loss of RMB2,035,000), and the weighted average number of ordinary shares of 800,290,000 (for the three months ended 30 June 2021: 800,000,000) in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2022 and 2021 as the Group had no potentially dilutive ordinary shares in issue during this period.

No adjustment has been made to the basic loss per share amount presented for the three months ended 30 June 2022 and 2021 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

11. PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group acquired items of plant and machinery with a cost of approximately RMB3,136,000 (six months ended 30 June 2021: RMB3,020,000) and additions of construction in progress of approximately RMB19,392,000 (six months ended 30 June 2021: RMB15,731,000). Items of plant and machinery with a nil net book value (six months ended 30 June 2021: RMB10,000) were disposed of during the six months ended 30 June 2022, resulting in a gain on disposal of approximately RMB3,000 (six months ended 30 June 2021: RMB110,000).

12. BIOLOGICAL ASSETS

All grapes are harvested annually from late August to October 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 replacement 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 determination of the fair values during the growing period and these costs approximate to their fair values. During the six months ended 30 June 2022, the Group incurred RMB1,196,000 (six months ended 30 June 2021: RMB1,010,000) 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 and the market price for harvested grapes.

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

The fair values of agricultural produce are calculated based on the inputs to the valuation techniques 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 in 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

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Trade receivables	1,842	1,548
Impairment	(25)	(9)
	1,817	1,539

The Group's trading terms with its customers are normally payment in advance, except for the online sales customers, and customers with long trading history, which are on credit. The credit period is generally for a period from one to six months. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Note:

- (i) Trade receivables

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

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Within 60 days	1,327	1,379
61 to 90 days	490	13
91 to 180 days	-	62
181 to 365 days	-	85
	1,817	1,539

14. TRADE PAYABLES

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

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Within 30 days	2,453	518
31 to 90 days	3,175	6,163
	5,628	6,681

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 2022 (Unaudited)		As at 31 December 2021 (Audited)	
	HK\$'000	RMB'000 equivalent	HK\$'000	RMB'000 equivalent
Authorised: 8,000,000,000 (2021: 8,000,000,000) ordinary shares of HK\$0.001 each	8,000		8,000	
Issued and fully paid: 800,600,000 (2021: 800,000,000) ordinary shares of HK\$0.001 each	801	675	800	674

15. SHARE CAPITAL (CONTINUED)

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

	Number of shares in issue	Share capital HK\$'000	RMB'000 equivalent
At 1 January 2021, 31 December 2021 and 1 January 2022	800,000,000	800	674
Share options exercised (Note (a))	600,000	1	1
At 30 June 2022	800,600,000	801	675

Note:

- (a) 600,000 share options were exercised at the exercise price of HK\$0.186 per share (note 16), resulting in the issue of 600,000 shares for a total cash consideration, before expenses, of HK\$112,000 (equivalent to RMB97,000). An amount of HK\$53,000 (equivalent to RMB45,000) was transferred from share option reserve to share premium upon the exercise of the share options.

16. SHARE-BASED PAYMENTS

In order to attract and retain the eligible participants, to provide incentives 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 to subscribe the shares of the Company (the "**Shares**") to, inter alia, any employees (full-time or part-time), potential employees, executives or officers (including executive, non-executive and independent non-executive Directors) of the Group and any suppliers, customers, agents and advisers who have 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.

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 GEM 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.

16. SHARE-BASED PAYMENTS (CONTINUED)

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.

In May 2021, 10,000,000 share options were granted under the Scheme, at an exercise price of HK\$0.186 per share. 30% of the share options vested on 17 May 2022. The remaining 30% and 40% of the share options will vest on 17 May 2023 and 17 May 2024, respectively, on the condition that the director and employee of the Company remain in service as of the vesting dates. The maximum aggregate number of ordinary shares that may be issued pursuant to all grantees under the Scheme was 10,000,000. The options will lapse on the tenth anniversary of the grant date.

In May 2022, 3,000,000 share options were granted under the Scheme, at an exercise price of HK\$0.170 per share. 30%, 30% and 40% of the share options will vest on 17 May 2023, 17 May 2024, and 17 May 2025, respectively, on the condition that employee of the Company remains in service as of the vesting dates. The maximum aggregate number of ordinary shares that may be issued pursuant to all grantees under the Scheme was 3,000,000. The option will lapse on the tenth anniversary of the grant date.

16. SHARE-BASED PAYMENTS (CONTINUED)

- (a) The fair value of equity-settled share options granted during the period was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used:

	Share options granted on 17 May 2022	Share options granted on 17 May 2021
Dividend yield (%)	0%	0%
Expected volatility (%) (note)	45.54%	44.91%
Risk-free interest rate (%)	3.081%	1.192%
Option life (years)	10	10
Spot price (HK\$ per share)	0.1680	0.1780

Note: Expected volatility is estimated based on the average historical volatility of the comparable companies. No other feature of the options granted was incorporated into the measurement of fair value.

- (b) The following share options were outstanding under the Scheme during the period:

	2022		2021	
	Weighted average exercise price per share HK\$	Number of options '000	Weighted average exercise price per share HK\$	Number of options '000
At 1 January	0.186	10,000	–	–
Granted during the period	0.170	3,000	0.186	10,000
Exercised during the period	0.186	(600)	–	–
At 30 June	0.182	12,400	0.186	10,000

16. SHARE-BASED PAYMENTS (CONTINUED)

- (c) The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

30 June 2022

Exercise period	Number of options '000	Exercise price HK\$
17 May 2022–16 May 2031	2,400	0.186
17 May 2023–16 May 2031	3,000	0.186
17 May 2024–16 May 2031	4,000	0.186
17 May 2023–16 May 2032	900	0.170
17 May 2024–16 May 2032	900	0.170
17 May 2025–16 May 2032	1,200	0.170
	12,400	

30 June 2021

Exercise period	Number of options '000	Exercise price HK\$
17 May 2022–16 May 2031	3,000	0.186
17 May 2023–16 May 2031	3,000	0.186
17 May 2024–16 May 2031	4,000	0.186
	10,000	

The fair values of the share options granted under the Scheme during the six months ended 30 June 2022 was RMB904,000 (equivalent to HK\$1,089,000) (30 June 2021: RMB743,000 (equivalent to HK\$892,000)), of which the Group recognised a share-based payment expense of RMB201,000 (equivalent to HK\$242,000) (six months ended 30 June 2021: RMB53,000 (equivalent to HK\$64,000)) for the six months ended 30 June 2022.

At the end of the reporting period, the Company had 12,400,000 share options outstanding. If the outstanding share options were exercised in full, an additional 12,400,000 ordinary shares of the Company will be issued, resulting in additional share capital of RMB11,000 (equivalent to HK\$12,000) and share premium of RMB1,922,000 (equivalent to HK\$2,246,000) (before issue expenses), respectively.

17. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at the end of the reporting period (31 December 2021: Nil).

18. COMMITMENTS

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

	As at 30 June 2022 (Unaudited) RMB'000	As at 31 December 2021 (Audited) RMB'000
Contracted, but not provided for:		
Plant and machinery	3,149	6,817
Construction in progress	11,913	33,160
	15,062	39,977

19. RELATED PARTY DISCLOSURES

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

	For the six months ended 30 June 2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Sales of products		
– Chan Kwan (note (a)(i))	–	11
– Chan Chun Keung (note (a)(ii))	–	161
– Judy Chan (note (a)(iii))	–	5

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 an executive director.

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

19. RELATED PARTY DISCLOSURES (CONTINUED)

- (b) The Group has paid Dragonfield Management Limited RMB162,000 (six months ended 30 June 2021: RMB162,000) for the leasing of commercial premises for use as offices during the six months ended 30 June 2022. The payment in respect of other administrative services provided by Dragonfield Management Limited during the six months ended 30 June 2022 on behalf of the Group was RMB746,000 (six months ended 30 June 2021: RMB768,000).
- (c) As at 30 June 2022, the Group has prepaid to Intervine Capital Cienega Valley LLC, 50% of the interest held by Judy Chan, the controlling shareholder of the Group, amounting to RMB680,000 (30 June 2021: Nil), for the purchase of wines.
- (d) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Fees	307	486
Salaries, allowances and benefits in kind	375	519
Pension scheme contributions	40	36
Equity-settled share-based payment expense	149	42
	871	1,083

20. 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 the National Bureau of Statistics of China, China's gross domestic product reached RMB56.3 trillion¹ in the first half of 2022, representing an increase of 2.5% as compared with the same period in the previous year. Last year, as the COVID-19 pandemic raged recurrently in various regions across the country, economic activities were significantly affected and posed severe challenges to China's domestic economic development. However, with the rapid response of various regions and departments and the effective coordination of epidemic prevention and control, the rebound of the epidemic has been effectively controlled, and the domestic economy has stabilised and rebounded since June 2022. In the first half of 2022, the per capita disposable income was RMB25,003², representing a year-on-year increase of 3.6%, indicating that under the repeated influence of the epidemic and under the coordination of the state, the epidemic was brought under control in a timely manner, and economic activities were able to resume quickly, thus increasing the income of citizens. Looking ahead, it is expected that Chinese economy will continue its recovery from the pandemic. With the support of private consumption and investment in fixed assets, China will continue to be the leading economy amid the recovery of global economy.

In the first half of 2022, the resurgence of COVID-19 pandemic in China halted economic activities and the food and beverage industry, resulting in a sharp drop in wine production and demand in the short term. Data from the China Merchant Industry Research Institute (中商產業研究院) shows that the national wine output was 79,000 kiloliters³ from January 2022 to May 2022, representing a decrease of 31.3% from the corresponding period last year. In view of the rapid economic recovery after the epidemic is brought under control in 2021, it is expected that after the epidemic in China is fully controlled, the life of Chinese residents will gradually return to normal, domestic consumption, food and beverage commercial establishments will also recover rapidly, and domestic wine consumption will usher in a resurgence. Combined with the Chinese government's imposition of tariffs on Australian wine imports from November 2020, domestic wine sales have benefited. It is expected that the sale of domestic wine will increase its market share. Prior to the imposition of tariff on Australian wine imports from China, Australia was the second largest source of domestic wine imports⁴, and Australian wine had been considered as a major competitor to domestic wine due to its relatively low prices and high quality. The outlook for domestic wine is expected to be bright as the tariffs are implemented. The continuous increase in wine consumption in spite of the material influence of the pandemic was reflected in per capita spending on food, tobacco and alcohol of RMB3,685² in the first half of 2022, representing a 4.2% year-on-year growth. Looking towards the long term, there is still potential for growth in the wine industry. China is currently the seventh largest wine-consuming nation globally⁵ and the largest wine-consuming nation in Asia⁶. However, due to the per capita consumption of Chinese wine still being significantly lower than the world average consumption, there is room for growth in the

¹ http://www.stats.gov.cn/tjsj/zxfb/202207/t20220715_1886607.html

² http://www.stats.gov.cn/xxgk/sjfb/zxfb2020/202207/t20220715_1886450.html

³ <https://s.askci.com/data/industry/a02090b/>

⁴ <https://www.theiwsr.com/if-not-china-where-next-for-australian-wine/>

⁵ http://www.xhby.net/qyzx/202207/t20220719_7620887.shtml

⁶ <https://winetech.b-cdn.net/wp-content/uploads/2022/05/eng-state-of-the-world-vine-and-wine-sector-april-2022-v6.pdf>

consumption of Chinese wine. As the demand for alcohol diversifies and we see changes in its mode of consumption, as well as an increase in health consciousness of the public, consumers' demands for wine will no longer be restricted to formal occasions such as business gatherings. Wine consumption in an informal context, such as at food and beverage venues and leisure and entertainment venues, will become more common. As wine culture is slowly being nurtured across the country, there is room for steady long-term growth in consumption.

With the commencement of the “14th Five-Year Plan”, the Chinese government plans to promote the balanced development among regions and the new-type urbanisation, allowing corporates neighbouring regions with similar products to achieve a strategy of competition and cooperation. It is beneficial to the difference between wine products and increases core competitiveness. The China Alcoholic Drinks Association (“**CADA**”) (中國酒業協會) issued the “14th Five-Year Development Guide for the Chinese Alcohol Beverage Industry” (《中國酒業「十四五」發展指導意見》), which suggested fostering the blending of wine types and wine-making, enhancing the financial credits support for the wine industry, establishing complete agricultural loan risk transferring and compensation mechanism, enhancing the loan support for domestic leading wine corporates and promoting the development of the Chinese wine industry. Additionally, in the fourth quarter 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 CADA released “Standard Wine-Producing Regions” in an attempt to clearly define standard wine-producing regions in China, and stimulate the 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. A local standard namely, “Helan Mountains' Eastern Base Wine Technology Standard System” (《賀蘭山東麓葡萄酒技術標準體系》), was also published in 2020 which was the first technology standard system built in the full industry chain focusing on the protection of regional signature products in the domestic wine field. It leads the industry towards a new direction. In recent years, the wine industry has mainly standardised the deluxe wine market by adopting the “Deluxe Wine” (《年份酒》) group standard, establishing a China Wine Rating System, and commencing investigations of anti-dumping and anti-subsidies against imported wine. It in turn maintains the order of fair trade, unleashes the potential of domestic demand for wine and results in a positive impact on the domestic wine industry. Large-scale businesses, especially the wine grape cultivators, strive to adapt by integrating high-quality wine production, logistics, and sales. The above policies and standards will also benefit and bring about new opportunities to the Group.

In terms of the Group's financial position, due to the impact of the epidemic, the performance in the first quarter of 2022 declined significantly and gradually stabilised in the second quarter, mainly due to the repeated outbreaks of the COVID-19 pandemic across the country. However, with the rapid control of the pandemic, coupled with the experience of restarting economic activities in the first half of last year, it is believed that the pandemic will gradually subside, and we remain cautiously optimistic about the market this year. Once the pandemic is under control, we will adopt proactive sales and marketing strategies as we did last year, restart our production and sales activities, and closely monitor market developments to restore the momentum of revenue growth. In the mid- to long-term, the management plans to continue expanding our market coverage by increasing the number of distribution channels to achieve online and offline integration. In response to market changes, the Group will actively expand diversified sales channels and focus on the brand advertisement to enhance our market awareness. In the meantime, the Group will increase the values of products and establish clear market position, allowing us and more consumers to interact better and boost the effort of promoting our products.

The Group completed an acquisition of 100% equity interest in Maxco Asia Limited ("**Maxco Asia**") on 12 August 2019. Maxco Asia owns Fujian Dexi Wine Company Limited ("**Fujian Dexi**"), which was established in China and mainly produces whisky and gin in Fujian Province, China. As disclosed in the circular dated 10 January 2022, for the exterior decoration works and the outdoor engineering works in respect of the Distillery (as defined therein), Fujian Dexi had entered into a construction contract with the contractor and the exterior decoration works were completed. It is expected the commencement of operation of the Distillery will take place in the latter half of this year as originally scheduled. With the commencement of production at the Distillery, we will launch a new gin series and certain new products, officially expanding our liquor production business and laying the foundation for the Group to penetrate the liquor business. It is expected that the liquor business will bring synergy to the wine business of the Group, steering our alcohol business towards diversified and sustainable development.

Looking forward to the second half of 2022, we believe that with the full coverage of COVID-19 vaccination, as well as advanced medical inspection which help build a herd immunity barrier, the pandemic will fade out gradually and the Group will be able to benefit from the rapid recovery of the overall domestic economy to bring considerable growth to the sales volume and results. The Group will continue to focus on improving the product quality and consumer satisfaction of its products, maintaining the positive status of the Group's wine brand among consumers. Looking forward to the future, the Group will actively establish sales channels and produce unique high-quality wine products so as to give full play to its competitive advantages and excel in the industry, together with the expansion and diversification of its businesses in order to spread risk and create value for the Group, as well as bring sustainable return for its shareholders.

FINANCIAL REVIEW

Revenue

Our revenue decreased by RMB14.6 million or 34.2% from RMB42.8 million for the six months ended 30 June 2021 (“**1H2021**”) to RMB28.2 million for the six months ended 30 June 2022 (“**1H2022**”) as a result of the decrease in total sales volume.

We sold 421,000 bottles in 1H2022 as compared to 553,000 bottles in 1H2021, the average selling price decreased from RMB77.5 per bottle in 1H2021 to RMB66.9 per bottle in 1H2022. The table below sets out the analysis of revenue and sales volume by our product mix:

	For the six months ended 30 June 2022		For the six months ended 30 June 2021	
	Revenue	Sales volume	Revenue	Sales volume
High-end	49.9%	16.3%	65.5%	27.8%
Entry-level	50.1%	83.7%	34.5%	72.2%

Cost of sales

Our cost of sales decreased by RMB7.7 million or 40.8% from RMB18.8 million for 1H2021 to RMB11.1 million for 1H2022 primarily due to the decrease in total sales volume. Our average cost of sales per bottle decreased from RMB33.9 for 1H2021 to RMB26.4 for 1H2022.

Gross profit and gross profit margin

Our overall gross profit decreased by RMB7.0 million or 29.1% from RMB24.1 million for 1H2021 to RMB17.1 million for 1H2022, primarily due to the decrease in total sales. Our overall gross profit margin increased from 56.2% for 1H2021 to 60.6% for 1H2022.

Other income and gains, net

Other net income and gains slightly decreased by RMB0.4 million or 35.5% from RMB1.1 million for 1H2021 to RMB0.7 million for 1H2022, which mainly comprised income from government grants and bank interest income.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB2.6 million or 31.3% from RMB8.2 million for 1H2021 to RMB5.6 million for 1H2022, which was due to proportional decrease in revenue.

Administrative expenses

Administrative expenses remained at RMB10.2 million for both 1H2022 and 1H2021, which mainly comprised general administrative expenses.

Finance costs

Our finance costs was RMB32,000, which mainly represented the unwinding of the discounted lease liabilities recognised under HKFRS 16 *Leases* (1H2021: RMB60,000).

Income tax expense

Our income tax expense decreased by RMB2.3 million or 73.2% from RMB3.2 million for 1H2021 to RMB0.8 million for 1H2022 due to the decrease in profit before tax in our PRC subsidiaries.

Profit for the period

As a result of the foregoing, a profit for the period of RMB0.8 million was recognised for 1H2022 (1H2021: RMB3.5 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 well as capital investment in new projects. As at 30 June 2022, the carrying amount of the Group's cash and cash equivalents was RMB70.8 million, representing an increase of 4.6% as compared with that of RMB67.7 million as at 31 December 2021.

As at 30 June 2022, the Group's cash and cash equivalents include RMB65.2 million, USD0.8 million, HK\$0.5 million, and some insignificant amounts of EUR (31 December 2021: RMB60.2 million, USD1.15 million, and some insignificant amounts of HK\$ and EUR).

Borrowings

As at 30 June 2022, the total amount of our utilised bank borrowings was RMB25.3 million, of which RMB8 million was repayable within one year and RMB17.3 million was repayable more than one year. The outstanding bank borrowings were denominated in RMB. Out of the RMB25.3 million, RMB17.3 million bore a floating interest rate of 0.45% over the loan prime rate issued by the National interbank Funding Center ("**LPR**") – five years period (31 December 2021: Nil), and RMB1 million bore a floating interest rate equal to the LPR – one year period and RMB7 million at the LPR – one year minus 0.2% per annum (31 December 2021: Nil). We had unutilised banking facilities as at 30 June 2022 of RMB24.7 million (31 December 2021: Nil).

Gearing ratio

The Group's gearing ratio is measured by total external borrowings divided by total equity. Our gearing ratio is 9.8% as at 30 June 2022 (31 December 2021: 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 operating in 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 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 2022, the Group had no significant contingent liabilities (31 December 2021: Nil).

Pledge of assets

As at 30 June 2022, the Group has pledged right-of-use assets for the general banking facilities for the amount of RMB7.3 million (31 December 2021: Nil).

Employee and remuneration policies

As at 30 June 2022, the Group had, including Directors, 160 employees (31 December 2021: 147 employees). Staff costs, including Directors' emoluments, amounted to RMB5.9 million for 1H2022 (1H2021: RMB6.1 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 FY2021, Fujian Dexi Wine Company Limited, an indirect wholly-owned subsidiary of the Company, has entered into a construction contract with Fujian Tongyuan Construction Project Co. Ltd. (the “**Contractor**”), an independent third party of the Company and its connected person, pursuant to which the Contractor will undertake construction works in respect of a distillery facility for the production of whisky and gin in Fujian Province (the “**Construction Work**”) for a total contract sum of RMB23,853,211 (exclusive of value-added tax), an exterior decoration contract for a total contract sum of approximately RMB17,974,312 (exclusive of VAT) and an outdoor engineering contract for a total contract sum of RMB8,631,193 (exclusive of VAT). The Contractor is established in the PRC and is principally engaged in, among other things, general contracting work in relation to water resources and hydropower construction, highway engineering construction and general building and construction.

As disclosed in the Company’s announcements dated 12 August 2019, 11 October 2019 and 19 November 2021, it is part of the Group’s plans to reposition and diversify its existing portfolio of products. Therefore, the Group acquired a whisky and gin plant in Fujian Province, the PRC through acquiring the investment holding company of Fujian Dexi. As at the date of this report, the Construction Work is still in progress. Please refer to the announcement of the Company dated 28 April 2021 for further details. Save as disclosed above, 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 1H2022.

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.

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 2022, 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 ⁽¹⁾	Approximate shareholding percentage
Ms. Judy Chan ⁽²⁾	Interest in controlled corporation ⁽²⁾	411,350,000 (L)	51.38%
	Beneficial owner ⁽³⁾	8,000,000 (L)	1.00%

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. Macmillan Equity Limited ("**Macmillan Equity**") is wholly-owned by Ms. Judy Chan, and therefore Ms. Judy Chan is deemed to be interested in the 411,350,000 Shares held by Macmillan Equity pursuant to the SFO.
3. The share options granted by the Company under its share option scheme to Ms. Judy Chan on 17 May 2021.

(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.

Save as disclosed above, as at 30 June 2022, 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 2022, 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 ⁽¹⁾	Approximate shareholding percentage
Macmillan Equity ⁽²⁾	Beneficial owner	411,350,000 (L)	51.38%
Palgrave Enterprises Limited ("Palgrave Enterprises") ⁽³⁾	Beneficial owner	173,180,000 (L)	21.63%
Ms. Wong Shu Ying	Beneficial owner	4,460,000 (L)	0.56%
	Interest in controlled corporation ⁽³⁾	173,180,000 (L)	21.63%
Mr. Chan Chun Keung ⁽⁴⁾	Interest of spouse	177,640,000 (L)	22.19%
Mr. Ting Tan Ming	Beneficial owner	48,030,000 (L)	6.00%

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 4,460,000 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 2022, 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 was adopted by the Company on 1 June 2018 (the “**Share Option Scheme**”). The purpose of the Share Option Scheme is to enable the Company to grant options to Eligible Participants (as defined below) as incentives or rewards for their contribution or potential contribution to the Group. Details of the Share Option Scheme have been disclosed in the prospectus of the Company dated 12 June 2018 under section “Appendix V – Statutory and General Information – F. Share Option Scheme”.

Unless otherwise cancelled or amended, the Board is entitled at any time within the period of ten 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 27 June 2018 (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 approval from the Shareholders in general meeting approving any necessary increase in the authorised share capital of the Company.

Other Information

Upon acceptance of an option to subscribe for Shares granted pursuant to the Share Option Scheme, 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 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 under the GEM Listing Rules) immediately preceding the date of grant; and
- (c) the nominal value of a Share.

As at 30 June 2022, the number of shares in respect of which options under the Share Option Scheme had been granted and remained outstanding was 13,000,000 Shares and 12,400,000 Shares respectively, representing approximately 1.62% and 1.55%, respectively, of the shares of the Company in issue as at 30 June 2022.

Total number of Shares available for issue under the Share Option Scheme was 67,000,000 Shares, representing approximately 8.37% of the shares of the Company in issue as at 30 June 2022.

Details of the share options movement during the six months ended 30 June 2022 under the Share Option Scheme are set out in the table below.

Grantee	Date of grant of share options	Number of share options					As at 30 June 2022	Exercise price of share options HK\$	Validity period of share options (both dates inclusive)	Vesting period
		As at 1 January 2022	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Employees (in aggregate)	17 May 2021	2,000,000	-	(600,000)	-	-	1,400,000	0.186	17/5/2021 to 16/5/2031	Note 1
	17 May 2022	-	3,000,000	-	-	-	3,000,000	0.17	17/5/2022 to 16/5/2032	Note 2
Director										
Judy Chan	17 May 2021	8,000,000	-	-	-	-	8,000,000	0.186	17/5/2021 to 16/5/2031	Note 1

Notes:

1. Grantees may only exercise their share options in the following manner:

Maximum percentage of share options exercisable	Period for vesting of the relevant percentage of the share option
30% of the total number of share options	From 17 May 2022 to 16 May 2031
30% of the total number of share options	From 17 May 2023 to 16 May 2031
40% of the total number of share options	From 17 May 2024 to 16 May 2031

2. Grantees may only exercise their share options in the following manner:

Maximum percentage of share options exercisable	Period for vesting of the relevant percentage of the share option
30% of the total number of share options	From 17 May 2023 to 16 May 2032
30% of the total number of share options	From 17 May 2024 to 16 May 2032
40% of the total number of share options	From 17 May 2025 to 16 May 2032

The closing price of the Shares immediately before the date of grant of share options under the Share Option Scheme on 17 May 2021 and 17 May 2022 were HK\$0.185 and HK\$0.168 respectively.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during the six months ended 30 June 2022 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 the six months ended 30 June 2022 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 2022, 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.

Dr. Cheung Chai Hong, a non-executive Director of the Company, is a director and leading founder of The Wine Company, a fine wine retail and trading company in Hong Kong established in 2010. The Wine Company’s principal business is based in Hong Kong, and it only generates a minimal portion of its sales in the PRC.

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 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 the six months ended 30 June 2022.

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 the six months ended 30 June 2022 and up to the date of this interim report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 the six months ended 30 June 2022.

Chairman and Chief Executive

Under code provision C.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 C.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.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph D.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 the six months ended 30 June 2022 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, 9 August 2022

As at the date of this report, the Board comprises Ms. Judy Chan and Mr. Lam Wai Kit Ricky as executive Directors, Mr. Chow Christer Ho and Dr. Cheung Chai Hong 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.