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

2024 ANNUAL REPORT

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This report, for which the directors (the "Directors") of Grace Wine Holdings Limited ("Grace Wine" or the "Company", and together with its subsidiaries, the "Group", "we" or "our") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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Corporate Information

BOARD OF DIRECTORS

Executive Director
Ms. Judy Chan *(Chairlady and Chief Executive Officer)*

Non-executive Directors
Mr. Chow Christer Ho
Dr. Cheung Chai Hong
Mr. James Douglas Richard Field
(appointed on 5 June 2024)

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

COMPLIANCE OFFICER
Ms. Judy Chan

COMPANY SECRETARY
Mr. Chiu Ming King

AUTHORISED REPRESENTATIVES
Ms. Judy Chan
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
Mr. James Douglas Richard Field
(appointed on 5 June 2024)

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. 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
Koo, Li & Partner LLP
in association with Merits & Tree LLP
Room 3310, 33/F, Jardine House
1 Connaught Place
Central
Hong Kong

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

Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2304, 23/F
Westlands Centre
No. 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
17/F, Far East Finance Centre
16 Harcourt Road
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 Grace Wine, I would like to present the Company's annual report for the year ended 31 December 2024.

In 2024, our revenue declined to RMB34.6 million from RMB65.0 million in 2023, with bottle sales decreasing from 738,000 to around 438,000 units. This downturn reflects the broader challenges within China's wine industry, where consumption has been on a downward trend since 2018. The overall market environment remains difficult, and we anticipate that these challenges will persist for the next three to five years.

China's economic landscape in 2024 has been marked by deflationary pressures, cautious consumer spending, and a slower-than-expected recovery in discretionary spending. While the government has set a gross domestic product (GDP) growth target of around 5% for 2025, the road to economic stability remains uncertain. These factors have directly impacted the premium wine segment, requiring businesses to adapt swiftly.

Although it is unlikely that we will return to our 2021 sales levels in the near future, we remain confident that, through strategic adjustments, we can achieve profitability. Our key focus areas include:

1. Operational efficiency and cost management – We are restructuring our operations to align with our current sales scale, implementing cost-saving measures and enhancing efficiency across all levels.

2. Targeted marketing – Rather than appealing to a broad audience, we are sharpening our focus on core consumers who appreciate premium wine, ensuring a more effective allocation of resources.

3. Industry collaborations – To expand brand awareness, we are engaging in cross-industry collaborations. A recent example is our partnership with Imaginist Publishing House in China and its retail arm, Naive, on the special wine project "Bottle of a Year." We expect these partnerships will allow us to reach new audiences and reinforce our brands' positioning.

4. Export growth – We have also made steady progress in expanding our export market. In 2024, our export sales to Hong Kong increased to 1,066,000 units, compared to 985,000 units in 2023. This reflects our ongoing efforts to expand the global footprint of the Company and build stronger relationships with international distributors.

We are delighted to share that our Cabernet Franc is now being served in Cathay Pacific's Business Class, and our Marselan will be added soon. This partnership highlights the growing recognition of our wines and reflects the quality and craftsmanship that we stand for.

Chairlady's Statement

Despite market difficulties, we have made the strategic decision to renovate our winery, using minimal investment to maximize impact. The last major renovation took place in 2012, and we recognise the need to elevate the visitor experience to match our brand standards. More importantly, our winery is the closest to a major city in China, and while Taiyuan is not Beijing or Shanghai, it still has a significant population base of approximately 5.3 million people. A refreshed and engaging winery experience will strengthen our direct consumer relationships and enhance brand loyalty.

We deeply appreciate our shareholders' support, particularly in approving the disposal of our distillery. This move significantly reduces our cash burden, allowing us to focus on our core winery business while improving financial stability. While challenges remain, we are confident that our commitment to quality, operational efficiency, and strategic collaborations will enable us to navigate this evolving market successfully.

Cheers!

Judy Chan
Chairlady

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

In the financial year ended 31 December 2024 ("FY2024"), our revenue declined by 46.8% to RMB34.6 million (the financial year ended 31 December 2023 ("FY2023"): RMB65.0 million), with bottle sales dropping from 738,000 units in FY2023 to 438,000 units in FY2024. This decrease was driven by weaker consumer demand in China's wine industry, which has been in decline since 2018, alongside economic challenges such as deflationary pressures and cautious consumer spending. The shift towards lower-end wine further contributed to the decline, with the average selling price per bottle dropping from RMB88.1 in FY2023 to RMB78.9 in FY2024.

Despite the revenue drop, our gross profit margin improved from 73.3% in FY2023 to 76.1% in FY2024, largely due to the sale of inventories with a lower fixed unit cost resulting from historically higher production volumes. Other income and gains increased by 68.4%, primarily due to government grants, while selling and distribution expenses fell by 3.2%. Administrative expenses rose slightly by 5.7%. We have also recorded an impairment losses of RMB25.7 million in FY2024 for the expected disposal of the Group's distillery business. As a result, a loss of RMB41.0 million was recorded for FY2024, compared to a profit of RMB10.2 million in FY2023. The gearing ratio increased from 13.0% in FY2023 to 27.6% in FY2024 due to the increase in bank loans related to the production of Fujian Dexi Wine Holdings Co., Ltd. ("Fujian Dexi").

Given the prolonged industry downturn and ongoing economic uncertainties, we are implementing key strategic initiatives to achieve profitability, such as optimising operations and costs, refining marketing to target premium wine consumers, and enhancing brand visibility through strategic partnerships.

To improve financial health, we have proposed to dispose of our distillery business and 30% of our winery business, which have been approved by the independent Shareholders of the Company (the "Independent Shareholders") at the extraordinary general meeting of the Company held on 19 February 2025. Upon completion of these two disposals, this will significantly reduce our cash burden and allow us to focus on our core winery business.

While market challenges persist, we remain committed to quality, operational efficiency, and strategic collaborations, positioning the Company for long-term resilience and growth.

FINANCIAL REVIEW

Revenue

Our revenue decreased by RMB30.4 million or 46.8% from RMB65.0 million for FY2023 to RMB34.6 million for FY2024 as a result of the decrease in sales volume due to poor market sentiments in China.

Management Discussion and Analysis

We sold approximately 438,000 bottles in FY2024 as compared to 738,000 bottles in FY2023 and the average selling price decreased from RMB88.1 per bottle in FY2023 to RMB78.9 per bottle in FY2024. The table below sets out the analysis of revenue and sales volume by product mix:

	FY2024		FY2023	
	Revenue	**Sales volume**	Revenue	Sales volume
High-end	**59.2%**	**25.0%**	72.2%	35.2%
Low-end	**40.8%**	**75.0%**	27.8%	64.8%

Cost of sales

Our cost of sales decreased by RMB9.0 million or 52.0% from RMB17.3 million for FY2023 to RMB8.3 million for FY2024. The decrease in the cost of sales is partly aligned with the decline in revenue and partly due to the sale of inventories with a lower fixed unit cost, resulting from a historically higher production scale, and effective cost controls. Our average cost of sales per bottle decreased from RMB23.5 for FY2023 to RMB18.9 for FY2024.

Gross profit and gross profit margin

Our overall gross profit decreased by RMB21.3 million or 44.7% from RMB47.6 million for FY2023 to RMB26.3 million for FY2024, primarily due to the decrease in total sales. Our overall gross profit margin increased from 73.3% for FY2023 to 76.1% for FY2024.

Other income and gains, net

Other income and gains, net increased by RMB1.3 million or 68.4% from RMB1.9 million for FY2023 to RMB3.2 million for FY2024. Other income and gains, net mainly consisting of government grants and bank interest income.

Selling and distribution expenses

Selling and distribution expenses decreased slightly by RMB0.4 million or 3.2% from RMB12.4 million for FY2023 to RMB12.0 million for FY2024, which primarily comprised of expenses for marketing and promotion events.

Administrative expenses

Administrative expenses increased slightly by RMB1.4 million or 5.7% from RMB24.4 million for FY2023 to RMB25.8 million for FY2024, which mainly comprised of general administrative expenses.

Finance costs, net

Our finance costs for FY2024 was RMB1.2 million, which represented the interest on bank loans of RMB1,114,000 (FY2023: RMB1,151,000) and unwinding of the discounted lease liabilities recognised under HKFRS 16 *Leases* of RMB38,000 (FY2023: RMB34,000).

Income tax expense

Our income tax expense increased by RMB4.5 million or 375% from RMB1.2 million for FY2023 to RMB5.7 million for FY2024 and the increase was mainly due to an increase in deferred tax expenses resulting from the reorganisation of the subsidiaries in the PRC.

Management Discussion and Analysis

Loss for the year

As a result of the above factors, a loss of RMB41.0 million was recognised for FY2024 (FY2023: profit of RMB10.2 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, and capital investment in new projects. As at 31 December 2024, the carrying amount of the Group's cash and cash equivalents was RMB34.5 million, representing a decrease of 17.7% as compared with that of RMB41.9 million as at 31 December 2023.

As at 31 December 2024, the Group's cash and cash equivalents include RMB30.8 million, HK$3.4 million, and some insignificant amounts of USD and EUR (31 December 2023: RMB41.1 million, HK$0.5 million, as well as some insignificant amounts of EUR).

Gearing ratio

The Group's gearing ratio is measured by total external borrowings divided by total equity. Our gearing ratio is 27.6% as at 31 December 2024 (31 December 2023: 13.0%).

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 their 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 insignificant.

For the Group's subsidiaries outside of Mainland China, transactions, including the Group's financing activities, may be denominated in Hong Kong dollars or United States dollars or Euros, 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 31 December 2024, the Group had no contingent liabilities (31 December 2023: Nil).

Pledge of assets

As at 31 December 2024, the Group has pledged property, plant and equipment for the general banking facilities and for the construction work of Fujian Dexi, an indirectly wholly-owned subsidiary of the Company, for the amount of RMB52.0 million (31 December 2023: RMB53.5 million).

Management Discussion and Analysis

Employee and remuneration policies

As at 31 December 2024, the Group had, including the Directors, 174 employees (31 December 2023: 170 employees). Staff costs, including Directors' emoluments, amounted to RMB16.8 million for FY2024 (FY2023: RMB15.4 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

On 5 December 2024 and 21 January 2025, the Company (as seller) entered into agreements with Ms. Judy Chan ("Ms. Chan"), our chairlady, executive Director and controlling shareholder of the Company (as purchaser), pursuant to which the Company has conditionally agreed to sell, and Ms. Chan has conditionally agreed to acquire, the entire issued share capital of Pacific Surplus Limited and its subsidiaries (the "Pacific Surplus Disposal", being proposed disposal of the distillery business), as well as 30% of the entire issued share capital of Epic Wealth Holdings Limited and its subsidiaries (the "Epic Wealth Disposal", being proposed disposal of all 30% of the winery business), for HK$71.28 million and HK$38.88 million, respectively.

The Pacific Surplus Disposal and the Epic Wealth Disposal constitute very substantial disposals and connected transactions; therefore, these transactions are subject to reporting, announcement, and Independent Shareholders' approval.

The Board also proposed a special dividend of HK7.802 cents per share of the Company (the "Pacific Surplus Dividend"), conditional on Independent Shareholders' approval of the resolutions related to the Pacific Surplus Disposal as well as the completion of the Pacific Surplus Disposal; and a special dividend of HK4.256 cents per share of the Company (the "Epic Wealth Dividend"), conditional on Independent Shareholders' approval of the resolutions related to the Epic Wealth Disposal as well as the completion of the Epic Wealth Disposal.

On 19 February 2025, the Independent Shareholders approved the Pacific Surplus Disposal, the Pacific Surplus Dividend, the Epic Wealth Disposal, and the Epic Wealth Dividend. As at the date of this report, the Pacific Surplus Disposal and the Epic Wealth Disposal are yet to be completed.

Please see the Company's announcements dated 5 December 2024, 27 December 2024, 21 January 2025 and 19 February 2025, as well as the circular of the Company dated 24 January 2025 for further details.

Significant investments, material acquisition and disposals

Save as disclosed in this report, the Group did not have any significant investments, material acquisitions or disposal of assets, subsidiaries, associates or joint ventures during FY2024.

Final dividend

The Board did not recommend the payment of any final dividend for FY2024 (FY2023: Nil).

Future plans for material investments and capital assets

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

Directors and Senior Management

EXECUTIVE DIRECTOR

Ms. Judy Chan ("Ms. Chan"), formerly known as Judy Leissner, aged 47, was appointed as an executive Director on 14 February 2012 and the chairlady of the Board and chief executive officer of the Company (the "Chief Executive Officer") on 24 July 2017. She is the chairladies of the nomination committee (the "Nomination Committee") and the investment committee (the "Investment Committee") of the Company. She first joined the Group in June 2002 as a director of Shanxi Grace Vineyard Co. Ltd.* (山西怡園酒莊有限公司) ("Shanxi Grace Vineyard"). She is primarily responsible for overseeing the general management and business development and formulates the business strategies and policies for the business management and operations of the Group.

Ms. Chan has over 20 years of experience in the wine making industry. Prior to joining the Group, from March 2000 to November 2001, Ms. Chan worked as an analyst at Goldman Sachs (Asia) L.L.C., in Hong Kong. Ms. Chan was an independent non-executive director of Sing Tao News Corporation Limited (SEHK: 1105) (principally engaged in media operations) from February 2014 to June 2021.

Ms. Chan graduated from the University of Michigan in the United States with a bachelor's degree in psychology, women's studies and organisational studies in December 1999. Ms. Chan was awarded "Entrepreneur of the Year China 2010" under the category of Hong Kong/Macau Region Emerging Entrepreneur of the Year by Ernst & Young in 2010. Ms. Chan was also awarded "Asia Wine Personality of the Year 2012" by The Drink Business magazine and the Institute & Masters of Wine in 2012. She was named as one of "China's 25 Most Influential Businesswomen" by Fortune China magazine in November 2012 and one of the "50 Most Influential Women in the Wine Industry" by The Drink Business magazine in December 2012. Additionally, she was named as one of the "Future Women in the Mix in Asia: 12 to Watch" by Forbes Asia and a "Young Global Leader" by the World Economic Forum in March 2013. She was also named one of the 50 most important people in "The Decanter Power List 2013" published by the Decanter in July 2013. Ms. Chan was named as one of the "2014 Most Innovative Women in Food and Drink" by Fortune magazine and Food & Wine magazine in September 2014. In 2022, she was awarded the Greater China Enterprise Achievement Award at the 4th Golden Bauhinia Women Entrepreneur Awards.

Ms. Chan was a member of the 9th to 12th Session the Chinese People's Political Consultative Conference of Shanxi Province (中國人民政治協商會議第九屆至第十二屆山西省委員會委員) from May 2005 to January 2023. She has been appointed as a member of the Shanxi Qiaolian (山西僑聯委員) since March 2013. Ms. Chan has also been a director of the board of trustees of Huaqiao University (華僑大學董事會董事) since November 2014 and an honorary chairlady of the First Session of the Huaqiao University Youth Federation (華僑大學青年聯合會第一屆名譽主席) since October 2013.

Ms. Chan is the daughter of Ms. Wong Shu Ying ("Ms. Wong"), a substantial shareholder of the Company (the "Substantial Shareholder").

* *for identification purpose only*

Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Dr. Cheung Chai Hong ("Dr. Cheung"), aged 39, was appointed as a non-executive Director on 28 May 2021. He is the members of the remuneration committee (the "Remuneration Committee") of the Company and the Investment Committee. He is primarily responsible for advising the Company on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct.

Dr. Cheung was the executive director of China Financial Services Holdings Limited (SEHK: 605) from May 2014 to December 2022. Prior to that, he was the managing director of POC Holdings (HK) Limited, a leading authorised automobile dealership for Mercedes Benz and Jaguar Land Rover in the southwestern region of China. Dr. Cheung is also a director and leading founder of The Wine Company, a fine wine retail and trading company in Hong Kong founded in 2010. Dr. Cheung previously worked in PAG Capital, focusing on private equity investments in the retail and consumer sector in Greater China. Prior to PAG Capital, he also worked in Barclays Capital and focused on equity research in the retail and consumer sector.

Dr. Cheung was awarded a bachelor's degree from the University of Warwick in the United Kingdom major in computer and business studies in 2007, a master's of science degree from the London School of Economics and Political Science in the United Kingdom major in analysis, design and management of information systems in 2008 and a PhD degree in international law from the China University of Political Science and Law in China in 2019.

Mr. Chow Christer Ho ("Mr. Chow"), formerly known as Chow Ho, aged 51, was appointed as a non-executive Director on 24 July 2017. He is the members of the audit Committee (the "Audit Committee") of the Company, the Nomination Committee and the Investment Committee. He is responsible for advising the Company on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct.

Mr. Chow has over 20 years of experience in the real estate development and investment industry. Currently, Mr. Chow is a managing director of LaSalle Investment Management, a member of the Jones Lang LaSalle Group (principally engaged in real estate investment management), where he is primarily responsible for advising and managing real estate investment portfolios of institutional investors. From 2007 to March 2012, he worked at Jones Lang LaSalle, with his last position as the head of corporate finance, Greater China, where he was primarily responsible for providing real estate investment advisory and consulting services. From January 2003 to 2007, Mr. Chow worked at Hong Kong Disneyland Management Limited with his last position as development manager, where he was primarily responsible for the master planning, infrastructure and development management of the Hong Kong Disneyland Resort.

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

Directors and Senior Management

Mr. James Douglas Richard Field ("Mr. Field"), aged 60, was appointed as a non-executive Director on 5 June 2024. He is a member of the Remuneration Committee. He is responsible for advising the Company on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct.

Mr. Field has over 35 years of experience in founding and running entrepreneurial businesses. Arriving in Hong Kong in 1988, he soon co-founded a company importing engineering commodities and electrical components from the former Union of Soviet Socialist Republics and distributing them in China and across Southeast Asia. Subsequently, he founded a number of other trading and wholesale distribution businesses focused on exporting hardware and machinery from China, India, and Vietnam to Europe, Australasia, Southern Africa, and the Commonwealth of Independent States.

Mr. Field now runs a product development, sourcing, supply chain management, and distribution group that produces and distributes machinery, hardware, power tools, and new energy equipment. He also sits on the boards of a wide variety of early-stage businesses spanning metal pallets, solar-powered household heating systems, and spirit distilling.

Mr. Field obtained his undergraduate degrees in anthropology and East Asian studies from the University of North Carolina in 1987.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Kent Ching-tak ("Mr. Ho"), aged 44, was appointed as an independent non-executive Director on 1 June 2018. He is the members of the Audit Committee and Nomination Committee. He is responsible for providing independent judgement on strategy, policy, performance, accountability, resources, key appointments and standard of conduct.

Mr. Ho was a non-executive director from May 2010 to February 2014 and an executive director of Sing Tao News Corporation Limited (SEHK: 1105) from February 2014 to June 2021 where he was primarily responsible for the development of digital media and related business in Hong Kong, North America, Australia, Europe and the PRC.

Mr. Ho has over 10 years of experience in media business development. He is also experienced in wealth management and investments focusing on high-tech industries since 2015. In May 2015, Mr. Ho founded S28 Capital, a venture capital firm based in Silicon Valley, where he has been a managing partner since June 2015.

Mr. Ho obtained his bachelor's degree in economics and a certificate in the markets and management programme from Duke University in the United States in May 2003. He then obtained a master's degree in business administration from Stanford Graduate School of Business in the United States in June 2009. Mr. Ho was a member of the board of directors of the Hong Kong Science and Technology Parks Corporation from July 2017 to June 2023, a member of the Hong Kong Trade Development Council's Innovation and Technology Advisory Committee from April 2017 to March 2021 and was conferred the title of Honorary Trustee of Peking University in December 2016.

Directors and Senior Management

Mr. Lim Leung Yau Edwin ("Mr. Lim"), aged 62, was appointed as an independent non-executive Director on 1 June 2018. He is the chairman of the Audit Committee and the members of the Remuneration Committee, the Nomination Committee and the Investment Committee. He is responsible for providing independent judgement on strategy, policy, performance, accountability, resources, key appointments and standard of conduct.

Mr. Lim has over 39 years of experience in the finance and banking industry. He served as the Market Head of China and Taiwan at HSBC Private Banking from October 2018 until his retirement in January 2024. After retiring, he joined Morgan Stanley PWM as one of the sales managers in June 2024. From July 2016 to October 2018, he worked at Credit Suisse AG Hong Kong branch, with his last position as a managing director and the market group head. From June 2011 to July 2016, Mr. Lim worked at J.P. Morgan Private Bank, with his last position as a managing director and the head of private wealth management, Northeast Asia, where he was primarily responsible for leading and supervising his team and delivering investment, wealth and capital advisory services to high net worth clients in the North East Asia region. From August 2006 to June 2011, he worked at DBS Bank (Hong Kong) Limited, with his last position as head of North Asia, private banking and wealth management, where he was primarily responsible for providing wealth management advisory services to high net worth individuals in the region. Prior to that, from 1986 to 2006, Mr. Lim had worked at various banks including Credit Suisse, Citibank, N.A. and Barclays Bank Plc.

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

Mr. Alec Peter Tracy ("Mr. Tracy"), aged 59, was appointed as an independent non-executive Director on 1 June 2018. He is the chairman of the Remuneration Committee and the member of the Nomination Committee. He is responsible for providing independent judgement on strategy, policy, performance, accountability, resources, key appointments and standard of conduct.

Mr. Tracy has over 27 years of experience in the legal industry. Currently, Mr. Tracy is the chief operating officer and general counsel of Admiralty Harbour Financial Group Limited (principally engaged in asset management, capital markets and advisory and securities trading). Prior to this, Mr. Tracy was a counsel at Ascent Capital Advisors Limited (principally engaged in growth capital, middle market buyout and special situation investments) from January 2017 to December 2017, where he was primarily responsible for advising on legal matters and assisting with the making and monitoring of private equity investments. From September 1994 to June 2016, he practiced law with Skadden, Arps, Slate, Meagher & Flom LLP and its affiliated law practices ("Skadden"), with his last position as a partner in Skadden's Hong Kong office. At Skadden, he advised companies, investment banks, financial sponsors and governmental entities on cross-border mergers and acquisitions, corporate finance transactions and general corporate matters.

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

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Lee Yean Yean (李衍圜) ("Mr. Lee"), aged 44, first joined the Group in September 2006 and has been our production and technical director since November 2009. He is primarily responsible for overseeing the management of the cultivation bases, production and logistics departments of our Group. Mr. Lee has over 15 years of experience in the wine making industry. In September 2006, Mr. Lee first joined Shanxi Grace Vineyard as a winemaker assistant, and he was also a vineyard assistant and cellar hand. Prior to joining the Group, from July 2005 to July 2006, he was a northern region sales executive at Sony (Malaysia) Sdn. Bhd. From July 2004 to June 2005, he served as a northern region sales executive and wine buyer at Harrisons Wine of Harrisons Holdings (Malaysia) BHD, responsible for setting up a branch company in the northern region of Malaysia, sourcing new wine and managing the wine list. From May 2003 to June 2004, he was a sales executive at Denise Wine Shop (Malaysia) Sdn. Bhd..

Under Mr. Lee's dedicated leadership, our Group has garnered international acclaim for its excellence, winning numerous awards internationally – including accolades from the Decanter World Wine Award, International Wine & Spirit Competition (IWSC), Gilbert & Gailard Wine Competition, and the Berlin Wine Trophy – which positions our brand as one of the most highly regarded in the industry.

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

Mr. Wang Tairan (王泰然) ("Mr. Wang"), aged 43, first joined the Group in December 2007, and has been the general manager of Shanxi Vineyard since February 2019. He is primarily responsible for overseeing the daily operation of Shanxi Vineyard.

Mr. Wang served as our deputy general manager of the production and quality control from February 2011 to January 2019. He was the manager of the production department of Shanxi Grace Vineyard from April 2009 to January 2011, mainly responsible for overseeing the production department and executing the production plannings. He was the vice manager of the same department from January 2009 to March 2009, mainly responsible for assisting the manager in supervising the production staff and production plants. From December 2007 to December 2008, he served as an assistant to the manager of the same department, mainly responsible for sourcing ancillary materials for production of our wine products.

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

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

Directors and Senior Management

COMPLIANCE OFFICER

Ms. Chan is the compliance officer of the Company. Her biographical details are set out in section headed "Directors and Senior Management" in this report.

COMPANY SECRETARY

Mr. Chiu Ming King (趙明璟) ("Mr. Chiu"), aged 48, was appointed as the company secretary of the Company (the "Company Secretary") on 24 July 2017. He has worked at Vistra Corporate Services (HK) Limited since June 2012, with his current position as head of corporate and fund services. Mr. Chiu has over 20 years of experience in the company secretarial field and has held various positions, including associate director of corporate services, in various corporate secretarial companies.

Mr. Chiu has been an associate member of The Chartered Governance Institute in United Kingdom and The Hong Kong Chartered Governance Institute ("HKCGI") since 2003 and became a fellow member of the HKCGI since September 2015.

Mr. Chiu obtained a bachelor of arts from University of Toronto in Canada in June 1999 and received a master of arts in professional accounting and information systems from City University of Hong Kong in November 2003.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company has adopted with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Part 2 of Appendix C1 of the GEM Listing Rules.

Except as expressly described below, the Company complied with all applicable code provisions set out in the CG Code throughout FY2024.

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 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.

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 throughout FY2024.

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

Corporate Governance Report

THE BOARD

Composition

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

Executive Director

Ms. Judy Chan *(Chairlady and Chief Executive Officer)*

Non-executive Directors

Dr. Cheung Chai Hong
Mr. Chow Christer Ho
Mr. James Douglas Richard Field *(appointed on 5 June 2024)*[1]

Independent non-executive Directors

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

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

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

Responsibilities

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

[1] Mr. James Douglas Richard Field has obtained legal advice set out in Rule 5.02D of the GEM Listing Rules on 20 May 2024 and Mr. James Douglas Richard Field confirmed he understood his obligations as a Director.

Corporate Governance Report

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

Policy on Obtaining Independent Views and Input

The Board has adopted a policy on obtaining independent views and input (the "Board Independence Policy"), which demonstrates the Company's commitment to high standards of corporate governance, and making good governance integral to the Company's culture.

The Board believes that independence is a matter of judgement and conscience but that, to be independent, independent non-executive Directors should be free from any business or other relationship which might interfere with the exercise of their independent judgement, unless such business or relationship does not contravene the GEM Listing Rules or other applicable laws, rules and regulations. The Board reviews the independence of Directors on an annual basis. Directors who are considered to be independent will be identified as such in the Company's annual report and other communications with its shareholders.

Independent non-executive Directors are expected, especially when there is a conflict of interests between the management and the Company itself, to bring their experience, broad and independent views, independent oversight and constructive knowledge to the Board, through Board meetings, Board committee meetings, and other communications among the Directors. They are also expected to provide their independent views and knowledge on issues such as the Company's accountability and standard of conduct This is of vital importance to the protection of the interests of the shareholders of the Company.

In accordance with this policy, the Board, Board committees or individual Directors may seek such independent professional advice, views and input as considered necessary to fulfil their responsibilities and in exercising independent judgement when making decisions in furtherance of their Directors' duties at the Company's expense (the "Mechanism"). The Mechanism is established to ensure independent views and input are available to the Board and should be disclosed in the Corporate Governance Report of the Company.

Independent professional advice shall include legal advice and advice of accountants and other professional financial advisers on matters of law, accounting, tax and other regulatory matters.

In the event that independent professional advice, views and input are considered necessary, the Board, Board committees or individual Directors shall communicate with the company secretary to start the Mechanism, providing background and details of the relevant incidents and/or transactions, and the issues involved which would require independent views and input. They may direct any questions, queries, concerns or specific advice to be sought to the company secretary who will then contact the Company's professional advisers (including legal advisers, accountants, independent auditor, internal control adviser) or other independent professional parties to obtain such independent professional advice within a reasonable period of time.

Any advice obtained through the Mechanism shall be duly documented and made available to other members of the Board.

Corporate Governance Report

Despite having obtained any information or advice from the Chairlady/Chairman and/or any independent professional advisers through the Mechanism, the Directors are expected to exercise independent judgement in forming their decisions.

Also, the senior management of the Company are, from time to time, brought into formal and informal contact at Board meetings and other corporate events. The Board has full access to all information provided by senior management of the Company it deems appropriate for the purposes of fulfilling its role.

The Company has reviewed and considered the implementation of the Board Independence Policy to be effective during FY2024.

Directors' and Officers' Liabilities Insurance

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

Appointment, Re-election and Removal of Directors

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

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

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

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

Corporate Governance Report

Board Diversity Policy

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

In accordance with the Board Diversity Policy, the measurable objectives are as below:

1.1 Recruitment and selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. In particular, when identifying potential candidates to the Board, the Nomination Committee and the Board will, among others, (i) consider the current level of representation of different genders on the Board and the senior management when making recommendations for nominees as well as succession planning to the Board and senior management; and (ii) consider the criteria that promotes diversity by making reference to the code of practices on employment published by the Equal Opportunities Commission from time to time.

1.2 The Nomination Committee will discuss and where necessary, agree annually on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth.

1.3 The ultimate decision will be based on merit against objective criteria and contribution that the selected candidates will bring to the Board, taking into account the corporate strategy and business operations of the Company.

1.4 The Board is also committed to having a Board consisting of more than one gender. The Board should consist of at least one Director of a different gender who genuinely possesses the necessary skills, experience and calibre appropriate to the Company's business. The Board aims to ensure that there is at least one Director of a different gender on the Board and that this is maintained in accordance with the GEM Listing Rules.

1.5 In order to achieve and/or maintain gender diversity, the Nomination Committee will propose a pipeline of potential successors to the Board to achieve gender diversity.

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

Corporate Governance Report

As at the date of this annual report, the Board comprises seven Directors, one of which is a female. The Board targets to maintain at least the current level of female representation, with the ultimate goal of achieving gender parity. The diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on page 10 to page 13 of this annual report.

	Age Group			
Name of Director	**30 to 39**	**40 to 49**	**50 to 59**	**60 or above**
Ms. Judy Chan		√		
Dr. Cheung Chai Hong	√			
Mr. Chow Christer Ho			√	
Mr. James Douglas Richard Field				√
Mr. Ho Kent Ching-tak		√		
Mr. Lim Leung Yau Edwin				√
Mr. Alec Peter Tracy			√	

	Professional Experience				
Name of Director	**Finance/ Accounting**	**Media Industry**	**Law**	**Real Estate**	**Product Distribution**
Ms. Judy Chan	√				
Dr. Cheung Chai Hong	√				
Mr. Chow Christer Ho	√			√	
Mr. James Douglas Richard Field					√
Mr. Ho Kent Ching-tak		√			
Mr. Lim Leung Yau Edwin	√				
Mr. Alec Peter Tracy	√		√		

	Education Background					
Name of Director	**Accountancy**	**Economics and Political Science**	**Business**	**Law**	**Psychology**	**Others**
Ms. Judy Chan					√	
Dr. Cheung Chai Hong		√				
Mr. Chow Christer Ho			√			√
Mr. James Douglas Richard Field						√
Mr. Ho Kent Ching-tak						√
Mr. Lim Leung Yau Edwin			√			
Mr. Alec Peter Tracy				√		√

Corporate Governance Report

During FY2024, the Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation.

Gender Diversity at Workforce Levels

The gender ratio in the workforce (including senior management) for FY2024 is Male:Female = 1:1. The total gender diversity of the Group is balanced and the Group will continue to maintain the gender diversity in workforce. For further details of gender ratio together with the relevant data, please refer to the disclosure in the environmental, social and governance report of the Company.

Continuous Professional Development

According to the code provision C.1.4 of the CG Code, all Directors shall participate in continuous professional development ("CPD") to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

Pursuant to the code provision C.1.1 of the CG Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations.

During FY2024, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

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

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

Corporate Governance Report

Company's Culture

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Group. A strong culture enables the Company to deliver long-term sustainable performance and fulfil its role as a responsible corporate citizen. The Company is committed to developing a positive and progressive culture that is built on its purpose and values.

During FY2024, the Company continued to use its unique expertise, capabilities and experience to produce quality Chinese wine that is recognised worldwide. The Company aimed to achieve this purpose and create the following values through the following strategies.

A. Values

(1) Family Tradition

The Company believes that "only the clan can make fine wine generation by generation in long-run".

(2) Engagement

The Company prides itself on keeping its shareholders engaged in and informed of the markets and communities in which the Company operates.

(3) Excellence

In pursuit of quality and persistence, the Company is determined to deliver excellent wines and alcohol to its customers.

(4) Mutual Respect

The Company strives for working internally and externally in a collegiate environment based on trust, collaboration and respect.

B. Strategies

Below are the Company's strategies:

- becoming a leader in wine production in the Chinese markets;
- growing and enhancing its presence in Shanxi, Shanghai, Beijing, Guangdong, Zhejiang in the People's Republic of China and other major Chinese cities successfully;
- continuing to place investments on the development of alcohol production projects; and
- building a robust platform and premium alcoholic beverage enterprise in China.

Corporate Governance Report

The Board sets and promotes corporate culture and expects and requires all employees to reinforce. All of our new employees are required to attend orientation and training programs so that they may better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. In addition, from time to time, the Company will invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

The Board considers that the corporate culture and the purpose, values and strategy of the Group are aligned.

BOARD COMMITTEE

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

Audit Committee

The Audit Committee was established on 1 June 2018 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph D.3 of the CG Code as set out in Part 2 of Appendix C1 to the GEM Listing Rules. The Audit Committee comprises one non-executive Director, Mr. Chow Christer Ho, and two independent non-executive Directors, namely Mr. Ho Kent Ching-tak and Mr. Lim Leung Yau Edwin. Mr. Lim Leung Yau Edwin is the chairman of the Audit Committee.

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

There were two meetings of the Audit Committee held during FY2024, the attendance record of the committee members is set out in the section headed "Attendance Records of Meetings" below. The following is a summary of work performed by the Audit Committee during FY2024:

- reviewed the interim and annual financial statements, reports and results announcements for presentation to the Board for approval;
- reviewed the findings and recommendations of the external auditor;
- reviewed the risk management and internal controls systems of the Group; and
- reviewed the effectiveness of the internal audit function of the Group.

Corporate Governance Report

Remuneration Committee

The Remuneration Committee was established on 1 June 2018 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and paragraph E.1 of the CG Code as set out in Part 2 of Appendix C1 to the GEM Listing Rules. The Remuneration Committee comprises two non-executive Directors, namely Dr. Cheung Chai Hong and Mr. James Douglas Richard Field, and two independent non-executive Directors, namely Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy. Mr. Alec Peter Tracy is the chairman of the Remuneration Committee.

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

There was one meeting of the Remuneration Committee held during FY2024, the attendance record of the committee members is set out in the section headed "Attendance Records of Meetings" below. The following is a summary of work performed by the Remuneration Committee during FY2024:

– reviewed the Company's policy for the remuneration of Directors;

– reviewed and recommended to the Board for consideration the terms and conditions of the appointment letter for the appointment of non-executive Director; and

– recommended to the Board for consideration any adjustment to the Director's remuneration packages by taking into account their performances, the Group's business and financial performance and their contribution to the development of the Group.

Details of the Directors' remuneration for FY2024 are set out in Note 8 to Financial Statements.

The remuneration of the senior management of the Group by band for FY2024 is set out below:

Remuneration bands	Number of senior management
HK$1 to HK$1,000,000	2

Directors' remuneration policy

The remuneration policy for our Directors are based on their experience, level of responsibility and general market conditions, and is reviewed and adjusted on an annual basis. The Directors receive compensation in the form of salaries, allowances, bonuses and other benefits-in-kind, including the Company's contribution to the pension scheme. The Remuneration Committee determines the salaries of the Directors based on their qualifications, positions and seniority.

Nomination Committee

The Nomination Committee was established on 1 June 2018 with written terms of reference in compliance with paragraph B.3 of the CG code as set out in Part 2 of Appendix C1 to the GEM Listing Rules. The Nomination Committee comprises one executive Director, Ms. Judy Chan, one non-executive Director, Mr. Chow Christer Ho and three independent non-executive Directors, namely Mr. Ho Kent Ching-tak, Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy. Ms. Judy Chan is the chairlady of the Nomination Committee.

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

There was one meeting of the Nomination Committee held during FY2024, the attendance record of the committee members is set out in the section headed "Attendance Records of Meetings" below. The following is a summary of work performed by the Nomination Committee during FY2024:

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

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

– reviewed and recommended to the Board for consideration the appointment of non-executive Director;

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

– reviewed and considered the retirement and re-nomination of Directors for re-election at the forthcoming annual general meeting of the Company (the "AGM").

Investment Committee

The Investment Committee was established on 6 May 2022. The Investment Committee comprises one executive Director, namely Ms. Judy Chan, two non-executive Directors, namely Mr. Chow Christer Ho and Dr. Cheung Chai Hong and one independent non-executive Director, Mr. Lim Leung Yau Edwin. Ms. Judy Chan is the chairlady of the Investment Committee.

The primary duties of the Investment Committee are to assist the Board, among others, in monitoring and reviewing investment performance, investment amount and total risk exposures regularly, and formulating investment performance, investment amount and total risk exposures regularly, and formulating investment strategies and guidelines for the portfolio of investments.

There was no meeting of the Investment Committee held during FY2024.

Corporate Governance Function

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

The Board's responsibility in this regard includes:

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

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

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

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

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

Corporate Governance Report

Attendance Records of Meetings

The attendance of each Director at Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting, Investment Committee meeting and general meeting during FY2024 is set out in the following table:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Investment Committee meeting	General meeting
Number of meetings held during FY2024	5	2	1	1	0	1
Name of Directors	**Number of meetings attended/Number of meetings entitled to attend**					
Executive Director						
Ms. Judy Chan	5/5	–	–	1/1	0	1/1
Non-executive Directors						
Dr. Cheung Chai Hong	5/5	–	1/1	–	0	0/1
Mr. Chow Christer Ho	5/5	2/2	–	1/1	0	1/1
Mr. James Douglas Richard Field (Note 1)	3/4	–	0/0	–	–	0/0
Independent non-executive Directors						
Mr. Ho Kent Ching-tak	5/5	2/2	–	1/1	–	0/1
Mr. Lim Leung Yau Edwin	5/5	2/2	1/1	1/1	0	0/1
Mr. Alec Peter Tracy	5/5	–	1/1	1/1	–	1/1

Note:

1. Mr. James Douglas Richard Field appointed as non-executive Director with effect from 5 June 2024. Accordingly, he was not entitled to attend Board meeting, Remuneration Committee meeting and general meeting which had been held during FY2024 prior to his appointment on 5 June 2024.

One meeting for the Chairlady and independent non-executive Directors without the presence of other Directors has been held during FY2024.

NOMINATION POLICY

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

(i) Selection Criteria

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

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

(ii) Directors Nomination Procedures

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

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for the Consolidated Financial Statements

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

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

The Directors are responsible for overseeing the Group's financial reporting process. In preparing the consolidated financial statements for FY2024, the Board has selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Auditor's Remuneration

During FY2024, the remuneration paid or payable to the Company's auditor, Ernst & Young, in respect of their audit and non-audit services was as follows:

	RMB'000
Audit services	1,200
Non-audit services	562
Total	1,762

The remuneration for non-audit services represents the professional services as for the performance of agreed-upon procedures on the interim financial report and review on the Pacific Surplus Disposal and the Epic Wealth Disposal.

COMPANY SECRETARY

The Company has appointed, externally, Mr. Chiu Ming King ("Mr. Chiu") as the Company Secretary. His biographical details are set out in the section "Directors and Senior Management" of this annual report. During FY2024, Mr. Chiu has confirmed that he has taken no less than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules. Mr. Chiu's primary contact with the Company is Ms. Judy Chan, the executive Director.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

Board of Directors

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

Audit Committee

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

Management

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

Internal Audit

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

RISK MANAGEMENT PROCESS

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

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

Major Risks of the Group

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

Risk	Description	Key Risk Mitigation	Changes
The wine industry in China is expected to remain under pressure due to weak consumption. Demand for higher-priced premium wines weakened significantly due to uncertainties surrounding the macroeconomic outlook.	Our sales are directly impacted by the economy, the social activities and the atmosphere in the key sales locations. The economic prospects will be influenced by the adverse impact of rising geopolitical tensions and challenges from the slowdown of China's economic growth. It is believed that overall economic performance is still the main driver for economic recovery for the year. In case of slow recovery of domestic economic activities and any decrease in consumer spending, our business activities may be largely impacted and our revenue will decrease.	We monitor the market condition closely and seek opportunities to carry out marketing activities to drive our sales to catch up with the slowdown in sales volume. On the other hand, we also take a more prudent cash management strategy to limit the expenses unrelated to sales and marketing activities to ensure we have sufficient liquidity in case the situation worsened again.	Decreased The domestic economic activities are gradually recovering, and the per capita disposable income and per capita spending on food, tobacco and alcohol across the country are improving, which brought a positive impact to the Group.

Corporate Governance Report

Risk	Description	Key Risk Mitigation	Changes
We relied on Shanxi as our major market.	Sales in the Shanxi Province constitute a majority of the Group's total sales. Any material decline in the Shanxi market may result in a decline in the sales of our wine products and our revenue significantly, which may be caused by an economic downturn, natural disasters, as well as other laws and regulation changes.	The Group has made steady progress in refining and expanding its operations, with a focus on diversifying and creating new sales channels. We continuously develop new markets and distribution channels including, but not limited to, online sales and cooperation with new distributors in regions outside the Shanxi Province.	Decreased The Group is refining its focus on core consumers who appreciate premium wine while simultaneously expanding brand awareness through cross-industry collaborations. Additionally, we have made significant efforts to grow our export market.
We faced climate change and environmental risks.	Wine production is highly dependent on environmental factors like climate and weather conditions. In China, extreme weather events, such as droughts or floods, and long-term shifts in climate patterns could disrupt grape production. This can lead to reduced yields, lower-quality grapes, and increased costs for producers to maintain or replace crops, directly affecting wine production and profitability.	The Group prioritises the use of self-grown grapes from our self-owned vineyards in Shanxi and Ningxia to ensure uninterrupted wine production. The Group is also conducting research to develop improved viticulture practices, including water conservation, soil management, and the diversification of grape varieties. By implementing these strategies, we aim to enhance vineyard yields and ensure consistent wine production.	Decreased The Group continues to conduct research and invest in development to discover new techniques for enhancing grape cultivation and wine production.

Risk	Description	Key Risk Mitigation	Changes
We faced intense competition in the domestic market in China and from imported wine, which may adversely affect business, financial performance and operational results of the Group.	Our sales growth by market expanding and penetration may be affected by the competition from other domestic wine producers given their existing presence in the regions. Our foreign competitors may have greater access to financial resources, being more experienced and have better capability in product innovation and longer operating histories. Given the increasing western influence over the PRC and the general consumer behaviour changes in the PRC, our brand equity and advantages may be diluted by the increase of foreign brands in the PRC, which will affect our revenue directly.	Focusing on quality and increasing brand awareness are key strategies to differentiate our products from competitors. We have also made significant investments in marketing and promotional events to ensure we maintain a high level of customer satisfaction.	Unchanged

INTERNAL CONTROL REVIEW TEAM

During the year ended 31 December 2024, the Group had not established an internal control department internally. Instead, the Group has engaged an external internal control consulting company, APAC Compliance Consultancy and Internal Control Services Limited, to conduct assessment and evaluation on the effectiveness of internal control measures and systems of the Group. Certain internal control enhancement suggestions have been identified and the Management has established action plans for improving the internal control effectiveness accordingly. An internal control review report has been provided to the Audit Committee which has also been reported to the Board about the findings and improvement measures. No material internal control deficiency has been identified during the year ended 31 December 2024 and the Board considers that the risk assessment and internal control function of the Group to be adequate and effective.

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

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

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

SHAREHOLDERS' RIGHTS

Rights to Convene Extraordinary General Meeting

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

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

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

Procedures for a Shareholder of the Company to Propose a Person for Election as a Director

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

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

Accordingly, if a Shareholder wishes to nominate a person to stand for election as a Director, the following documents must be validly served at the Company's principal place of business in Hong Kong at Unit 2304, 23/F, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong or at the Company's Hong Kong share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, including (i) a notice signed by the Shareholder for which such notice is given of his/her intention to propose a candidate for election; and (ii) a notice signed by the proposed candidate of the candidate's willingness to be elected together with (a) that candidate's information as required to be disclosed under Rule 17.50(2) of the GEM Listing Rules, and (b) the candidate's written consent to the publication of his/her personal data.

Right to Put Enquires to the Board

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of the Company. Such questions, requests and comments can be addressed to the Company by mail to Unit 2304, 23/F, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong or by email to contact@gracewine.com.hk.

SHAREHOLDERS' COMMUNICATION POLICY AND INVESTORS RELATIONS

The Board has adopted a shareholders' communication policy (the "Shareholders' Communication Policy") for the purpose of enhancing the effective communication with Shareholders as well as investor relations and investors' understanding of the Company's business performance and strategies.

The Shareholders' Communication Policy is summarised as below:

- The Company will assign dedicated employee(s) to be in charge of ensuring effective and timely dissemination of information to Shareholders.
- The Company will provide Shareholders with ready access to understandable information about the Company.
- The Company will take steps to solicit and understand the views of Shareholders and other stakeholders.
- The Company will facilitate Shareholders' participation in annual general meetings and make available the chairmen of the board committees and advisory panel(s) (if any), appropriate management executives, auditors at annual general meetings to answer questions from Shareholders
- Shareholders may, at any time, direct questions, communicate their views on various matters affecting the Company, request for publicly available information and provide comments and suggestions to directors or management of the Company through the prescribed channel mentioned below.

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

Having considered the multiple channels of communication mentioned above, the Company is satisfied that the Shareholders' Communication Policy has been properly implemented during FY2024 and such policy remains effective.

CHANGE IN CONSTITUTIONAL DOCUMENTS

There were no significant changes in the constitutional documents of the Company for FY2024.

Environmental, Social and Governance Report

ABOUT THIS REPORT

This is the seventh Environmental, Social and Governance ("ESG") Report (this "Report") of Grace Wine Holdings Limited ("Grace Wine" or the "Company", together with its subsidiaries, collectively referred to as the "Group", "we", "us", or "our"), showcasing our stakeholders the sustainable strategy, approach and performances of the Group during the year.

Reporting Period and Scope

Unless otherwise stated, the reporting scope of this Report covers the Group's major operations from 1 January 2024 to 31 December 2024 (the "Reporting Period"), including:

- Hong Kong office;
- Shanxi Vineyard;
- Ningxia Vineyard; and
- Xiamen Sales Offices in the People's Republic of China ("PRC").

Reporting Standards

This Report was prepared in accordance with applicable disclosure requirements of the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix C2 to the Rules Governing the Listing of Securities (the "GEM Listing Rules") on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Environmental, Social and Governance Report

Reporting Principles

This Report was compiled with regard to the four reporting principles in the ESG Reporting Guide of the Stock Exchange:

Principles	Definitions	Responses from the Group
Materiality	The issues covered in this Report should reflect the significant impacts of the Group on the economy, environment and society, or the scope of assessments and decisions of stakeholders being influenced.	Through engaging with stakeholders as well as considering the Group's business nature and development, material sustainability issues are identified.
Quantitative	This Report should disclose key performance indicators in a measurable way.	The Group discloses its key environmental and social performance indicators quantitatively where appropriate.
Balance	This Report should present the positive and negative information of the Group in an objective manner, to reflect a comprehensive picture of the sustainability performance of the Group.	The Group has identified and disclosed the environmental, social and governance issues with significant impact on the Group's business, including the results and challenges faced by the Group, in this Report.
Consistency	Preparation of this Report should be based on methods consistent with the one(s) used in previous year(s), or the Report should state the revised reporting methods, or illustrate other relevant factors that might affect meaningful comparison.	The reporting scope and reporting method are substantially consistent with those of the prior year(s), and this Report has also disclosed relevant comparative information.

Data Collection Method

The information and data enclosed in this Report can be referred to the official documents and statistical data of the Group, and were approved by the board ("the Board") of directors ("the Directors") of the Company in March 2025.

Feedback

The Group strives to join hands with its stakeholders in driving sustainable development, and therefore values every comment brought by internal and external stakeholders. Should you have any feedback on this Report or the Group's sustainability performance, please email to contact@gracewine.com.hk.

Environmental, Social and Governance Report

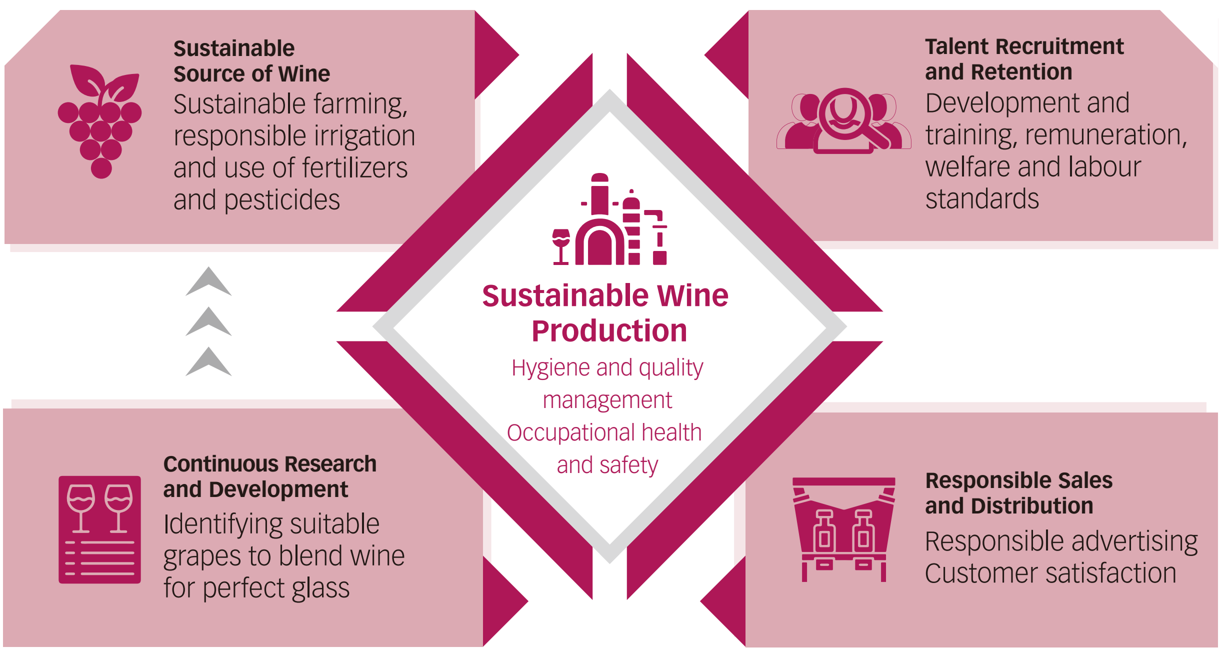
ABOUT GRACE WINE

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

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

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

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



Environmental, Social and Governance Report

AWARDS AND RECOGNITIONS

Berlin Wine Competition 2024 Award
Gold: Grace Vineyard Deep Blue 2020
Gold: Tasya's Reserve Cabernet Sauvignon 2019

Decanter World Wine Awards 2024
Silver: Grace Vineyard Deep Blue 2020
Silver: Grace Vineyard Year in a Bottle 2023
Bronze: Grace Vineyard Tasya's Reserve Marselan 2020

The 6th China Evaluation System JD Wine Sensory Evaluation Activity
Grand: Grace Vineyard Deep Blue 2020
Gold: Grace Vineyard Year in a Bottle 2023

2024 Gilbert & Gaillard International Challenge
Gold: Grace Vineyard Deep Blue 2020
Gold: Grace Vineyard House Red 2021
Gold: Grace Vineyard Angelina Chardonnay Sparkling Wine

2024 WINE100 Challenge Award
Gold: Grace Vineyard Tasya's Reserve Marselan 2019
Gold: Grace Vineyard Tasya's Reserve Cabernet Franc 2020

2024 IWSC International Wine & Spirit Competition – Wine
Bronze: Grace Vineyard Year in a Bottle 2023

Environmental, Social and Governance Report

OUR MANAGEMENT APPROACH TO SUSTAINABILITY

Sustainability Governance and Board's Oversight

As the highest governance body of the Group, the Board has the overall responsibility for the Group's ESG strategy and reporting and provides oversight of ESG issues with an emphasis on the Group's long-term development and positioning. Delegated by the Board, our senior management oversees ESG management approach and advises the Board on the ESG matters below on a regular basis, including but not limited to:

- Development and review of our sustainability strategies, priorities, goals and targets;
- Identification, evaluation, prioritization, review and management of material ESG-related risks and opportunities (including but not limited to climate-related risks and ESG risks along the supply chain);
- Review and formulation of the implementation of ESG-related policies and practices to ensure compliance with laws and regulations;
- Monitoring and reviewing our ESG performance and progress against any targets and goals;
- Monitoring and enhancing the Group's stakeholder engagement channels to ensure effective communication with key stakeholders; and
- Preparing an annual ESG report on its activities for Board's approval.

ESG-Related Risk Management

ESG risk management is regarded as an integral part of sound corporate governance in pursuit of long-term business resilience. As such, the material ESG-related risks are identified, evaluated, prioritized, and managed by our senior management on a regular basis. Corresponding control measures are formulated and implemented at corresponding business levels to mitigate material ESG-related risks. Our senior management submits an ESG-related risk assessment report to the Board periodically and the Board retains ultimate responsibility for oversight of the Group's risk management activities. The Board regularly reviews the effectiveness of the control measures and provides relevant suggestions for improvement when necessary.

1. Identification	By referring to the latest market and industry trends, we identified relevant ESG-related risks in the industry and ESG trends, including climate-related risks and ESG risks along the supply chain.
2. Evaluation	The potential impacts and likelihood of the identified key ESG-related risks were evaluated.
3. Prioritization	Key ESG risks were prioritized by considering their risk level scores in terms of potential impact and likelihood.
4. Mitigation	To manage the identified ESG risks and minimize their impact on our business, we established corresponding risk mitigation measures and internal controls, tasking the relevant business departments with the implementation of such measures.
5. Reporting	The results of the ESG risk assessment, along with any other relevant issues, were reported to the Board by senior management for discussion and review.

For more details about our corporate governance and risk management approach, please refer to the section of "Corporate Governance Report" in our Annual Report.

Environmental, Social and Governance Report

ESG Management Approach and Strategy

The Group believes it bears the utmost responsibility to uphold sustainable development while striving for excellence in business development. Our dedication in promoting environmental and social responsibility is demonstrated through our proactive approach and initiatives stipulated in the four pillars of sustainable development: (i) "Striving for Quality", (ii) "Caring for Employees", (iii) "Protecting our Environment", and (iv) "Giving back to the Community".

Striving for Quality

Prioritizing responsible sourcing and stringent control for premium quality wine

Goal:
Aiming at producing top quality wine while ensuring responsible practices in production

Caring for Employees

Curating a decent people-centric workplace for our people

Goal:
Creating a harmonious and safe workplace and respectful, supportive and caring work atmosphere

Protecting our Environment

Pursuing a sustainable operation pattern for a climate-resilient future

Goal:
Strengthening climate resilience and reduce our ecological footprints in our wine operation to create a greener future

* Please refer to the section headed "**Protecting our Environment**" for our green targets

Giving Back to the Community

Fostering a caring culture for the community

Goal:
Create meaningful and sustainable positive change in communities

STAKEHOLDER ENGAGEMENT

In order to promote a sustainable value chain, we rely on the collective efforts of stakeholders across the Group. We regularly communicate with internal and external stakeholders through formal and informal channels to understand their opinions and expectations towards the Group, allowing us to effectively manage our sustainability strategy and performance to cope with challenges and opportunities.

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

[1] Including seasonal farmers.

MATERIALITY ASSESSMENT

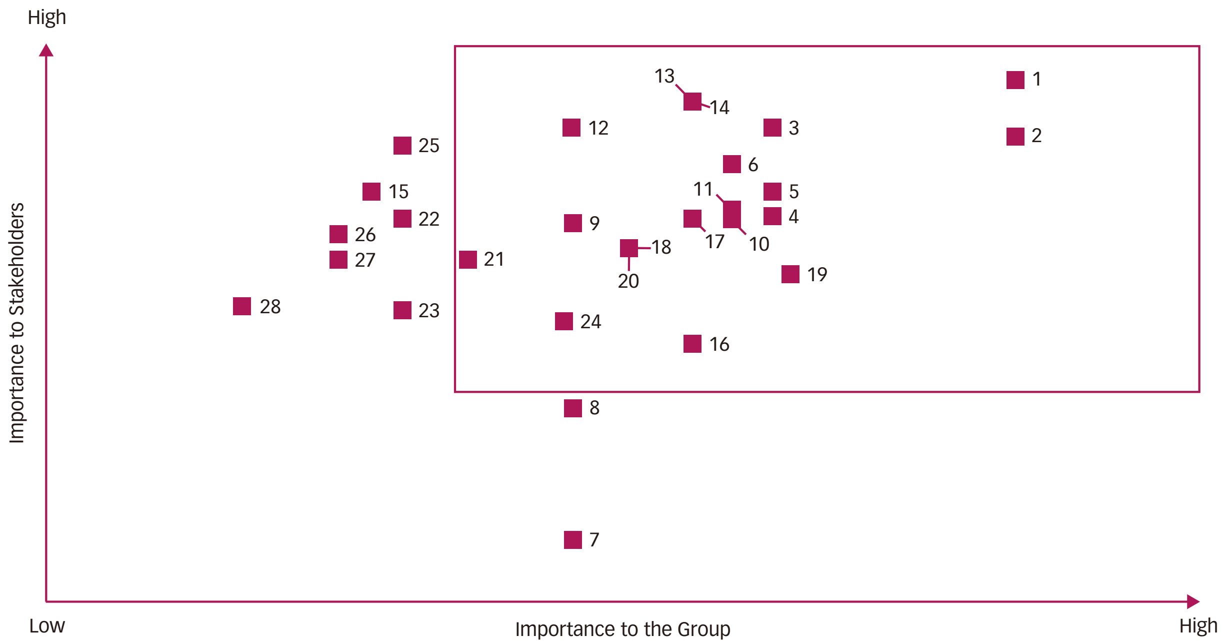
During the Reporting Period, we engaged an individual consultant to perform materiality assessment through an online survey, inviting stakeholders to provide their response on the materiality of 28 sustainability issues to the Group. The survey results undergo thorough analysis to assist the Group in identifying the most material sustainability issues in the form of a materiality matrix. The materiality assessment undergoes the following steps:

1. Analyse our current and previous achievements in stakeholder engagement activities, industry trends and the ESG Reporting Guide. A total of 28 environmental, social and governance topics applicable to the Group has been considered.

2. Invite key internal and external stakeholders to conduct our stakeholder survey to give ratings on these 28 topics based on their perception on the materiality of these issues to the Group.

3. Gather the ratings, together with the management's opinions, plot a materiality matrix to identify ESG issues that are material to the Group.

Materiality Matrix



Environmental, Social and Governance Report

Product Responsibility	Corporate Governance	Caring for Employees
1. Quality of product 2. Services safety and health 3. Customer service and satisfaction 4. Complaint handling 5. Customer data protection and privacy 6. Advertising and labelling management	7. Anti-fraud and corruption 8. Anti-corruption training 9. Supplier environmental and social performance 10. Supplier selection process and tendering management 11. Disaster/emergency response and management	12. Diversification and equal opportunities 13. Recruiting and maintaining talents 14. Training and development 15. Labour practices 16. Occupational health and safety

Environmental Protection	Community Contributions
17. Air emissions management 18. Energy consumption 19. Climate change 20. Discharge quality management 21. Greenhouse gas emissions 22. Hazardous and non-hazardous waste management 23. Noise management 24. Resource utilization and mitigation measures 25. Green procurement	26. Participation in volunteer activities 27. Charitable donations 28. Fundraising work

We conduct a mapping and prioritization exercise of the 28 sustainability issues based on the survey results. This process takes into account both the relevance of the issues to our Group and their perceived significance to society and the environment. The 19 issues that are considered the most material and hold the highest importance are shown on the top right-hand corner. These issues are highlighted in this Report, and we place significant emphasis on them. We are committed to closely monitoring our performance in relation to these issues throughout our daily operations.

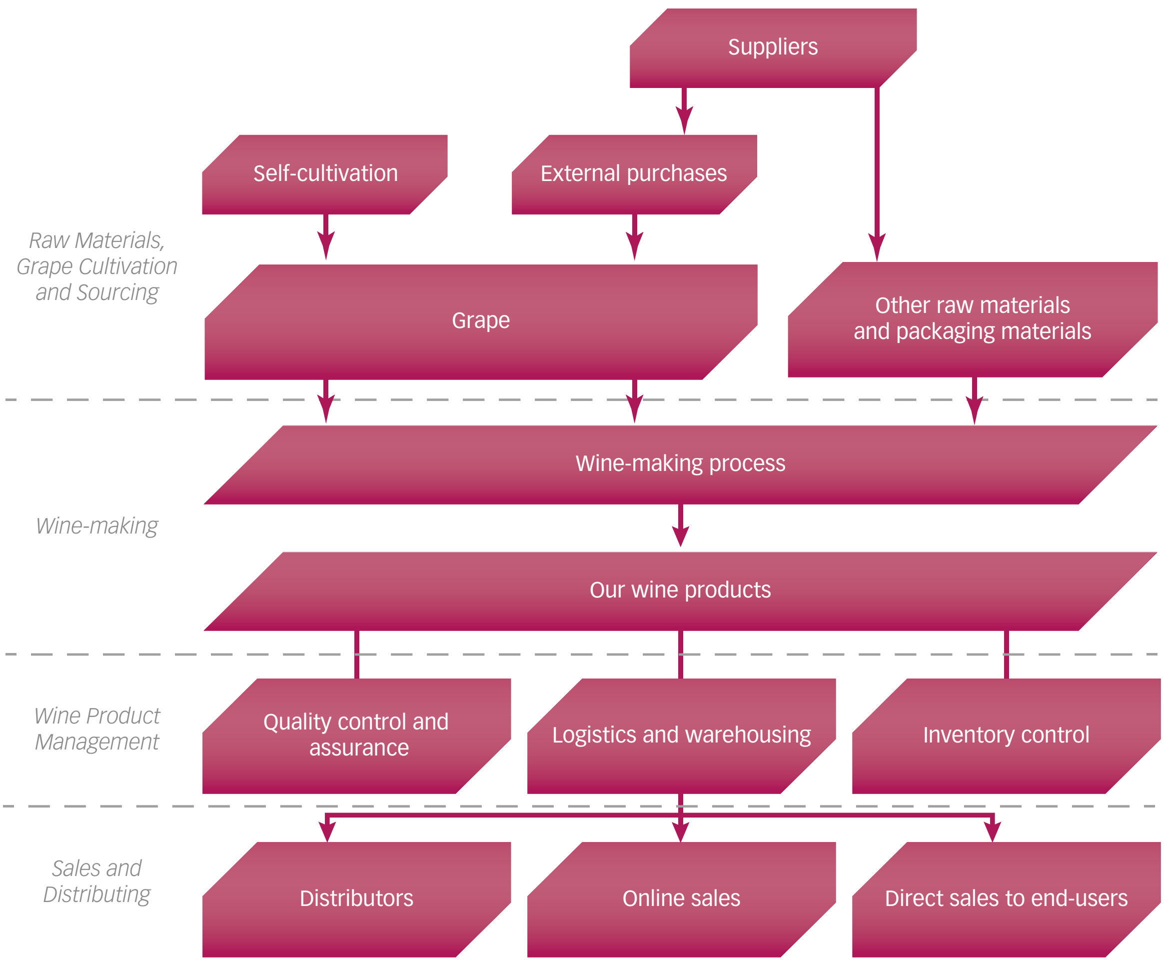
Environmental, Social and Governance Report

Material Issue	Corresponding Section in this Report
Quality of Product	Ensuring Quality of Grape Cultivation
Product Safety and Health	Ensuring Quality of Wine Making
Customer Service and Satisfaction	Collecting Customer Feedback
Complaint Handling	Collecting Customer Feedback
Customer Data Protection and Privacy	Protecting Privacy and Intellectual Property Rights
Advertising and Labelling Management	Advertising and Labelling
Supplier Environmental and Social Performance	Managing Suppliers
Supplier Selection Process and Tendering Management	Managing Suppliers
Disaster/emergency Response and Management	Striving for Quality
Diversification and Equal Opportunities	Attracting and Retaining Talents
Recruiting and Maintaining Talents	Attracting and Retaining Talents
Training and Development	Investing in Continuous Staff Development
Occupation Health and Safety	Caring for Employees' Health and Safety
Air Emissions Management	Energy, Air and Greenhouse Gas Emissions
Energy Consumption	Energy, Air and Greenhouse Gas Emissions
Climate Change	Protecting Our Environment
Discharge Quality Management	Energy, Air and Greenhouse Gas Emissions
Greenhouse Gas Emissions	Energy, Air and Greenhouse Gas Emissions
Resource Utilization and Mitigation Measures	Energy, Air and Greenhouse Gas Emissions Use of Water

STRIVING FOR QUALITY

Our primary mission is to become the leading wine producer in the industry and provide our customers with the highest quality wine. We place significant emphasis on maintaining exceptional products and services within our daily operations. We achieve this through the implementation of comprehensive policies and procedures while ensuring compliance with relevant laws and regulations. During the Reporting Period, we were not aware of any significant instances of non-compliance with the relevant laws and regulations concerning health and safety, advertising, labelling, and privacy matters related to our products and services. We remain committed to upholding these laws and regulations to ensure the well-being of our customers and maintain their trust and satisfaction.

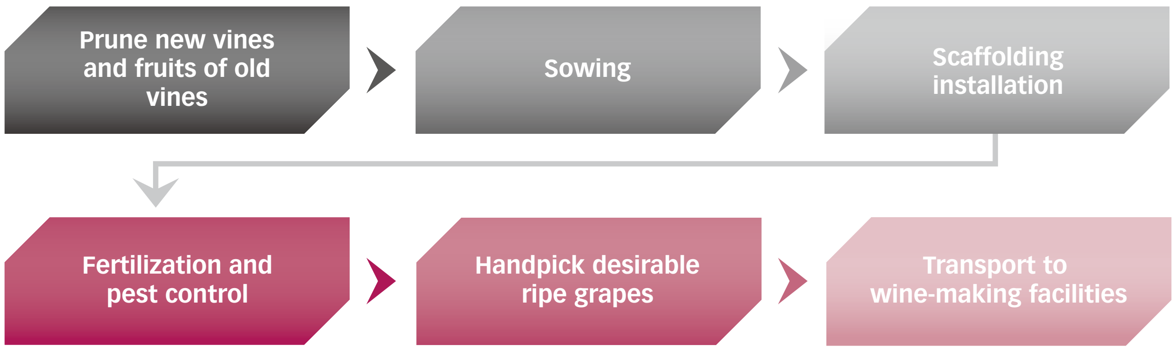
Grace Wine's Business Model



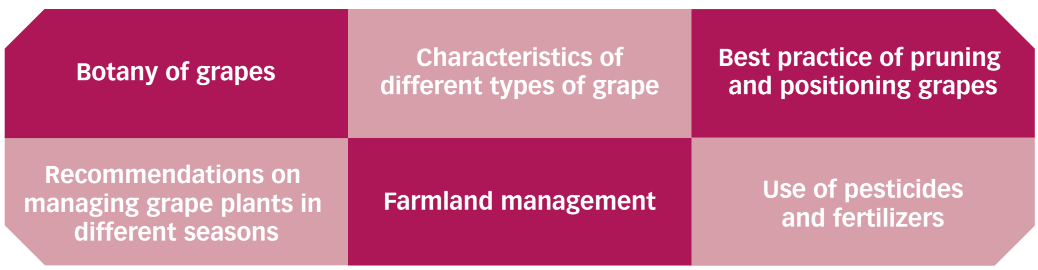
Environmental, Social and Governance Report

Ensuring Quality of Grape Cultivation

The diagram illustrates the major process of grape growing and harvesting, including dormancy in winter and the harvest season from late August to early October each year:



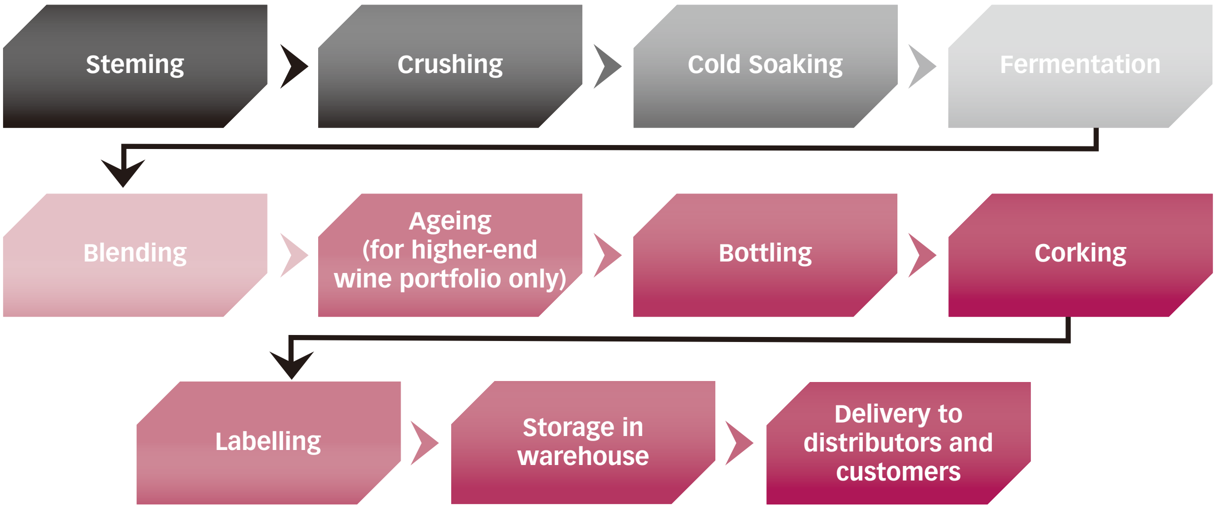
A standard procedure together with the "Vineyard Management Handbook" (《釀酒葡萄基地管理手冊》) in our self-owned vineyards have been implemented to guarantee the quality of grape throughout the entire process of grape cultivation:



To maintain the highest wine quality, we conduct extensive tests and inspections on our grapes throughout cultivation, examining parameters such as sugar content, acidity, pH value, and more. During harvesting, we evaluate sugar content, proportion of rotten or dried grapes, ripeness, and chemical residuals. Additionally, we may procure grapes from neighbouring farms with similar conditions, subjecting them to inspections for sugar content, chemical residues, appearance, hygiene, and purity. This meticulous testing and inspection process ensures that our grapes meet stringent quality standards and are suitable for production, enabling us to consistently deliver exceptional wines.

Ensuring Quality of Wine Making

The process of wine making after grape cultivation and harvesting can be referred to below:



Being ISO9001:2015 Quality Management System certified, our wine production process is guided by sound procedures and measures to ensure quality. These include evaluating raw materials, implementing quality control at each stage, following standardized operating procedures, providing training and competence development to our staff, and actively pursuing continuous improvement opportunities. Through below measures, we uphold our standards and consistently deliver high-quality wines:

Filtration

Before bottling, we perform a germ-free filtration process to eliminate bacteria and residues from the wine. This filtration process ensures that the final product is free from any harmful microorganisms and unwanted particles, maintaining the purity and quality of the wine.

Testing

We have established the "Product Sample Check Policy" (《產品檢驗規程》) to ensure quality control in our wines, which involves conducting comprehensive quality tests on appearance, scent, taste, volume, alcohol level, sweetness, chemical level, bacterial level, and labelling. Such that we could ensure the quality of our wines meets our internal requirements, as well as the requirements on food safety outlined in industrial and national regulations.

Warehouse Management

To ensure overall safety, we monitor the temperature and humidity of the warehouse by installing thermometers and hygrometers, which undergo daily morning and afternoon checks. Additionally, we have implemented measures to prevent fire, theft, leakage, and work injuries in the warehouse, ensuring the well-being of our personnel and the security of our stored goods.

Shipping and Tracking

We offer a logistics tracking service to customers during product delivery, ensuring transparency and visibility throughout the process. To maintain our high hygienic standards, we require that trucks used for wine delivery meet specific criteria, for instance, equipped with rain and dustproof facilities, in order to safeguard the quality and integrity of our products during transportation.

Managing Health and Safety of Wine

We prioritize the health and safety of our products in compliance with applicable laws and regulations in the industry, including but not limited to the "Agriculture Law of the PRC" (《中華人民共和國農業法》) and the "Food Safety Law of the PRC" (《中華人民共和國食品安全法》). To this end, a comprehensive set of policies and procedures that serve as guidelines for our employees and farmers have been implemented to uphold health and safety standards of our products throughout the production process.

Policies	Measures
"Annual Plan for the Use of Pesticide" (《年度噴藥計劃》)	• Farmers should apply pesticides on grapes according to the "Regulations on Pesticide Management of the People's Republic of China" (《中華人民共和國農藥管理條例》)
"Hygiene Management Policy for the Staff and Environment of Brewing Production Area" (《釀造部人員及環境衛生管理規範》)	• Workers should wear uniform and personal safety equipment in working area, and clean their shoes and hands thoroughly before entering production areas to ensure hygiene • Arrange health checkups annually for workers in wine production plants • Workers are not allowed to enter the plant without health permit
"Standard Procedure of Cleaning the Vessel" (《洗罐操作規程》) "Management Policy of Bottling" (《灌裝管理制度》)	• Perform laboratory test on water used in accordance with the "Sanitary Standard for Drinking Water" (《GB5749-2006生活飲用水衛生標準》) to ensure water quality to avoid contamination

Collecting Customer Feedback

We highly value the opinions and complaints of our customers and are dedicated to addressing them diligently. Customers can provide their feedback to us through our hotline, and our customer relations personnel will ensure that it is promptly forwarded to the relevant department for appropriate follow-up actions. We also conduct return visits to ensure that our customers are satisfied with our response. In 2024, we have conducted a customer satisfaction survey by inviting visitors to our vineyards to provide feedback on our products, services and visit arrangement. The survey recorded 100% satisfaction rate, exceeding our 95% customer satisfaction rate target. During the Reporting Period, there were no product recalls for safety and health reasons, and the Group did not receive any significant product complaints.

Advertising and Labelling

We adhere to stringent compliance with relevant laws and regulations in relations to protecting consumer rights during promotion of our products.

To ensure the traceability of our products, particularly in relation to labelling, we have implemented a rigorous "Labelling and Traceability Management System". This system enables us to swiftly investigate any product-related issues by tracing the specific batch of products involved. Additionally, we take great care to ensure that all the information displayed on the labels of our wine products is genuine and complies with relevant industry regulations. Our commitment to adhering to these standards is rooted in our dedication to protecting consumer rights. Moreover, we include a prominent warning notice on our labels that emphasizes the potential health risks of excessive alcohol consumption, serving as a reminder for our valued customers.

Protecting Privacy and Intellectual Property Rights

Safeguarding the privacy of customer data and other confidential information is of utmost importance to us. We have implemented strict guidelines for our employees, mandating the protection of customer data and sensitive business information. Employees are strictly prohibited from disclosing such information to third parties without obtaining prior consent. To further enhance data privacy, our administrators periodically change operating system passwords to prevent any potential data leaks.

Furthermore, we place significant emphasis on protecting our intellectual property rights, which include designated trademarks, trade names, and logos. When collaborating with our distributors, we require them to sign specific terms outlined in the agreement, granting them the right to use our intellectual property solely for the distribution of designated products within defined territories. Any possession, usage, disposal, or profit generation using our intellectual property without the Group's prior consent is strictly prohibited. These measures ensure the preservation of our intellectual property rights and prevent unauthorized use or exploitation.

During the Reporting Period, we are proud to announce that we have obtained a new invention patent certificate, recognising our effort in continuous innovation and dedication in technological development.

Managing Suppliers

Our procurement activities primarily involve sourcing grapes and various raw materials required for wine production, such as base wine, grape juice, yeast, additives, and packaging materials like corks, bottles, wine caps, and boxes. Throughout the Reporting Period, we have engaged a total of 32 suppliers, in which 27 are based in the mainland China and 5 are based overseas.

We place great importance on addressing the environmental and social risks associated with our suppliers. With the goal of promoting sustainability within our supply chain, we conduct regular on-site inspections and implement stringent process controls to assess and manage suppliers' environmental and social risks. We actively engage with our suppliers, advocating for emission reduction measures, fostering collaboration, and working together to create a greener supply chain.

Additionally, we have established a comprehensive "Procurement Management System" (《採購管理制度》) to ensure the quality of products and services provided by our suppliers. When selecting new suppliers, we conduct a thorough evaluation process that considers factors such as service quality, product quality, reputation, after-sales services, and pricing. Regular assessments are also conducted to ensure that our existing suppliers meet our requirements in terms of product and service quality. These assessments encompass evaluating product quality, delivery timeliness, completeness of goods delivered, after-sales support, and pricing, among other criteria. Our aim is to maintain high standards of product and service quality throughout our supply chain.

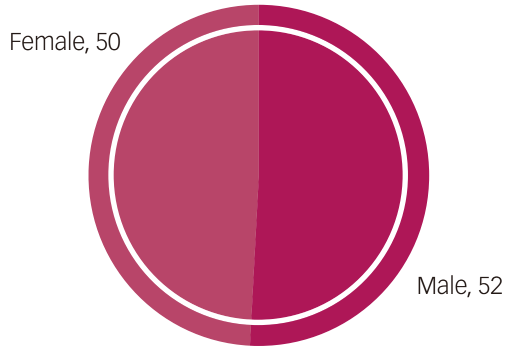
CARING FOR EMPLOYEES

We prioritize the well-being of our employees. We strive to create a positive work environment that rewards and values our employees. Furthermore, we are committed to complying with all relevant labour laws and regulations. Throughout the Reporting Period, we have not been made aware of any significant instances of non-compliance with the laws and regulations pertaining to various aspects of employment, such as compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, as well as other benefits and welfare.

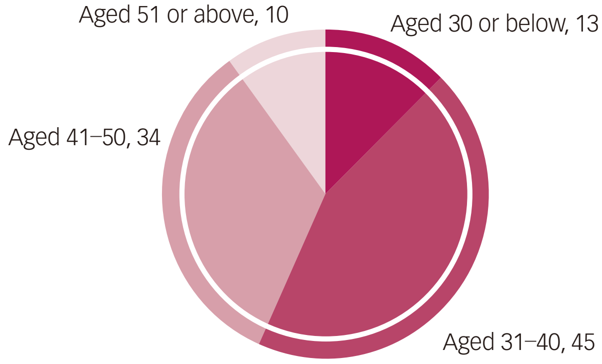
Employee Overview

As of 31 December 2024, the Group had a total of 100 full-time employees[1] and 2 part-time employees[2] in the PRC and Hong Kong. Below showcases the distribution of employees by gender, age group, region, employment type as well as turnover rate by gender, age group and region:

Total Number of Employees by Gender



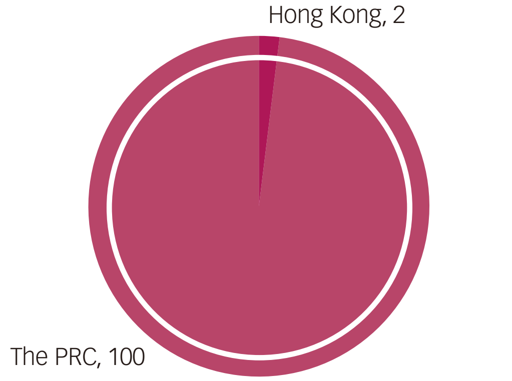
Total Number of Employees by Age Group



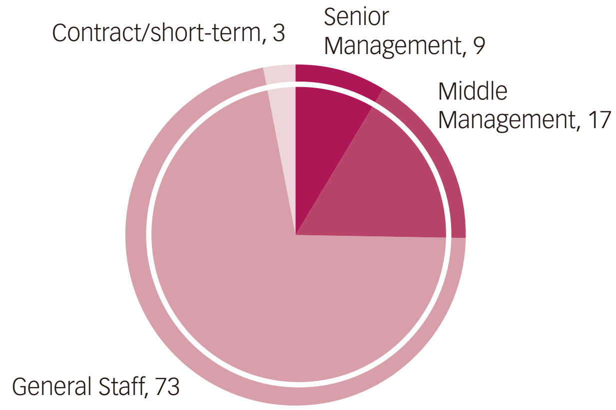
1 The number of employees includes only those within the specified reporting scope.

2 The number of employees includes only those within the specified reporting scope.

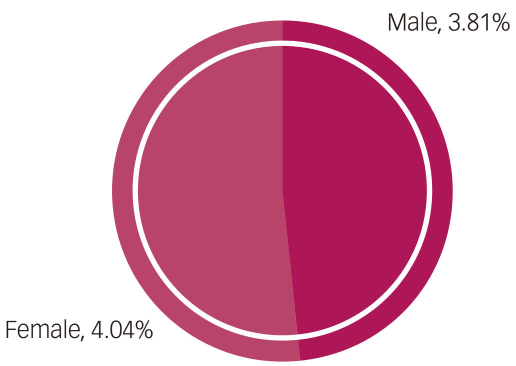
Total Number of Employees by Region



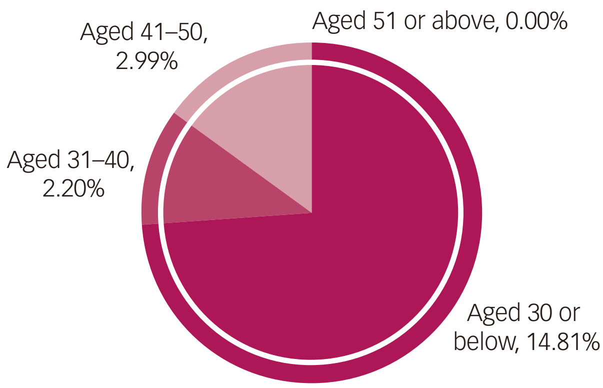
Total Number of Employees by Employment Type



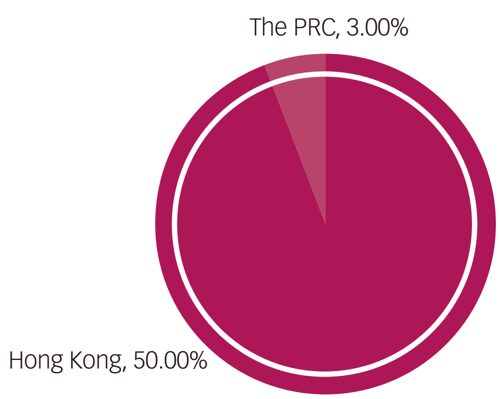
Employee Turnover Rate by Gender



Employee Turnover Rate by Age Group



Employee Turnover Rate by Geogrphical Region



Environmental, Social and Governance Report

Attracting and Retaining Talents

We are committed to enhancing our employer brand by strengthening our human resources strategy. Our recruitment practices are guided by the principles of equality, diversity, and anti-discrimination. We actively seek suitable talent regardless of their race, gender, marital status, age, or disability. To attract a diverse pool of candidates, we utilize multiple recruitment channels, including department recommendations, on-site recruitment, online platforms, campus recruitment, and our own talent pool.

Once we have recruited suitable candidates, we provide them with a competitive remuneration and welfare package. This package includes components such as a basic salary, position salary, performance-based bonuses, education qualification-based salary increments, length-of-service salary increments, social insurance and housing provident fund benefits applicable to employees in the PRC, as well as Mandatory Provident Fund applicable to employees in Hong Kong.

Leaves	Bonuses	Other Benefits
• Maternity leave • Breastfeeding leave • Sick leave • Marriage leave • Work injury leave	• Travel allowance • Festival bonus • Marriage and family planning bonus • Full-attendance bonus • Performance bonus	• Free shuttle buses • Staff meal • Compassionate allowance

Caring for Employees' Health and Safety

The health and safety of our employees is of paramount importance to us. We have developed a comprehensive occupational health and safety system that includes rigorous measures to minimize the risks of health and safety hazards. We strictly adhere to relevant laws and regulations pertaining to occupational health and safety. During the Reporting Period, the Group was not aware of major non-compliance with relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

Work-related fatalities in the past 3 years	0
Lost days due to work injury in 2024	16

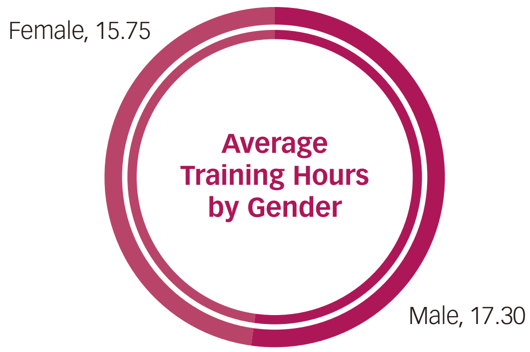
Safety Measures	Health Measures
• Conduct safety training and assessments to equip staff with the necessary knowledge and skills to ensure safe work practices • Recognize and reward employees who demonstrate excellent performance in safety production • Perform regular safety inspections to assess the condition of production equipment, safety equipment, protection facilities, protective gear, and first-aid equipment, and arrange timely repairs or replacements in case of deficiencies • Develop emergency plan and arrange regular emergency drills	• Supplement employees with critical illness with medical expense subsidies • Arrange annual health checkups

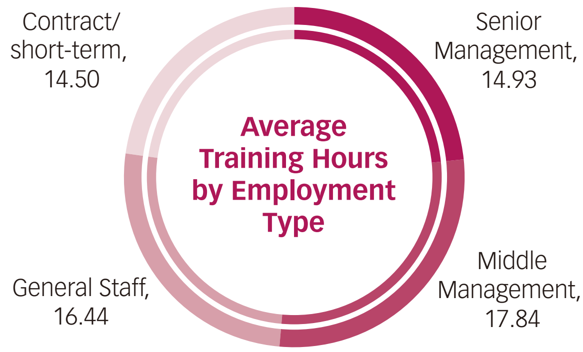
Investing in Continuous Staff Development

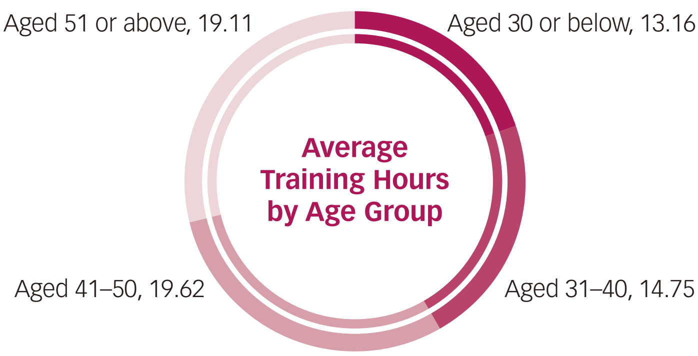
We allocate ample resources to staff development and training, providing our employees with opportunities to learn and advance within the organization. Regular staff performance appraisals are conducted to evaluate employees' work ability and performance, which are taken into consideration for promotions and salary adjustments.

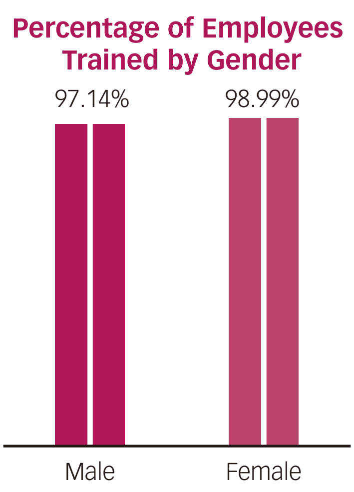
To enhance the knowledge and skills of our employees, we organize a variety of internal and external training programs, with an aim to equip our employees with professional expertise and personal skills necessary for their roles and career growth. These programs include but not limited to corporate culture, wine knowledge, food safety, occupational health and safety and business ethics. We develop an annual training plan each year to take into account the learning needs and expectations of our employees.

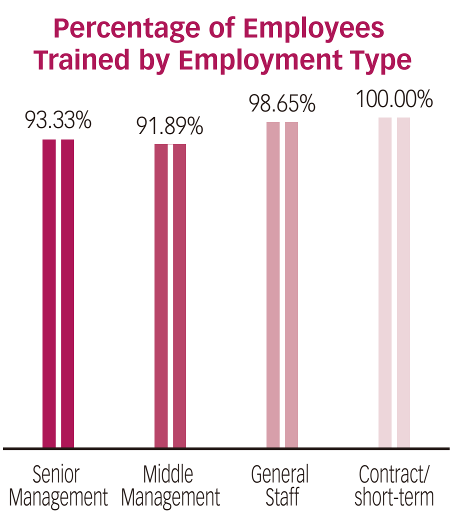
During the Reporting Period, the Group has organized more than 1,650 hours of training. Average training hour per employee is 17 hours.











Complying with Labour Standards

The Group maintains a zero-tolerance policy towards child and forced labour. During the recruitment process, we verify the identity documents of candidates to ensure that they meet the legal working age requirements. In the event that child labour is identified, immediate action is taken, the child will be removed from the workplace, provided with necessary health checks, returned to their original place of residence, and the incident will be reported to the local labour bureau.

Similarly, we strictly prohibit forced labour within the Group. Terms and conditions pertaining to remuneration, working hours, rest periods, compensations, and dismissal arrangements are outlined in our Employee Handbook and other relevant human resources policies. Our standard working hours are 8 hours a day and 5 days a week, unless otherwise specified. However, during peak seasons, emergencies, or special circumstances such as harvesting, pressing, production, equipment maintenance, or repair, special arrangements may be made for working hours. We do not encourage employees to work overtime, but if it becomes necessary, we provide appropriate compensation.

In the event of a dismissal, our Human Resources and Administration Department follows the proper procedures. A "Notice of Termination of Labor Contract" (《解除勞動合同通知書》) is issued 30 days in advance, clearly stating the reasons for contract termination. Adequate compensation is provided to employees in accordance with statutory requirements.

Throughout the Reporting Period, the Group has not been aware of any instances of child or forced labour within the organization. We remain committed to upholding these principles and ensuring the well-being and fair treatment of our employees.

Environmental, Social and Governance Report

Maintaining Business Ethics and Integrity

The Group is committed to maintaining a high standard of business ethics and integrity. We have implemented robust measures to prevent corruption, bribery, extortion, fraud, money laundering, and other illegal and unethical behaviours. These measures include strict compliance with applicable laws and regulations in anti-corruption.

To ensure transparency and accountability, we have established a comprehensive whistleblowing system to allow employees, business partners, and other stakeholders to report suspected cases of corruption or misconduct. Reports are thoroughly investigated, and appropriate follow-up actions are taken. We are committed to maintaining the confidentiality of whistleblowers to protect their rights.

To promote a culture of business ethics and integrity, we offer on-the-job training sessions aimed at fostering awareness and equipping employees and management with the necessary knowledge and skills. These training sessions are seamlessly integrated into our employees' job responsibilities.

Throughout the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations related to corruption, bribery, extortion, fraud, and money laundering. We remain committed to upholding the highest ethical standards and conducting our business with integrity.

PROTECTING OUR ENVIRONMENT

The Group is actively pursuing a sustainable business model to conserve resources in the world. To demonstrate our commitment to environmental stewardship, we have implemented an Environmental, Social, and Governance Management Policy. We promote energy-saving measures and encourage sustainable practices to reduce our greenhouse gas emissions and contribute to the transition towards a low-carbon economy. We properly manage our energy consumption, water consumption and waste emissions of daily operations and businesses, while meeting or exceeding environmental laws, regulations and emission standards in the jurisdictions where we operate. These regulations guide our daily operations and production activities, ensuring that we minimize emissions and utilize resources efficiently to the best of our abilities. Throughout the Reporting Period, the Group has not been aware of any material non-compliance with environmental laws and regulations.

Environmental, Social and Governance Report

Response to Climate Change

Climate change poses immense threat to the globe and to business, which leads to more frequent extreme weather events and could affect our business continuity.

To alleviate the potential risks from climate change, an ESG-related risk assessment has been conducted to identify relevant climate-related risks and their impacts to us. Corresponding risk mitigation measures have been formulated to address the risks accordingly. We would evaluate the effectiveness of existing mitigation measures and explore possible areas of improvement on a regular basis, further strengthening our business resilience towards climate change.

Climate-related Risks	Our Responses
Physical Risks	
Acute physical changes, such as increased severity and frequency of extreme weather events, e.g., typhoons, intense precipitation, droughts, flooding, and extreme temperature	• Strategic decision to purchase grapes from nearby farms that share similar demographic, climatic, and other conditions to our vineyards • Prioritizing the use of self-grown grapes from our self-owned vineyards in Shanxi and Ningxia to ensure uninterrupted wine production • Closely monitoring local weather conditions to enhance emergency preparedness against adverse weather events such as super typhoons and heavy rainstorms • Providing flexible work arrangements with precautionary measures in place to ensure the safety of our employees
Transition Risks	
More ambitious climate policies and regulations to support national decarbonization efforts	• Regularly monitoring the latest government policies, regulatory updates, and market trends • Reviewing and adjusting our climate-related policies

To make our operations more resilient towards climate change, we have established the following green targets:

Our Green Targets		Progress
GHG Emission	• To remain a low level of greenhouse gas ("GHG") emissions by improving energy efficiency and incorporating energy-saving measures	Achieved
Waste	• To remain a low level of waste generation by applying 4R principles, avoiding unnecessary consumption	Achieved
Energy	• To remain a low level of energy consumption by implementing energy conservation measures	Achieved
Water	• To maintain a low level of water consumption intensity by implementing water conservation measures	Achieved

Energy, Air and Greenhouse Gas Emissions

Purchased electricity is the largest source of our carbon emissions. In addition, we consume other types of energy including fuel for fertilizers, boilers, vehicles, machinery and stoves. As we strive to reduce our carbon footprint in our effort to tackle climate change, enhancing energy efficiency and reducing energy consumption are essential to our operations. We adopt the below measures in our daily operations:

- We mandate that employees switch off all electrical appliances when leaving their workstations or when they are not in use to conserve energy
- We prioritize the use of natural lighting over electric lights whenever feasible to minimize energy consumption
- Motion sensors have been installed in corridors to automatically control the lighting, ensuring lights are only active when necessary

Waste Emissions and Use of Packaging Materials

Our daily operations generate various types of waste, including stems, seeds, skins, solid residual wastes from grapes, general refuse, papers, plastics, and packaging materials for fertilizers. However, we do not identify any significant emissions of hazardous waste in line with our business nature. In our wine production process, we utilize packaging materials such as paper, plastic, glass, and wood for our finished products.

We give significant importance to managing the environmental impact caused by waste emissions. Our goal is to minimize waste generation by following the four "Rs" principle of responsible waste management and waste reduction at the source. We ensure proper waste handling by separating the collection and storage of hazardous waste, non-recyclable waste, and recyclable non-hazardous waste. Qualified third parties are engaged to collect and handle our waste in accordance with appropriate regulations. Additionally, we strive to increase the recycling rate of waste emissions by reusing stems, seeds, skins, and solid residual waste from grapes as fertilizers in our vineyards.

Use of Water

We source water mainly from municipal suppliers and underground wells. Regarding the locations of our operations, we have not encountered any problem in water sourcing.

We recognize the significance of conserving limited water resources. We actively promote water-saving practices among our employees during their daily operations. Regular inspections of water consumption equipment are conducted to detect and address any water leakage issues promptly. If any problems are identified, we ensure timely repairs are arranged to minimize water wastage.

Green Wine Production

While we have not identified any material impact on the environment and natural resources, we actively manage our emissions and resource utilization, particularly in our vineyards. We have implemented a range of rigorous measures to reduce emissions and use resources efficiently, with the goal of minimizing our carbon footprint. To address air pollutants emitted from boilers, kitchen and wastewater treatment facilities, as well as noise generated from equipment, we have implemented measures to control and reduce these emissions. We ensure that our emissions comply with applicable national and local environmental standards. To ensure compliance, we engage qualified third parties to regularly inspect our emissions, including temperature, pH, chemical oxygen demand (COD), biological oxygen demand (BOD), metals, phosphorus, PM, sulphur oxides, odours, and noise levels. These inspections help us monitor our emissions and verify that they meet the relevant requirements. Additionally, government authorities conduct their own inspections to ensure compliance.

The measures we adopt include:

Air Pollutants

- Implement a dust removal process to control air emissions from boilers
- Install an electrostatic fume treatment system to treat kitchen exhaust before it is discharged
- Transition from coal boilers to natural gas boilers to reduce greenhouse gas (GHG) emissions
- Use low-sulphur boilers to minimize air emissions
- Increase tree planting efforts during the Reporting Period to enhance the absorption of GHG emissions
- Plant trees in the vicinity of the vineyards to mitigate odours generated from wastewater treatment facilities, such as H_2S and NH_3

Wastewater

- Construct wastewater treatment facilities in our vineyards that utilize filtration, anaerobic, aerobic, and sedimentation processes to treat wastewater before it is discharged
- Implement a system to reuse treated wastewater for irrigation purposes

Green Waste

- Implement a process to upcycle stems, seeds, skins, and other solid residual wastes from grapes into organic fertilizers that are utilized for grape plantation

Noise

- Prioritize the use of low-noise equipment in our operations to minimize noise emissions
- Implement noise elimination and shock absorption measures to effectively reduce noise levels and mitigate any potential disturbances

ENVIRONMENTAL KPIs

Indicator	Unit	2024	2023[2]
GHG Emissions			
Total	tCO_2-eq	1,199.90	1,246.25
GHG emissions (Scope 1)	tCO_2-eq	343.28	398.47
GHG emissions (Scope 2)	tCO_2-eq	856.62	847.78
GHG removal from planted trees	tCO_2-eq	11.18	7.87
Intensity (Scopes 1 & 2)[3]	kg of CO_2-eq/sales (liter)	3.86	3.11
Air Emissions			
Nitrogen oxides (NO_x)	kg	278.41	373.57
Sulphur oxides (SO_x)	kg	80.55	162.86
Particulate matter (PM)	kg	1.76	7.47
Energy Consumption			
Total	MWh	2,927.87	3,374.68
Purchased electricity	MWh	1,295.13	1,288.93
Diesel	MWh	111.02	128.30
LPG	MWh	35.82	75.77
Natural gas	MWh	1,395.20	1,762.39
Unleaded petrol	MWh	103.69	119.30
Intensity	kWh/sales (liter)	9.41	8.32

[2] The year 2023 data has been restated for enhancing comparative purpose and more advanced and updated scientific calculation models and methodologies have been adopted.

[3] In accordance with "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" is issued by the Stock Exchange, Scope 1 direct emissions are resulted from operations that are owned or controlled by the Group, while Scope 2 indirect emissions are resulted from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the Group.

Indicator	Unit	2024	2023[2]
Water Consumption			
Total	m^3	15,780.40	12,037.50
Intensity	m^3/sales (liter)	0.05	0.03
Non-Hazardous Waste Generation			
Total waste generated	tonnes	144.32	179.04
Total waste disposed	tonnes	17.44	17.87
Paper	tonnes	0.39	0.40
General refuse	tonnes	11.66	12.04
Food waste	tonnes	5.39	5.44
Total waste recycled	tonnes	126.88	161.17
Paper	tonnes	8.14	13.35
Plastic	tonnes	0.53	0.81
Organic waste	tonnes	118.21	147.00
Electronic waste	tonnes	0.00	0.00
Intensity	kg/sales (liter)	0.46	0.44
Packaging Materials			
Total	tonnes	397.58	409.26
Paper	tonnes	31.72	63.19
Plastic	tonnes	0.14	0.32
Glass	tonnes	364.84	343.63
Wood	tonnes	1.96	1.66
Metal	tonnes	0.88	0.46
Intensity	kg/sales (liter)	1.28	1.01

GIVING BACK TO THE COMMUNITY

We seek to support communities where we live and work. Through sponsored programs and active volunteering activities, we strive to uphold the wellbeing of the wider community. During the Reporting Period, we have made a donation of RMB50,000 to support the cultural development of Jacun in the Mainland China and RMB5,200 to support the well-being of Shanxi and Ningxia in the Mainland China.

MATERIAL LAWS AND REGULATIONS

	Mainland China	Hong Kong
Environmental		
Aspect A: Environment	• Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) • Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (《固體廢物污染環境防治法》) • Law of the PRC on Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》) • Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》) • Law of the PRC on Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》) • Water Quality Standards for Farmland Irrigation GB5084-2005 (《農田灌溉水質標準GB5084-2005》) • Shanxi Emission Standard of Air Pollutants for Boiler (《鍋爐大氣污染物排放標準》) • Emission Standard of Air Pollutants for Boilers GB13271-2001 (《鍋爐大氣污染物排放標準GB13271-2001》) • Integrated Wastewater Discharge Standard GB8979-2002 (《污水綜合排放標準GB8979-2002》) • Water Quality Standards for Farmland Irrigation GB5084-2005 (《農田灌溉水質標準GB5084-2005》) • Level 2 of the Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008) (《工業企業廠界環境噪聲排放標準GB12348-2008》)	• Air Pollution Control Ordinance (Cap. 311) • Waste Disposal Ordinance (Cap. 354) • Water Pollution Control Ordinance (Cap. 358)

	Mainland China	Hong Kong
Social		
Aspect B1: Employment	• Labour Law of the PRC (《中華人民共和國勞動法》) • Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) • Social Insurance Law of the PRC (《中華人民共和國社會保險法》)	• Labour Relations Ordinance (Cap. 55) • Employment Ordinance (Cap. 57) • Employees' Compensation Ordinance (Cap. 282) • Trade Unions Ordinance (Cap. 332) • Sex Discrimination Ordinance (Cap. 480) • Mandatory Provident Fund Schemes Ordinance (Cap. 485) • Disability Discrimination Ordinance (Cap. 487) • Family Status Discrimination Ordinance (Cap. 527) • Race Discrimination Ordinance (Cap. 602) • Minimum Wage Ordinance (Cap. 608)
Aspect B2: Health and Safety	• Fire Protection Law of the PRC (《中華人民共和國消防法》) • Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) • Production Safety Law of the PRC (《中華人民共和國安全生產法》)	• Occupational Safety and Health Ordinance (Cap. 509) • Fire Safety (Buildings) Ordinance (Cap. 572)
Aspect B4: Labour Standards	• Labour Law of the PRC (《中華人民共和國勞動法》) • Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) • Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》)	• Employment Ordinance (Cap. 57) • Employment of Children Regulations (Cap. 57B) • Employment of Young Persons (Industry) Regulations (Cap. 57C)

	Mainland China	Hong Kong
Aspect B6: Product Responsibility	• Agriculture Law of the PRC (《中華人民共和國農業法》) • Regulations on Pesticide Management of the PRC (《中華人民共和國農藥管理條例》) • Regulation on the Implementation of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》) • Production Safety Law of the PRC (《中華人民共和國安全生產法》) • National Standard of Food Safety – Limits of Pathogen in Food (GB29921-2013) (《GB29921-2013食品中致病菌限量》) • National Standard of Food Safety – Maximum Residue Limits for Pesticides in Food (GB2763-2016) (《GB2763-2016食品中農藥最大殘留限量》) • National Standard of Food Safety – Contamination Limits in Food (GB2762-2017-kw) (《GB2762-2017-kw食品中污染物限量》) • Regulations on Pesticide Management of the PRC (《中華人民共和國農藥管理條例》) • Sanitary Standard for Drinking Water (GB5749-2006生活飲用水衛生標準》) • Advertising Law of the PRC (《中華人民共和國廣告法》) • Law of the PRC on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) • Management Regulations for Alcohol Advertisements (《酒類廣告管理辦法》) • National Standard of Food Safety – General Standard for the Labelling of Pre-Packaged Food (《食品安全國家標準－預包裝食品標籤通則GB7718-2011》) • General Standard for the Labelling of Pre-Packaged Alcoholic Beverages (《預包裝飲料酒標籤通則GB10344-2005》)	• Personal Data (Privacy) Ordinance (Cap. 486)
Aspect B7: Anti-corruption	• Laws of the PRC on Anti-Unfair Competition (《中華人民共和國反不正當競爭法》) • Criminal Law of the PRC (《中華人民共和國刑法》)	• Prevention of Bribery Ordinance (Cap. 201) • Anti-Money Laundering and Counter Terrorist Financing Ordinance (Cap. 615)

HKEX ESG GUIDE CONTENT INDEX

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/Declaration	Page Number
A. Environmental			
Aspect A1: Emissions			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		• Energy, Air and Greenhouse Gas Emissions • Waste Emissions and Use of Packaging Materials • Environmental Data • Material Laws and Regulations	p. 63–67 p. 68–70
KPI A1.1	The types of emissions and respective emission data.	• Energy, Air and Greenhouse Gas Emissions • Waste Emissions and Use of Packaging Materials • Environmental Data	p. 63–67
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	• Energy, Air and Greenhouse Gas Emissions • Waste Emissions and Use of Packaging Materials • Environmental Data	p. 63–67
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	• Energy, Air and Greenhouse Gas Emissions • Waste Emissions and Use of Packaging Materials • Environmental Data	p. 63–67

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/Declaration	Page Number
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	• Energy, Air and Greenhouse Gas Emissions • Waste Emissions and Use of Packaging Materials • Environmental Data	p. 63–67
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	• Energy, Air and Greenhouse Gas Emissions • Waste Emissions and Use of Packaging Materials • Environmental Data	p. 63–67
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	• Energy, Air and Greenhouse Gas Emissions • Waste Emissions and Use of Packaging Materials • Environmental Data	p. 63–67
Aspect A2: Use of Resources			
General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc..		• Energy, Air and Greenhouse Gas Emissions • Use of Water • Environmental Data	p. 63–67
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	• Energy, Air and Greenhouse Gas Emissions • Use of Water • Environmental Data	p. 63–67

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/Declaration	Page Number
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	• Energy, Air and Greenhouse Gas Emissions • Use of Water • Environmental Data	p. 63–67
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	• Energy, Air and Greenhouse Gas Emissions • Use of Water • Environmental Data	p. 63–67
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	• Energy, Air and Greenhouse Gas Emissions • Use of Water • Environmental Data	p. 63–67
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	• Environmental Data	p. 66–67
Aspect A3: Environmental and Natural Resources			
General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources.		• Green Wine Production	p. 64–65
KPI A3.1	Description of the significant impact of activities on the environment and natural resources and the actions taken to manage them.	• Green Wine Production	p. 64–65

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/Declaration	Page Number
Aspect A4: Climate Change			
General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		• Response to Climate Change	p. 62–63
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	• Response to Climate Change	p. 62–63
B. Social			
Employment and Labour Standards			
Aspect B1: Employment			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		• Caring for Employees • Material Laws and Regulations	p. 55–61 p. 68–70
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	• Employee Overview	p. 55–56
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	• Employee Overview	p. 55–56

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/Declaration	Page Number
Aspect B2: Health and Safety			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		• Caring for Employees' Health and Safety • Material Laws and Regulations	p. 57 p. 68–70
KPI B2.1	Number and rate of work-related fatalities.	• Caring for Employees' Health and Safety	p. 57
KPI B2.2	Lost days due to work injury.	• Caring for Employees' Health and Safety	p. 57
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	• Caring for Employees' Health and Safety	p. 58

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/Declaration	Page Number
Aspect B3: Development and Training			
General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		• Investing in Continuous Staff Development	p. 58
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	• Investing in Continuous Staff Development	p. 59
KPI B3.2	The average training hours completed per employee by gender and employee category.	• Investing in Continuous Staff Development	p. 59
Aspect B4: Labour Standards			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		• Complying with Labour Standards • Material Laws and Regulations	p. 60 p. 68–70
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	• Complying with Labour Standards	p. 60
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	• Complying with Labour Standards	p. 60

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/Declaration	Page Number
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure Policies on managing environmental and social risks of the supply chain.		• Managing Suppliers	p. 54–55
KPI B5.1	Number of suppliers by geographical region.	• Managing Suppliers	p. 54–55
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	• Managing Suppliers	p. 54–55
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	• Managing Suppliers	p. 54–55
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	• Managing Suppliers	p. 54–55

Environmental, Social and Governance Report

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/Declaration	Page Number
Aspect B6: Product Responsibility			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		• Striving for Quality • Material Laws and Regulations	p. 49–55 p. 68–70
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Group did not record any product recall for safety and health reasons during the Reporting Period.	N/A
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	• Collecting Customer Feedback	p. 53
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	• Protecting Privacy and Intellectual Property Rights	p. 54
KPI B6.4	Description of quality assurance process and recall procedures.	• Ensuring Quality of Grape Cultivation	p. 50
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	• Protecting Privacy and Intellectual Property Rights	p. 54

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/Declaration	Page Number
Aspect B7: Anti-Corruption			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		• Maintaining Business Ethics and Integrity • Material Laws and Regulations	p. 61 p. 68–70
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	• Maintaining Business Ethics and Integrity	p. 61
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	• Maintaining Business Ethics and Integrity	p. 61
KPI B7.3	Description of anti-corruption training provided to directors and staff.	• Maintaining Business Ethics and Integrity	p. 61

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/Declaration	Page Number
Community			
Aspect B8: Community Investment			
General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		• Giving Back to the Community	p. 68
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	• Giving Back to the Community	p. 68
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	• Giving Back to the Community	p. 68

Report of Directors

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for FY2024 (the "Consolidated Financial Statements").

LISTING ON THE GEM OF THE STOCK EXCHANGE AND REORGANISATION

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

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A fair review of the Group's business during the year and description of principal risks and uncertainties that the Group may be facing can be found in the "Management Discussion and Analysis" section on pages 6 to 9 of this annual report. Also, the financial risks are covered in Note 35 to Consolidated Financial Statements in this annual report.

In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are all contained in the "Environmental, Social and Governance Report" section on pages 38 to 80. The potential future business development of the Group is set out in the Chairlady's Statement on pages 4 to 5 and Business Review and Outlook section of the "Management Discussion and Analysis" on page 6 of this annual report. Such discussion form part of this Report of Directors.

PRINCIPAL RISK AND UNCERTAINTIES

Details of principal risks and uncertainties are set out in the section headed "Management Discussion and Analysis" and the "Corporate Governance Report" of this annual report on page 6 and pages 32 to 34 respectively.

CHARITABLE DONATIONS

During the year ended 31 December 2024, charitable donations made by the Group amounted to RMB55,200.

Report of Directors

DIVIDEND POLICY

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

RESULTS AND DIVIDEND

The consolidation results of the Group for the year ended 31 December 2024 are set out on pages 104 to 110 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024 (FY2023: Nil).

CLOSURE OF THE REGISTER OF MEMBERS

The AGM will be held on Tuesday, 3 June 2025 at 10:30 a.m.. For determining the entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 29 May 2025 to Tuesday, 3 June 2025, both days inclusive, during which period no transfer of shares will be registered.

In order to be eligible to attend vote at the AGM, all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 28 May 2025.

DEED OF NON-COMPETITION

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

Our Company has received from each of the Controlling Shareholders an annual written declaration as to the compliance with the terms of the Deed of Non-Competition during the year ended 31 December 2024. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the abovementioned Deed of Non-Competition have been complied with by the Controlling Shareholders up to the date of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year ended 31 December 2024 are set out in Note 13 to the consolidated financial statements.

SHARES ISSUED IN THE YEAR

Details of the Company's shares (the "Shares") issued in FY2024 are set out in Note 26 to Consolidated Financial Statements. As at 31 December 2024, the total number of issued Shares is 800,600,000.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2024, the Company's reserves available for distribution to the Shareholders amounted to approximately RMB100.8 million (2023: RMB103.1 million).

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group as at 31 December 2024 are set out in Note 24 to the Consolidated Financial Statements on page 168 of this annual report. As at 31 December 2024, bank loans and other borrowings of the Group amounted to RMB62.4 (2023: RMB34.7 million).

LOAN AND GUARANTEE

During the year ended 31 December 2024, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the Controlling Shareholders or their respective associates (as defined in the GEM Listing Rules).

PRE-EMPTIVE RIGHTS

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

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

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities. As at 31 December 2024, the Company had no treasury share (as defined in the GEM Listing Rules).

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer contributed 11.5% (2023: 21.2%) of the total revenue for the year while the Group's five largest customers accounted for 44.8% (2023: 55.4%) of the total revenue for the year. The Group's largest supplier contributed 28.8% (2023: 14.3%) of the aggregation of cost of materials for the year while the Group's five largest suppliers accounted for 74.3% (2023: 61.9%) of the aggregation of cost of materials for the year. To the best of the knowledge of the Directors, none of the Directors, their respective close associates (as defined in the GEM Listing Rules) or any Shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued shares) had any beneficial interest in any of the Group's five largest customers or suppliers referred to above.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

SHARE OPTION SCHEME

A share option scheme 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".

The Share Option Scheme will be valid and effective for a period of 10 years, commencing from 1 June 2018. The remaining life of the Share Option Scheme is approximately three years.

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 for any necessary increase in the authorised share capital of the Company.

Upon acceptance of an option to subscribe for Shares granted pursuant to the Share Option Scheme, the 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 31 December 2024, 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 in issue as at 31 December 2024.

Details of the share options movement during FY2024 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 1 January 2024	Granted during FY2024	Exercised during FY2024	Lapsed during FY2024	Cancelled during FY2024	As at 31 December 2024	Exercise price of share options HK$	Weighted average closing price immediately before the date of exercise HK$	Validity period of share options (both dates inclusive)	Vesting period
Employee	17 May 2021	1,400,000	–	–	–	–	1,400,000	0.186	N/A	17/5/2021 to 16/5/2031	Note 1
	17 May 2022	3,000,000	–	–	–	–	3,000,000	0.170	N/A	17/5/2022 to 16/5/2032	Note 2
Director											
Judy Chan	17 May 2021	8,000,000	–	–	–	–	8,000,000	0.186	N/A	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

3. The total number of Shares available for grant under the Share Option Scheme as at 1 January 2024 was 67,000,000 Shares and the total number of Shares available for grant under the Share Option Scheme was 67,000,000 Shares as at 31 December 2024.

4. The number of Shares that may be issued in respect of share options during FY2024 was 11,200,000 Shares.

5. The number of Shares that may be issued in respect of share options granted under the Share Option Scheme during FY2024 divided by the weighted average number of the Shares in issue for the Year is 1.40%.

6. 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$0.164 respectively.

7. Details of the accounting standard and policy adopted are set out in Note 2.4 to Financial Statements.

DIRECTORS

The Directors during the year ended 31 December 2024 and up to the date of this report were:

Executive Director
Ms. Judy Chan *(Chairlady and Chief Executive Officer)*

Non-executive Directors
Dr. Cheung Chai Hong
Mr. Chow Christer Ho
Mr. James Douglas Richard Field *(appointed on 5 June 2024)*

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

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

Report of Directors

CHANGE IN THE DIRECTOR'S INFORMATION PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the Company is not aware of any changes in the Directors' information since the date of the last interim report.

DIRECTORS' SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2024.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

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

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

As at 31 December 2024, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Interests in the Company

Name of Director	Capacity/Nature of interest	Number of ordinary Share(s) 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 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 31 December 2024, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under the SFO), or pursuant to section 352 of the SFO, which were required to be recorded in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, which were to be notified to the Company and the Stock Exchange.

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

So far as the Directors and the chief executive of the Company are aware, as at 31 December 2024, other than the Directors and Chief Executives, the following persons had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO, or which would be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Name	Capacity/Nature of interest	Number of ordinary Shares held[1]	Approximate shareholding percentage
Macmillan Equity[2]	Beneficial owner	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	4,950,000 (L)	0.62%
	Interest in controlled corporation[3]	173,180,000 (L)	21.63%
Mr. Chan Chun Keung[4]	Interest of spouse	178,130,000 (L)	22.25%
Mr. Ting Tan Ming	Beneficial owner	48,540,000 (L)	6.06%

Notes:

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

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

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

4. Mr. Chan Chun Keung, the spouse of Ms. Wong Shu Ying, is deemed to be interested in 4,950,000 Shares held by Ms. Wong Shu Ying and 173,180,000 Shares held by Ms. Wong Shu Ying through her controlled corporation, Palgrave Enterprises, pursuant to the SFO.

5. Pursuant to Section 336 of the SFO, if certain conditions are fulfilled, the shareholders of the Company are required to submit a form for disclosure of interests. In the event of changes in the shareholding of the Shareholders in the Company, the shareholders of the Company will not be required to notify the Company and the Stock Exchange unless certain conditions have been fulfilled, so that the latest shareholding of the shareholders of the Company may be different from the shareholding submitted to the Stock Exchange.

Save as disclosed above, as at 31 December 2024, the Directors were not aware of any person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

EQUITY-LINKED AGREEMENTS

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

COMPETING INTERESTS

During the Year, 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..

Report of Directors

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.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

During the year ended 31 December 2024, there had been no contract of significance between the Company or any of its subsidiaries and a Controlling Shareholder (as defined in the GEM Listing Rules) or any of its subsidiaries, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 32 to Consolidated Financial Statements in this annual report, none of the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of our Group, to which our Company or any of its subsidiaries was a party during the year ended 31 December 2024.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2024 are set out in Note 32 to Consolidated Financial Statements.

Such related party transactions did not fall under the definition of "connected transaction" or "continuing connected transaction" (as defined under Chapter 20 of the GEM Listing Rules) or are fully exempt continuing connected transactions under Rule 20.74(1) or Rule 20.96 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

On 5 December 2024 and 21 January 2025, the Company (as seller) and Ms. Judy Chan (as purchaser) entered into (i) the agreements (the "Pacific Surplus Agreements") pursuant to which, among others, the Company conditionally agreed to sell, and Ms. Judy Chan conditionally agreed to acquire, 100% of the entire issued share capital of Pacific Surplus Limited, as well as an interest-free shareholder's loan provided by the Company to Maxco Asia Limited, for the consideration which amounts to HK$71,280,000; and (ii) the agreements (the "Epic Wealth Agreements") pursuant to which, among others, the Company conditionally agreed to sell, and Ms. Judy Chan conditionally agreed to acquire, 30% of the issued share capital of Epic Wealth Holdings Limited, for the consideration which amounts to HK$38,880,000. As Ms. Chan is the Chairlady, an executive Director, the chief executive officer and a controlling shareholder of the Company and therefore a connected person of the Company, the transactions contemplated under each of the Pacific Surplus Agreements and the Epic Wealth Agreements constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules. Please refer to the announcements of the Company dated 5 December 2024, 21 January 2025, and 19 February 2025, and the circular of the Company dated 24 January 2025 for further details.

During the year ended 31 December 2024 and up to the date of this report, save as disclosed above, the Group has not completed any "one-off connected transaction" or "continuing connected transaction" (as defined under Chapter 20 of the Listing Rules) which is subject to reporting and annual review requirements under the GEM Listing Rules. The transactions disclosed in Note 32 to the Consolidated Financial Statements in this annual report as related party transactions did not fall under the definition of "connected transaction" or "continuing connected transaction" (as defined under Chapter 20 of the GEM Listing Rules) or are fully exempt continuing connected transactions under Rule 20.74(1) or Rule 20.96 of the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company has complied with all applicable principles and the code provisions of the CG Code as set out in Part 2 of Appendix C1 to the GEM Listing Rules during the Year (except for the deviation from CG code provision C.2.1). Details of the Company's corporate governance practices are set out in the section "Corporate Governance Report" of this annual report.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS AND RELATIONSHIPS WITH KEY SHAREHOLDERS

The Company has complied with all applicable laws and regulations in all material respects and maintained good relationship with its customers, suppliers, employees and investors. During the year ended 31 December 2024, there were no material and significant dispute between the Group and its employees, customers and/or suppliers.

PERMITTED INDEMNITY PROVISIONS

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

EMOLUMENT POLICY

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

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

RETIREMENT BENEFITS PLAN

Details of retirement benefits plan of the Group for the year ended 31 December 2024 are set out in Note 2.4 to Consolidated Financial Statements.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the Directors' remuneration and the five highest paid individuals for the year ended 31 December 2024 are set out in Notes 8 and 9 to Consolidated Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

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

Report of Directors

EVENTS AFTER THE REPORTING PERIOD

Save as the Transactions set out in the section headed "Connected Transactions", the Group has no significant events subsequent to 31 December 2024 and up to the date of this report.

AUDITOR

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

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

Hong Kong, 20 March 2025

Independent Auditor's Report

Ernst & Young
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979 King's Road
Quarry Bay, Hong Kong

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

OPINION

We have audited the consolidated financial statements of Grace Wine Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 104 to 189, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of biological assets	
As disclosed in note 18 to the consolidated financial statements, the Group had biological assets during the year comprising of grapes growing on bearer plants, and accounted for at fair value less costs to sell through to the point of harvest. At the point of harvest, the valuation of the grapes was approximately RMB4.3 million. The estimation of the fair value less costs to sell of the biological assets requires significant management judgements and estimates. Independent external valuations were obtained to assist management with their estimate of the fair value of the biological assets. Key assumptions adopted included the estimated market prices and growing costs. Related disclosures are included in notes 2.4, 3 and 18 to the consolidated financial statements.	Our audit procedures included the following: • Evaluating the independent external valuer's competence, capability and objectivity; • Evaluating the appropriateness of the methodologies used in valuing the biological assets by involving our internal valuation specialists; • Evaluating the appropriateness of the key assumptions and inputs, including the estimated market prices and growing costs, based on market available data and the historical performance of the Group; and • Assessing the adequacy of the fair value disclosures in relation to the biological assets.

Independent Auditor's Report

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of non-current non-financial assets	
As at 31 December 2024, the Group's non-current non-financial assets included property, plant and equipment, right-of-use assets and goodwill with carrying amount of RMB144.7 million, RMB19.2 million and RMB1.4 million, respectively. In accordance with HKAS 36 *Impairment of Assets*, the Group is required to (i) test goodwill for impairment at least annually, based on the recoverable amount of the cash-generating unit to which the goodwill is allocated; and (ii) to perform impairment assessment for non-current non-financial assets (other than goodwill), where an indication of impairment exists. **Production of spirits business** On 5 December 2024 and 21 January 2025, the Company (as seller) entered into agreements with Ms. Judy Chan ("Ms. Chan"), chairlady, executive director and controlling shareholder of the Company, (as purchaser), pursuant to which the Company has conditionally agreed to sell, and Ms. Chan has conditionally agreed to acquire, the entire issued share capital of Pacific Surplus Limited and its subsidiaries (which engage in the Group's production of spirits business) for HK$71.28 million. According to the poll results announcement of the Company of the extraordinary general meeting held on 19 February 2025, the independent shareholders of the Company have approved the disposal. Based on the management's estimation, the disposal will result in a loss on disposal to the Group upon completion. Details of the transaction are further disclosed in note 15 to the financial statements. In light of the existence of the above impairment indicator, impairment losses of RMB21.7 million, RMB1.3 million and RMB2.7 million were recognised on the Group's property, plant and equipment, right-of-use assets and goodwill, respectively, with reference to the contracted consideration and estimated transaction costs.	Our audit procedures included the following: **Production of spirits business** • Obtaining and reviewing the sale and purchase agreements to affirm the transaction details; • Inspecting to the valuation report prepared by the independent external expert to understand how the consideration was determined; • Reviewing the reasonableness of the impairment calculation; and • Assessing the adequate of the disclosure is reliable to the impairment assessment.

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of non-current non-financial assets (continued)	
Remaining businesses For the remaining CGUs of the Group, impairment assessments have been performed by the independent external professionally qualified valuer engaged by the Group, their recoverable amounts were valuated either at the higher of the value in use or fair value less costs of disposals. Determining the value-in-use and the fair value less costs of disposals of the CGUs required significant management judgements and estimates and adoption of market comparable, including those with respect to the pre-tax discounted cash flow projections based on financial budgets approved by management and an appropriate discount rate to calculate the present value of the projected cash flow. Based on the results of the impairment assessments, the recoverable amounts of the non-current non-financial assets of the remaining CGUs were higher than their carrying amounts as at 31 December 2024, thus, no impairment has been provided for the year. Related disclosures are included in notes 2.4, 3 and 15 to the consolidated financial statements.	**Remaining businesses** • Evaluating the appropriateness of the methodologies used in valuing the recoverable amount of the non-current non-financial assets; • Evaluating the independent external valuer's competence, capability and objectivity; • Obtaining and reviewing the value-in-use and fair value less costs of disposal calculation for arithmetical accuracy and reasonableness of the assumptions used based on market available data for similar products or assets; • Involving our internal valuation specialists to assist us to assess the methodologies applied and the key assumptions made, including the discount rate and terminal growth rate; • Performing a sensitivity analysis for the value in use of the CGUs; and • Assessing the adequacy of the disclosures in relation to the impairment assessment.

Independent Auditor's Report

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

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Tsang, Chin Hang.

Ernst & Young
Certified Public Accountants
Hong Kong
20 March 2025

Consolidated Statement of Profit or Loss

Year ended 31 December 2024

	Notes	**2024** RMB'000	2023 RMB'000
REVENUE	5	**34,553**	64,985
Cost of sales		**(8,251)**	(17,340)
Gross profit		**26,302**	47,645
Other income and gain, net	5	**3,178**	1,907
Selling and distribution expenses		**(12,048)**	(12,433)
Administrative expenses		**(25,799)**	(24,393)
Impairment losses of non-current non-financial assets		**(25,748)**	–
Other expenses, net		**(69)**	(80)
Finance costs	7	**(1,152)**	(1,185)
(LOSS)/PROFIT BEFORE TAX	6	**(35,336)**	11,461
Income tax expense	10	**(5,682)**	(1,241)
(LOSS)/PROFIT FOR THE YEAR		**(41,018)**	10,220
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted (RMB cents)	12	**(5.12)**	1.28

Consolidated Statement of Comprehensive Income

Year ended 31 December 2024

	2024	2023
	RMB'000	RMB'000
(LOSS)/PROFIT FOR THE YEAR	**(41,018)**	10,220
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(3,222)**	(2,891)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive income:		
Change in fair value	**62**	–
Income tax effect	**(16)**	–
	46	–
Exchange differences on translation of the Company's financial statements	**3,420**	2,977
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**3,466**	2,977
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**244**	86
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(40,774)**	10,306

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**144,745**	159,092
Right-of-use assets	14(a)	**19,211**	21,856
Goodwill	15	**1,361**	4,087
Equity investment designated at fair value through other comprehensive income	16	**1,062**	1,000
Deferred tax assets	25	**3,802**	5,105
Total non-current assets		**170,181**	191,140
CURRENT ASSETS			
Inventories	17	**99,240**	82,176
Biological assets	18	**–**	–
Trade receivables	19	**777**	924
Prepayments, deposits and other receivables	20	**13,875**	15,087
Cash and cash equivalents	21	**34,488**	41,870
Total current assets		**148,380**	140,057
CURRENT LIABILITIES			
Trade payables	22	**1,258**	5
Other payables and accruals	23	**16,300**	22,560
Interest-bearing bank borrowings	24	**3,343**	2,000
Lease liabilities	14(b)	**233**	37
Tax payable		**5,724**	1,054
Total current liabilities		**26,858**	25,656
NET CURRENT ASSETS		**121,522**	114,401
TOTAL ASSETS LESS CURRENT LIABILITIES		**291,703**	305,541

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	24	**59,043**	32,667
Lease liabilities	14(b)	**2,435**	2,215
Deferred tax liabilities	25	**4,093**	3,839
Total non-current liabilities		**65,571**	38,721
Net assets		**226,132**	266,820
EQUITY			
Share capital	26	**675**	675
Reserves	27	**225,457**	266,145
Total equity		**226,132**	266,820

Judy Chan
Director

Cheung Chai Hong
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

	Note	Share capital RMB'000 (note 26)	Share premium RMB'000	Capital reserve RMB'000 (note 27(i))	Investment revaluation reserve RMB'000	Share option reserve RMB'000 (note 28)	Statutory reserve funds RMB'000 (note 27(ii))	Exchange fluctuation reserve RMB'000 (note 27(iii))	Retained profits RMB'000	Total RMB'000
At 1 January 2023		675	137,720	2,765	–	605	16,799	(5,962)	103,669	256,271
Profit for the year		–	–	–	–	–	–	–	10,220	10,220
Other comprehensive income/(loss) for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(2,891)	–	(2,891)
Exchange differences on translation of the Company's financial statements		–	–	–	–	–	–	2,977	–	2,977
Total comprehensive income for the year		–	–	–	–	–	–	86	10,220	10,306
Equity-settled share option arrangements	28	–	–	–	–	243	–	–	–	243
Transfer from retained profits		–	–	–	–	–	151	–	(151)	–
At 31 December 2023 and 1 January 2024		**675**	**137,720***	**2,765***	**–**	**848***	**16,950***	**(5,876)***	**113,738***	**266,820**
Loss for the year		–	–	–	–	–	–	–	(41,018)	(41,018)
Other comprehensive income/(loss) for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(3,222)	–	(3,222)
Exchange differences on translation of the Company's financial statements		–	–	–	–	–	–	3,420	–	3,420
Equity investment designated at fair value through other comprehensive income:										
Change in fair value		–	–	–	62	–	–	–	–	62
Income tax effect		–	–	–	(16)	–	–	–	–	(16)
Total comprehensive income/(loss) for the year		–	–	–	46	–	–	198	(41,018)	(40,774)
Equity-settled share option arrangements	28	–	–	–	–	86	–	–	–	86
Transfer from retained profits		–	–	–	–	–	181	–	(181)	–
At 31 December 2024		**675**	**137,720***	**2,765***	**46***	**934***	**17,131***	**(5,678)***	**72,539***	**226,132**

* These reserve accounts comprise the consolidated reserves of RMB225,457,000 (2023: RMB266,145,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(35,336)**	11,461
Adjustments for:			
Finance costs	7	**1,152**	1,185
Bank interest income	5	**(219)**	(570)
Depreciation of property, plant and equipment	6	**11,003**	10,395
Depreciation of right-of-use assets	6	**1,833**	1,138
Gain on disposal of items of plant and equipment, net	5	**(38)**	(565)
Gains arising from changes in fair value of agricultural produce at the point of harvest	6	**(1,517)**	(2,712)
Government grants	5	**(1,121)**	(686)
Write-off of property, plant and equipment	6	**60**	7
Write-off of inventories	6	**217**	170
Equity-settled share option expense	28	**86**	243
Impairment of property, plant and equipment	6	**21,741**	–
Impairment of right-of-use assets	6	**1,281**	–
Impairment of goodwill	6	**2,726**	–
Impairment of trade receivables, net	6	**3**	(5)
		1,871	20,054
Increase in inventories		**(12,652)**	(2,964)
Additions to biological assets		**(2,667)**	(4,845)
Decrease in trade receivables		**144**	673
Decrease/(increase) in prepayments, deposits and other receivables		**1,244**	(680)
Increase/(decrease) in trade payables		**1,253**	(169)
Decrease in other payables and accruals		**(3,846)**	(20,246)
Receipt of government grants		**1,121**	686
Cash used in operations		**(13,532)**	(7,491)
Interest received		**219**	570
Interest paid		**(1,975)**	(1,227)
PRC income tax paid		**(1,916)**	(1,278)
Net cash flows used in operating activities		**(17,204)**	(9,426)

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Net cash flows used in operating activities		**(17,204)**	(9,426)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(5,212)**	(4,065)
Increase in right-of-use assets		**(205)**	–
Increase in construction in progress		**(12,524)**	(26,083)
Proceeds from disposal of items of property, plant and equipment		**38**	308
Purchase of equity investment designated at fair value through other comprehensive income		**–**	(1,000)
Net cash flows used in investing activities		**(17,903)**	(30,833)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**29,819**	36,667
Repayment of bank loans		**(2,100)**	(27,320)
Principal portion of lease payments	29(b)	**(181)**	(356)
Net cash flows from financing activities		**27,538**	8,991
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(7,569)**	(31,268)
Cash and cash equivalents at beginning of year		**41,870**	73,367
Effect of foreign exchange rate changes, net		**187**	(229)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**34,488**	41,870
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**34,488**	41,870

1. CORPORATE AND GROUP INFORMATION

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

The Company is an investment holding company. The Company's principal subsidiaries were engaged in the production and distribution of wine, spirits 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 ("BVI"). The entire share capital of Macmillan Equity Limited is held by Ms. Judy Chan.

Information about subsidiaries

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

Company name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Dragonet Limited	Hong Kong 3 September 1997	HK$100	–	100	Investment holding and distribution of wine products
Shanxi Grace Vineyard Co., Limited*# (山西怡園酒莊有限公司) ("Shanxi Grace Vineyard")	People's Republic of China (the "PRC")/ Mainland China 7 August 1998	RMB46,800,000	–	100	Production and distribution of wine products
Shanxi Ziyuan Agricultural Development Co., Limited*# (山西紫源農業開發有限公司) ("Shanxi Ziyuan")	PRC/Mainland China 21 November 2013	HK$1,300,000	–	100	Planting of vines and sale of wine grapes
Deep Blue Wine Trading (Shanghai) Limited*# (創平酒業貿易 (上海) 有限公司)	PRC/Mainland China 14 July 2010	US$200,000	–	100	Distribution of wine products

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Company name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Ningxia Grace Vineyard Co., Limited*# (寧夏怡園酒莊有限公司) ("Ningxia Grace Vineyard")	PRC/Mainland China 12 September 2012	RMB50,000,000	–	100	Production of wine products
Xiamen Taofu Trading Co., Limited*# (廈門萄福貿易有限公司) ("Xiamen Taofu")	PRC/Mainland China 29 September 2012	US$165,000	–	100	Distribution of wine products
Taiyuanshi Taofu Trading Co., Limited*# (太原市萄福貿易有限公司) ("Taiyuanshi Taofu")	PRC/Mainland China 9 July 2019	RMB100,000	–	100	Distribution of wine products
Fujian Dexi Wine Co., Limited*# (福建德熙酒業有限公司) ("Fujian Dexi")	PRC/Mainland China 4 December 2017	RMB50,000,000	–	100	Production of spirits
Fuzhou Yiyuan Lanzheng Ltd*# (福州怡園蘭正酒業有限公司) ("Yiyuan Lanzheng")	PRC/Mainland China 6 January 2021	RMB100,000,000	–	100	Distribution of wine products
Ningxia Yanyu Agricultural Development Co. Ltd.*# (寧夏岩峪農業開發有限公司) ("Ningxia Yanyu")	PRC/Mainland China 15 October 2010	HK$350,000	–	100	Planting of vines and sale of wine grapes

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

\# Official names of these entities are in Chinese. The English translations of the names are for identification purposes only.

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

2. ACCOUNTING POLICIES

2.1 Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) rights arising from other contractual arrangements; and

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Basis of consolidation (Continued)

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

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

2.2 Changes in accounting policies and disclosures

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

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (Continued)

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised HKFRSs, if applicable, when they become effective.

HKFRS 18	*Presentation and Disclosure in Financial Statements*[3]
HKFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to HKFRS 9 and HKFRS 7	*Contracts Referencing Nature-dependent Electricity*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 21	*Lack of Exchangeability*[1]
Annual Improvements to HKFRS Accounting Standards – Volume 11	*Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7*[2]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

HKFRS 18 replaces HKAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRSs. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19. Some of the Company's subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 7 *Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

- HKFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2.4 Material accounting policies

Business combinations and goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Business combinations and goodwill (Continued)

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

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Fair value measurement

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

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

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

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

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Impairment of non-financial assets

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

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarter building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Property, plant and equipment and depreciation

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

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

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

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

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Biological assets

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

Biological assets are stated at fair value less costs to sell from initial recognition up to the point of harvest, except where fair value cannot be measured reliably due to unavailability of quoted market prices and for which alternative fair value measurements are determined to be unreliable, in which case the assets are held at growing costs incurred less any accumulated impairment losses.

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Land	5 to 50 years
Buildings	2 to 5 years

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

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

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

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial asset designated at fair value through other comprehensive income (equity investment)

Upon initial recognition, the Group can elect to classify irrevocably its equity investment as equity investment designated at fair value through other comprehensive income when it meets the definition of equity under HKAS 32 *Financial Instruments: Presentation* and is not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investment designated at fair value through other comprehensive income is not subject to impairment assessment.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Derecognition of financial assets (Continued)

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

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

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

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

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement of financial liabilities at amortised cost (trade and other payables, and borrowings)

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

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

Derecognition of financial liabilities

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Income tax

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

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

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Income tax (Continued)

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

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

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

Government grants

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Revenue recognition

Revenue from contracts with customers

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

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

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

Sale of goods

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Revenue recognition (Continued)

Other income

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

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

Contract liabilities

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

Share-based payments

Share options granted to employees

The Company operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Share-based payments (Continued)

Share options granted to employees (Continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Borrowing costs

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

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Foreign currencies

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Foreign currencies (Continued)

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

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Fair value measurements and valuation processes of biological assets

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

In estimating the fair value of biological assets, the Group uses market-observable data to the extent that they are available. Where Level 1 inputs are not available, the Group engages an independent qualified valuer to perform the valuation. Management works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model. Management reports the external valuer's findings to the board of directors of the Company.

Impairment of non-financial assets (other than goodwill)

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2024 was RMB1,361,000 (2023: RMB4,087,000), further details are included in note 15.

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 purposes, the resources are allocated to two reporting 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 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, equity investment designated at fair value through other comprehensive income and other unallocated corporate assets as these assets are managed on a group basis.

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

	Production of wines		Production of spirits		Total	
	2024	2023	**2024**	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment revenue:						
Sales to external customers	**34,534**	64,985	**19**	–	**34,553**	64,985
Other revenue	**2,899**	862	**60**	468	**2,959**	1,330
Total segment revenue	**37,433**	65,847	**79**	468	**37,512**	66,315
Segment results	**2,966**	20,795	**(32,904)**	(4,450)	**(29,938)**	16,345
Reconciliation:						
Other unallocated income					**–**	7
Interest income					**219**	570
Corporate and other unallocated expenses					**(4,503)**	(4,310)
Finance costs (other than interest on lease liabilities)					**(1,114)**	(1,151)
(Loss)/profit before tax					**(35,336)**	11,461

4. SEGMENT INFORMATION (CONTINUED)

Operating segments (Continued)

	Production of wines		Production of spirits		Total	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Segment assets	166,764	162,959	109,919	119,048	276,683	282,007
Reconciliation:						
Corporate and other unallocated assets					41,878	49,190
Total assets					318,561	331,197
Segment liabilities	(8,024)	(9,350)	(64,175)	(36,887)	(72,199)	(46,237)
Reconciliation:						
Corporate and other unallocated liabilities					(20,230)	(18,140)
Total liabilities					(92,429)	(64,377)
Other segment information						
Depreciation of property, plant and equipment	(6,454)	(7,181)	(4,549)	(3,214)	(11,003)	(10,395)
Depreciation of right-of-use assets	(1,290)	(827)	(402)	(169)	(1,692)	(996)
Impairment of property, plant and equipment	–	–	(21,741)	–	(21,741)	–
Impairment of right-of-use assets	–	–	(1,281)	–	(1,281)	–
Impairment of goodwill	–	–	(2,726)	–	(2,726)	–
(Impairment losses)/reversal of impairment losses, net	(3)	5	–	–	(3)	5
Corporate and other unallocated depreciation					(141)	(142)
					(38,587)	(11,538)
Gains arising from changes in fair value of agricultural produce at the point of harvest	1,517	2,712	–	–	1,517	2,712
Write-off inventories	(217)	(170)	–	–	(217)	(170)
Write-off of property, plant and equipment	(60)	(7)	–	–	(60)	(7)
Other non-cash income	–	257	–	–	–	257
Capital expenditures#	2,617	4,464	15,942	29,324	18,559	33,788

Capital expenditure consists of additions to property, plant and equipment.

4. SEGMENT INFORMATION (CONTINUED)

Geographical information

	2024 RMB'000	2023 RMB'000
Revenue from external customers		
Mainland China	**33,491**	63,861
Other jurisdictions	**1,062**	1,124
Total revenue	**34,553**	64,985

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

Information about major customers

Revenue from major customers of the Group which individually accounted for 10% or more of the Group's revenue was derived from the production of wines segment. The respective revenue generated from the customers for each reporting period is set out below:

	2024 RMB'000	2023 RMB'000
Customer 1	**N/A**	13,611
Customer 2	**N/A**	12,132

During the year, there is no customer from which revenue accounted for 10% or more of the total revenue of the Group.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers		
Sales of goods	**34,553**	64,985

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

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

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

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2024 RMB'000	2023 RMB'000
Sales of goods	1,432	12,517

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

	2024 RMB'000	2023 RMB'000
Other income		
Bank interest income	219	570
Government grants*	1,121	686
Consultation servicing income	1,540	–
Others	260	86
Total other income	3,140	1,342
Gain		
Gain on disposal of items of plant and equipment, net	38	565
Total gain	38	565
Total other income and gain, net	3,178	1,907

* The Group received various government grants for promoting the wine industry and supporting agricultural development. There are no unfulfilled conditions or contingencies relating to these grants.

6. (LOSS)/PROFIT BEFORE TAX

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

	Notes	2024 RMB'000	2023 RMB'000
Cost of inventories sold		**3,030**	6,635
Employee benefit expense (including directors' remuneration (note 8)):			
Wages and salaries		**14,140**	12,728
Pension scheme contributions (defined contribution schemes)*		**2,636**	2,451
Equity-settled share option expense	28	**86**	243
Total		**16,862**	15,422
Depreciation of property, plant and equipment	13	**11,105**	10,676
Less: amount capitalised into inventories		**(102)**	(281)
Total		**11,003**	10,395
Depreciation of right-of-use assets	14(a)	**2,166**	1,539
Less: amount capitalised into biological assets		**(333)**	(401)
Total		**1,833**	1,138
Impairment of non-current non-financial assets:			
Property, plant and equipment		**21,741**	–
Right-of-use asset		**1,281**	–
Goodwill		**2,726**	–
Impairment losses/(reversal of impairment losses), net	19	**3**	(5)
Lease payments not included in the measurement of lease liabilities	14(c)	**921**	857
Auditor's remuneration		**1,200**	1,200
Write-off of inventories**		**217**	170
Write-off of property, plant and equipment		**60**	7
Gains arising from changes in fair value of agricultural produce at the point of harvest**	18	**(1,517)**	(2,712)
Foreign exchange difference, net		**149**	153

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 RMB'000	2023 RMB'000
Interest on bank loans	**1,937**	1,193
Interest on lease liabilities	**38**	34
Total interest expense on financial liabilities not at fair value through profit or loss	**1,975**	1,227
Less: Interest capitalised	**(823)**	(42)
Total	**1,152**	1,185

8. DIRECTORS' REMUNERATION

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

	2024 RMB'000	2023 RMB'000
Fees	**519**	604
Other emoluments:		
Salaries, allowances and benefits in kind	**360**	360
Pension scheme contributions	**–**	8
Equity-settled share option expense	**33**	123
Subtotal	**393**	491
Total	**912**	1,095

8. DIRECTORS' REMUNERATION (CONTINUED)

(a) Executive directors

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share option expense	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2024					
Judy Chan	**–**	**360**	**–**	**33**	**393**
Total	**–**	**360**	**–**	**33**	**393**
Year ended 31 December 2023					
Judy Chan	–	360	–	123	483
Lam Wai Kit Ricky*	150	–	8	–	158
Total	150	360	8	123	641

* Resigned as an executive director on 9 September 2023.

During the year ended 31 December 2024, one director (2023: one director) of the Company has waived emoluments of RMB831,000 (2023: RMB664,000).

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Non-executive directors

	2024 RMB'000	2023 RMB'000
Fees		
Chow Christer Ho	**93**	91
Cheung Chai Hong	**93**	91
James Douglas Richard Field*	**54**	–
Total	**240**	182

* Appointed as a non-executive director on 5 June 2024.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2023: Nil).

(c) Independent non-executive directors

	2024 RMB'000	2023 RMB'000
Fees		
Ho Kent Ching-tak	**93**	91
Lim Leung Yau Edwin	**93**	91
Alec Peter Tracy	**93**	91
Total	**279**	273

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2023: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2023: one). The details of directors' remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2023: four) highest paid employees who are non-directors during the year are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	1,708	1,367
Performance related bonuses	30	120
Pension scheme contributions	105	109
Total	1,843	1,596

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

	Number of employees	
	2024	2023
Nil to HK$1,000,000	4	4

During the year, no remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2023: Nil).

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong during the year (2023: Nil).

Under the Law of the PRC on Corporate Income Tax (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate for the PRC subsidiaries is 25% (2023: 25%).

According to relevant CIT Law and Implementation Regulation of the CIT Law, a wholly-owned subsidiary in agricultural operation in the PRC was exempted from CIT on profits derived from fruit cultivation for the years ended 31 December 2024 and 2023, subject to annual review by the local PRC tax authority and any future changes in the relevant tax exemption policies or regulations.

	Note	**2024** **RMB'000**	2023 RMB'000
Current – Mainland China			
Charge for the year		**4,095**	896
Under/(over) provision in prior years		**30**	(515)
Deferred	25	**1,557**	860
Total		**5,682**	1,241

10. INCOME TAX (CONTINUED)

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

2024

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Loss before tax	(26,977)		(8,359)		(35,336)	
Tax at the statutory tax rate	(6,744)	25.0	(1,375)	16.5	(8,119)	23.0
Lower tax rate for specific provinces or enacted by local authority	(358)		–		(358)	
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	3,930		–		3,930	
Adjustments in respect of current tax of previous year	30		–		30	
Income not subject to tax	395		–		395	
Temporary difference not recognised	(216)		–		(216)	
Expenses not deductible for tax	5,755		489		6,244	
Tax losses not recognised	2,890		886		3,776	
Tax charge for the year	5,682	(21.1)	–	–	5,682	(16.1)

10. INCOME TAX (CONTINUED)

2023

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	15,531		(4,070)		11,461	
Tax at the statutory tax rate	3,882	25.0	(672)	16.5	3,210	28.0
Lower tax rate for specific provinces or enacted by local authority	(2,096)		–		(2,096)	
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	125		–		125	
Adjustments in respect of current tax of previous year	(515)		–		(515)	
Income not subject to tax	(191)		–		(191)	
Temporary difference not recognised	(93)		–		(93)	
Expenses not deductible for tax	235		73		308	
Tax losses utilised from previous periods	(106)		(20)		(126)	
Tax losses not recognised	–		619		619	
Tax charge for the year	1,241	8.0	–	–	1,241	10.8

11. DIVIDENDS

The board of directors does not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: Nil).

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

The calculation of basic (loss)/earnings per share is based on the loss for the year attributable to owners of the Company of RMB41,018,000 (2023: profit of RMB10,220,000), and the weighted average number of ordinary shares of 800,600,000 (2023: 800,600,000) in issue during the year.

No adjustment has been made to the basic (loss)/earnings per share amount presented for the year ended 31 December 2024 and 2023 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

13. PROPERTY, PLANT AND EQUIPMENT

	Note	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Vineyard infrastructure RMB'000	Bearer plants RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024										
At 31 December 2023 and 1 January 2024:										
Cost		157,367	6,867	67,110	22,496	2,718	500	4,008	26,369	287,435
Accumulated depreciation		(53,055)	(6,324)	(46,288)	(16,299)	(1,947)	(495)	(3,935)	–	(128,343)
Net carrying amount		104,312	543	20,822	6,197	771	5	73	26,369	159,092
At 1 January 2024, net of accumulated depreciation		104,312	543	20,822	6,197	771	5	73	26,369	159,092
Additions		344	871	1,178	2,824	–	–	–	13,342	18,559
Disposals and write-off		–	–	(57)	(3)	–	–	–	–	(60)
Depreciation provided during the year	6	(6,447)	(150)	(2,456)	(1,710)	(264)	(5)	(73)	–	(11,105)
Impairment provided during the year	15	(17,337)	–	(2,859)	(1,241)	(67)	–	–	(237)	(21,741)
Transfers		35,830	–	356	2,195	–	–	–	(38,381)	–
At 31 December 2024, net of accumulated depreciation		116,702	1,264	16,984	8,262	440	–	–	1,093	144,745
At 31 December 2024:										
Cost		191,836	7,739	63,033	26,671	2,764	–	4,008	1,335	297,386
Accumulated depreciation and impairment		(75,134)	(6,475)	(46,049)	(18,409)	(2,324)	–	(4,008)	(242)	(152,641)
Net carrying amount		116,702	1,264	16,984	8,262	440	–	–	1,093	144,745
31 December 2023										
At 31 December 2022 and 1 January 2023:										
Cost		154,847	6,627	50,449	24,827	2,897	500	3,720	14,994	258,861
Accumulated depreciation		(47,304)	(6,027)	(44,552)	(18,967)	(2,331)	(445)	(3,248)	–	(122,874)
Net carrying amount		107,543	600	5,897	5,860	566	55	472	14,994	135,987
At 1 January 2023, net of accumulated depreciation		107,543	600	5,897	5,860	566	55	472	14,994	135,987
Additions		2,199	240	759	2,350	430	–	–	27,810	33,788
Disposals and write-off		–	–	(4)	(3)	–	–	–	–	(7)
Depreciation provided during the year	6	(5,751)	(297)	(1,944)	(2,010)	(225)	(50)	(399)	–	(10,676)
Transfers		321	–	16,114	–	–	–	–	(16,435)	–
At 31 December 2023, net of accumulated depreciation		104,312	543	20,822	6,197	771	5	73	26,369	159,092
At 31 December 2023:										
Cost		157,367	6,867	67,110	22,496	2,718	500	4,008	26,369	287,435
Accumulated depreciation		(53,055)	(6,324)	(46,288)	(16,299)	(1,947)	(495)	(3,935)	–	(128,343)
Net carrying amount		104,312	543	20,822	6,197	771	5	73	26,369	159,092

14. LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

	Notes	**Leasehold land** RMB'000	**Buildings** RMB'000	**Total** RMB'000
As at 1 January 2023		22,838	557	23,395
Depreciation charge	6	(1,194)	(345)	(1,539)
As at 31 December 2023 and 1 January 2024		**21,644**	**212**	**21,856**
Additions		**205**	**597**	**802**
Impairment provided during the year	15	**(1,281)**	**–**	**(1,281)**
Depreciation charge	6	**(1,895)**	**(271)**	**(2,166)**
As at 31 December 2024		**18,673**	**538**	**19,211**

14. LEASES (CONTINUED)

The Group as a lessee (Continued)

(b) Lease liabilities

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

	2024	2023
	RMB'000	RMB'000
Carrying amount at 1 January	**2,252**	2,608
New lease	**597**	–
Accretion of interest recognised during the year	**38**	34
Payments	**(219)**	(390)
Carrying amount at 31 December	**2,668**	2,252
Analysed into:		
Current portion	**233**	37
Non-current portion	**2,435**	2,215

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

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

		2024	2023
	Notes	**RMB'000**	RMB'000
Interest on lease liabilities		**38**	34
Impairment provided on right-of-use assets	15	**1,281**	–
Depreciation charge of right-of-use assets		**2,166**	1,539
Expense relating to short-term leases (included in administrative expenses)	6	**921**	857
Total amount recognised in profit or loss		**4,406**	2,430

15. GOODWILL

	2024 RMB'000	2023 RMB'000
At the beginning of the year:		
Cost	**4,087**	4,087
Accumulated impairment	**–**	–
Net carrying amount	**4,087**	4,087
Carrying amount at the beginning of the year, net of accumulated impairment	**4,087**	4,087
Impairment provided during the year	**(2,726)**	–
Net carrying amount at the end of the year	**1,361**	4,087
At the end of the year:		
Cost	**4,087**	4,087
Accumulated impairment	**(2,726)**	–
Net carrying amount	**1,361**	4,087

Impairment testing of goodwill

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

- Online sales cash-generating unit; and
- Production of spirits cash-generating unit

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

	Online sales		Production of spirits		Total	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Carrying amount of goodwill	**1,361**	1,361	**–**	2,726	**1,361**	4,087

15. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

Online sales cash-generating unit

The recoverable amount of the online sales cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 16.1% (2023: 19.7%). The growth rate used to extrapolate the cash flows beyond the five-year period is 2.2% (2023: 2.4%).

Assumptions were used in the value-in-use calculation of the online sales cash-generating unit for 31 December 2024 and 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

Production of spirits cash-generating unit

On 5 December 2024 and 21 January 2025, the Company entered into agreements with Ms. Chan, chairlady, executive director and controlling shareholder of the Company, pursuant to which the Company has conditionally agreed to sell, and Ms. Chan has conditionally agreed to acquire, the entire issued share capital of Pacific Surplus Limited and its subsidiaries (the "Pacific Surplus Group", which engage in the Group's production of spirits business), for HK$71.28 million (the "Pacific Surplus Consideration"). The disposal transaction is referred to as the "Pacific Surplus Disposal". According to the poll results announcement of the Company of the extraordinary general meeting held on 19 February 2025, the independent shareholders of the Company have approved the disposal. Please refer to the details of the disposal transaction in the Company's circular (the "VSD Circular") dated 24 January 2025.

Based on the management's estimation, the disposal will result in a loss on disposal to the Group upon completion. This event constituted impairment indicator of the non-current non-financial assets attributable to the relevant CGU, including property, plant and equipment, right-of-use assets and goodwill. Accordingly, the Group carried out impairment test of these assets attributable the related CGU as at 31 December 2024 in accordance with HKAS 36 *Impairment of Assets*.

15. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

Production of spirits cash-generating unit (Continued)

Considering the fact that the Pacific Surplus Group will be disposed on by the Group subsequent to the reporting period, the value in use of the related assets (including property, plant and equipment, right-of-use assets and goodwill) will consist mainly of the net disposal proceeds, as the future cash flows from continuing use of the assets until its disposal are insignificant. Thus, when determining the recoverable amount of the non-current non-financial assets of the production of spirits business, the directors based on the Pacific Surplus Consideration, which was determined based on a valuation performed by the independent external valuer, APAC Asset Valuation and Consulting Limited, on an asset-based approach based on the adjusted net asset value after marketability adjustments of the Pacific Surplus Group, of which all individual asset and liability account categories are analysed and valued separately. Details of the determination of the Pacific Surplus Consideration and letter from the independent financial adviser are disclosed in the VSD Circular.

In determining the impairment amount, the management allocated the Pacific Surplus Consideration to the Group's financial assets, financial liabilities and non-current non-financial assets and based on the calculation, impairment losses with an aggregate amount of HK$25.7 million are required to be recognised on the non-current non-financial assets of Pacific Surplus Group. The management firstly reduced the carrying amount of goodwill, and pro rata the remaining impairment amount to the property, plant and equipment and right-of-use assets of Pacific Surplus Group. Based on the results of the impairment assessment, impairment losses of RMB2.7 million, RMB21.7 million and RMB1.3 million were provided to the goodwill, property, plant and equipment and right-of-use assets of the CGU, respectively, for the year ended 31 December 2024.

16. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 **RMB'000**	2023 RMB'000
Unlisted equity investment, at fair value		
Pushan (Beijing) International Trading Co. Ltd.* (葡善(北京)國際貿易有限公司)	**1,062**	1,000

* Official name of the entity is in Chinese. The English translation of the name is for identification purposes only.

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers the investment to be strategic in nature.

17. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	**4,337**	4,788
Work in progress	**83,454**	66,217
Finished goods	**11,449**	11,171
Total	**99,240**	82,176

18. BIOLOGICAL ASSETS

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

	Note	2024 RMB'000	2023 RMB'000
At the beginning of the year		**–**	–
Increase due to cultivation		**2,769**	4,430
Gains arising from changes in fair value of agricultural produce at the point of harvest	6	**1,517**	2,712
Transfer of harvested grapes to inventories		**(4,286)**	(7,142)
At the end of the year		**–**	–

During the year, the Group harvested 460.9 tonnes (2023: 619.6 tonnes) of grapes. The directors measured the fair value less costs to sell of grapes at harvest based on market prices as at or close to the harvest dates.

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

18. BIOLOGICAL ASSETS (CONTINUED)

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 the Immature Grapes and the market price for harvested grapes.

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

The fair values were determined by an independent professionally qualified valuer, Avista Valuation Advisory Limited, with reference to market-determined prices, cultivation areas, species, growing conditions, and costs incurred. Avista Valuation Advisory Limited is located at 23rd Floor, Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong.

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 techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Range
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	Not applicable
Agricultural Produce	Level 3	Market approach The key input is: Market price per kilogram ("kg") of grapes	Market price of grapes	The higher the market price, the higher the fair value	2024: RMB8.93 per kg to RMB12.17 per kg; (2023: RMB9.09 per kg to RMB12.25 per kg); varies for different types of grapes

19. TRADE RECEIVABLES

	Notes	2024 RMB'000	2023 RMB'000
Trade receivables from third parties		**782**	776
Due from related parties	(ii)	**–**	150
Impairment		**(5)**	(2)
Net carrying amount	(i)	**777**	924

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 seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Notes:

(i) Trade receivables

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

	2024 RMB'000	2023 RMB'000
Within 60 days	**777**	924
61 to 90 days	**–**	–
Total	**777**	924

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

	2024 RMB'000	2023 RMB'000
At beginning of year	**2**	7
Impairment losses/(reversal of impairment losses), net	**3**	(5)
At end of year	**5**	2

19. TRADE RECEIVABLES (CONTINUED)

Notes: (Continued)

(i) Trade receivables (Continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and credit rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

As at 31 December 2024

		Past due				
	Current	**Less than 1 month**	**1 to 3 months**	**4 to 6 months**	**Over 6 months**	**Total**
Expected credit loss rate	**0.68%**	**–**	**–**	**–**	**–**	**0.68%**
Gross carrying amount (RMB'000)	**782**	**–**	**–**	**–**	**–**	**782**
Expected credit losses (RMB'000)	**5**	**–**	**–**	**–**	**–**	**5**

As at 31 December 2023

		Past due				
	Current	Less than 1 month	1 to 3 months	4 to 6 months	Over 6 months	Total
Expected credit loss rate	0.17%	–	–	–	–	0.17%
Gross carrying amount (RMB'000)	926	–	–	–	–	926
Expected credit losses (RMB'000)	2	–	–	–	–	2

19. TRADE RECEIVABLES (CONTINUED)

Notes: (Continued)

(ii) Due from related parties

	Notes	2024 RMB'000	2023 RMB'000
Chan Chun Keung	(a)	–	12
Chan Kwan	(b)	–	135
Judy Chan		–	3
		–	150

Notes:

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

(b) Chan Kwan is the brother of Judy Chan.

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

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Prepayments	1,096	1,998
Deposits and other receivables	1,360	1,442
VAT recoverable	11,419	11,647
Total	13,875	15,087

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Where applicable, an impairment analysis is performed on deposits and other receivables at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forward-looking information, as appropriate.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2024 and 2023, the Group has concluded that the probability of default and loss rate are low and the financial impact of expected credit losses for deposits and other receivables under HKFRS 9 was insignificant for the years ended 31 December 2024 and 2023. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2024 and 2023, the loss allowance was assessed to be minimal.

21. CASH AND CASH EQUIVALENTS

	2024 **RMB'000**	2023 RMB'000
Cash and bank balances	**34,488**	41,870

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to RMB30,798,000 (2023: RMB41,088,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

22. TRADE PAYABLES

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

	2024 **RMB'000**	2023 RMB'000
Within 30 days	**478**	5
31 to 90 days	**780**	–
Total	**1,258**	5

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

23. OTHER PAYABLES AND ACCRUALS

	Notes	2024 RMB'000	2023 RMB'000
Accruals		**2,069**	4,533
Other payables	(i)	**2,779**	5,809
Contract liabilities	(ii)	**664**	1,432
Due to related parties	(iii)	**10,788**	10,786
Total		**16,300**	22,560

Notes:

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

(ii) Details of contract liabilities are as follows:

	31 December 2024 RMB'000	31 December 2023 RMB'000	1 January 2023 RMB'000
Short-term advances received from customers			
Sales of goods	**664**	1,432	12,517

Contract liabilities mainly represent short-term advances received to deliver wine products. The decrease in contract liabilities in 2024 and 2023 was mainly due to decrease in the short-term advances received from customers in relation to the delivery of goods at the end of the years.

(iii) Due to related parties:

	Note	2024 RMB'000	2023 RMB'000
Sanlion International Investment Limited	(a)	**47**	45
Judy Chan		**7,000**	7,000
Chan Kwan		**3,741**	3,741
		10,788	10,786

Note:

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

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

24. INTEREST-BEARING BANK BORROWINGS

		31 December 2024			31 December 2023		
	Notes	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current							
Bank loan – unsecured	(a)	–	–	–	LPR+1.15	2024	2,000
Bank loan – secured	(a), (c)	LPR+0.35	2025	3,143	–	–	–
Bank loan – secured	(a), (d)	LPR+0.3	2025	200	–	–	–
Total – current				3,343			2,000
Non-current							
Bank loan – secured	(a), (b)	–	–	–	LPR+0.35	2025–2033	32,667
Bank loan – secured	(a), (c)	LPR+0.35	2025–2033	49,243	–	–	–
Bank loan – secured	(a), (d)	LPR+0.3	2025–2027	9,800	–	–	–
Total – non-current				59,043			32,667
				62,386			34,667

	2024 RMB'000	2023 RMB'000
Analysed into:		
Bank loans:		
Within one year or on demand	200	2,000
In the second year	11,760	1,960
In the third to fifth years, inclusive	8,493	7,187
Beyond five years	41,933	23,520

Notes:

(a) As at 31 December 2024, all borrowings were denominated in RMB.

(b) As at 31 December 2023, the Group's bank borrowing of RMB32,667,000 was secured by the pledge of the Group's property, plant and equipment of RMB53,549,000 and the premises of Wong Shu Ying and Chan Kwan, and guaranteed by Judy Chan.

(c) As at 31 December 2024, the Group's bank borrowing of RMB52,386,000 was secured by the pledge of the Group's property, plant and equipment of RMB52,029,000 and right-of-use asset of RMB6,909,000 and the premises of Wong Shu Ying and Chan Kwan, and guaranteed by Judy Chan.

(d) As at 31 December 2024, the Group's bank borrowing of RMB10,000,000 was secured by the pledge of the Group's property, plant and equipment of RMB52,029,000 and right-of-use asset of RMB6,909,000 and guaranteed by Judy Chan and Shanxi Grace Vineyard.

25. DEFERRED TAX

The movements in deferred tax assets/(liabilities) during the year are as follows:

	Fair value of agricultural produce at the date of harvest	Withholding taxes	Fair value adjustments arising from acquisition of subsidiaries	Revaluation of equity investment at fair value through other comprehensive income	Depreciation in excess of related depreciation allowance	Right-of-use assets	Unrealised profits from intra-group transactions	Impairment of financial asset	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	(347)	(2,725)	(26)	–	183	(21)	5,060	2	2,126
Deferred tax charged to the statement of profit or loss during the year (note 10)	(690)	(25)	–	–	–	(5)	(139)	(1)	(860)
At 31 December 2023 and 1 January 2024	**(1,037)**	**(2,750)**	**(26)**	**-**	**183**	**(26)**	**4,921**	**1**	**1,266**
Deferred tax credited/(charged) to the statement of profit or loss during the year (note10)	**(384)**	**100**	**-**	**16**	**-**	**18**	**(1,306)**	**(1)**	**(1,557)**
At 31 December 2024	**(1,421)**	**(2,650)**	**(26)**	**16**	**183**	**(8)**	**3,615**	**-**	**(291)**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2024	2023
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**3,802**	5,105
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(4,093)**	(3,839)
	(291)	1,266

25. DEFERRED TAX (CONTINUED)

Deferred tax assets have not been recognised in respect of following items:

	2024 RMB'000	2023 RMB'000
Tax losses	85,647	68,749
Deductible temporary differences	750	1,614
	86,397	70,363

The Group had tax losses arising in Hong Kong of RMB69,198,000 (2023: RMB63,859,000) which are subject to the confirmation from the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group had tax losses arising in Mainland China of RMB16,449,000 (2023: RMB4,890,000) as at 31 December 2024, that will expire in one to five years for offsetting against future taxable profits.

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

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 5% or 10% for the Group.

26. SHARE CAPITAL

	2024			2023		
	Number of shares	HK$'000	RMB'000 equivalent	Number of shares	HK$'000	RMB'000 equivalent
Authorised: Ordinary shares of HK$0.001 each	8,000,000,000	8,000		8,000,000,000	8,000	
Issued and fully paid: Ordinary shares of HK$0.001 each	800,600,000	801	675	800,600,000	801	675

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 28 to the financial statements.

27. RESERVES

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

(i) Capital reserve

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

(ii) Statutory reserve funds

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

(iii) Exchange fluctuation reserve

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

28. SHARE OPTION SCHEME

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 for 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 as at 27 June 2018 (the "Listing Date"). The Company may at any time refresh this limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules.

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.

28. SHARE OPTION SCHEME (CONTINUED)

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% and 30% of the share options vested on 17 May 2022 and 17 May 2023, respectively. The remaining 40% of the share options will vest on 17 May 2024, on the condition that the director and employee of the Company remain in service as of the vesting date. 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% of the share options vested on 17 May 2023. The remaining 30% and 40% of the share options will vest on 17 May 2024 and 17 May 2025, respectively, on the condition that the 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 options will lapse on the tenth anniversary of the grant date.

28. SHARE OPTION SCHEME (CONTINUED)

(i) The following share options was outstanding under the Scheme during the year:

	2024		2023	
	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 and 31 December	**0.182**	**12,400**	0.182	12,400

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

2024

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

28. SHARE OPTION SCHEME (CONTINUED)

(ii) (Continued)

2023

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

* The exercise price of the share options is subject to adjustment in the case of right or bonus issues, or other similar changes in the company's share capital.

The Group recognised a share option expense of RMB86,000 (equivalent to approximately HK$93,000) (for the year ended 31 December 2023: RMB243,000 (equivalent to HK$268,000)) for the year ended 31 December 2024.

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 approximately HK$12,400) and share premium of RMB2,117,000 (equivalent to approximately HK$2,246,000) (before issue expenses), respectively.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2024, the Group had non-cash transactions to right-of-use assets and lease liabilities of RMB802,000 and RMB597,000 (2023: Nil), respectively, in respect of lease arrangements for buildings and leasehold land.

(b) Changes in liabilities arising from financing activities

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

	Interest-bearing bank borrowings RMB'000	**Lease liabilities** RMB'000	**Total** RMB'000
At 1 January 2023	25,320	2,608	27,928
Interest expense	–	34	34
Interest paid classified as operating cash flows	–	(34)	(34)
Financing cash flows	9,347	(356)	8,991
At 31 December 2023 and 1 January 2024	**34,667**	**2,252**	**36,919**
New lease	**–**	**597**	**597**
Interest expense	**–**	**38**	**38**
Interest paid classified as operating cash flows	**–**	**(38)**	**(38)**
Financing cash flows	**27,719**	**(181)**	**27,538**
At 31 December 2024	**62,386**	**2,668**	**65,054**

30. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had no significant contingent liabilities (2023: Nil).

31. COMMITMENTS

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

	2024 RMB'000	2023 RMB'000
Contracted, but not provided for:		
Construction in progress	**131**	8,186
Total	**131**	8,186

(b) The Group has no lease contracts for offices that have not yet commenced as at 31 December 2024 (2023: Nil).

(c) The Group has no lease commitments for short-term leases (2023: RMB487,000) as at 31 December 2024.

32. RELATED PARTY TRANSACTIONS

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

	Notes	2024 RMB'000	2023 RMB'000
Sales of products			
– Chan Kwan		**24**	124
– Chan Chun Keung		**82**	61
– Judy Chan		**36**	22
– Rugao Hengfa Wastewater Treatment Company Limited ("Rugao Hengfa")	(i)	**–**	52
Purchase of wines			
– Intervine Capital Cienega Valley LLC ("Intervine")	(ii)	**–**	680

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

Notes:

(i) Rugao Hengfa is a subsidiary of ELL Environmental Holdings Limited ("ELL Environmental"). Chan Kwan serves as an executive director of ELL Environmental.

(ii) 50% of the interest of Intervine is held by Judy Chan.

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

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

(b) The Group has paid Dragonfield Management Limited amounting to RMB170,000 (2023: RMB161,000) for leases of commercial premises for use as offices during the year. Dragonfield Management Limited is held by Chan Chun Keung, Judy Chan, Wong Shu Ying, Chan Kwan and Chan Pak Lim Brian with effective equity interests of 60%, 10%, 10%, 10% and 10%, respectively. The payment in respect of other administrative services provided by Dragonfield Management Limited during the year on behalf of the Group was RMB1,573,000 (2023: RMB1,363,000).

(c) Details of the Group's balances with the related parties are included in notes 19 and 23 to the financial statements.

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

	2024 **RMB'000**	2023 RMB'000
Fee	**240**	332
Salaries, allowances and benefits in kind	**1,708**	1,727
Performance related bonuses	**30**	120
Pension scheme contributions	**185**	117
Equity-settled share option expense	**33**	123
	2,196	2,419

Further details of directors' emoluments are included in note 8 to the financial statements.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2024

Financial assets

	Financial asset at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	777	777
Financial assets included in prepayment, deposits and other receivables	–	1,360	1,360
Equity investment designated at fair value through other comprehensive income	1,062	–	1,062
Cash and cash equivalents	–	34,488	34,488
At 31 December 2024	1,062	36,625	37,687

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	1,258
Financial liabilities included in other payables and accruals	14,936
Lease liabilities	2,668
Interest-bearing bank borrowings	62,386
At 31 December 2024	81,248

33. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2023

Financial assets

	Financial asset at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	924	924
Financial assets included in prepayment, deposits and other receivables	–	1,442	1,442
Equity investment designated at fair value through other comprehensive income	1,000	–	1,000
Cash and cash equivalents	–	41,870	41,870
At 31 December 2023	1,000	44,236	45,236

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	5
Financial liabilities included in other payables and accruals	20,891
Lease liabilities	2,252
Interest-bearing bank borrowings	34,667
At 31 December 2023	57,815

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amount		Fair value	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial asset				
Equity investment designated at fair value through other comprehensive income	**1,062**	1,000	**1,062**	1,000

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the executive directors and the Audit Committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the executive directors. The valuation process and results are discussed with the Audit Committee twice a year for interim and annual financial reporting.

The fair value of the financial asset is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair value:

For the fair value of the unlisted equity investment, management has estimated the fair value of the investment by using an asset-based approach as its major assets are approximately to fair value due to the short term maturities.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Foreign currency risk

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

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

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

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

Credit risk

Maximum exposure and year-end staging

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

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

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

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

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	782	782
Financial assets included in prepayments, deposits and other receivables					
– Normal**	1,360	–	–	–	1,360
Cash and cash equivalents					
– Not yet past due	34,488	–	–	–	34,488
	35,848	–	–	782	36,630

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	926	926
Financial assets included in prepayments, deposits and other receivables					
– Normal**	1,442	–	–	–	1,442
Cash and cash equivalents					
– Not yet past due	41,870	–	–	–	41,870
	43,312	–	–	926	44,238

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

Liquidity risk refers to the risk that an enterprise may encounter difficulties to obtain adequate finance to repay the debt related to financial instruments. Liquidity risk may arise from the inability to dispose of financial assets promptly, counterparties being unable to repay their contracted debt obligations, the repayment of debts before the maturity dates of debt obligations, or the inability to generate the expected cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of cash deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's objective is to maintain a balance between continuity of funding and flexibility through the funding from related parties. In the opinion of the directors of the Company, the Group expects to have adequate sources of funding to finance the Group and manage the liquidity position.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

As at 31 December 2024

	Within 1 year or on demand RMB'000	Between 1–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	**1,258**	**–**	**–**	**1,258**
Other payables and accruals	**4,148**	**–**	**–**	**4,148**
Due to related parties	**10,788**	**–**	**–**	**10,788**
Lease liabilities	**287**	**239**	**2,194**	**2,720**
Interest-bearing bank borrowings	**2,762**	**28,496**	**48,021**	**79,279**
Total	**19,243**	**28,735**	**50,215**	**98,193**

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

As at 31 December 2023

	Within 1 year or on demand RMB'000	Between 1–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	5	–	–	5
Other payables and accruals	10,105	–	–	10,105
Due to related parties	10,786	–	–	10,786
Lease liabilities	76	–	2,194	2,270
Interest-bearing bank borrowings	3,450	14,101	26,824	44,375
Total	24,422	14,101	29,018	67,541

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, and to maintain healthy capital ratios in order to support its business.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group's gearing ratio is measured by total external borrowings divided by total equity. The gearing ratios as at each of the end of the reporting periods were as follows:

	Note	**2024 RMB'000**	2023 RMB'000
Interest-bearing bank borrowings	24	**62,386**	34,667
Total equity		**226,132**	266,820
Gearing ratio		**27.6%**	13.0%

36. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation and disclosures.

37. EVENTS AFTER THE REPORTING PERIOD

In addition to the Pacific Surplus Disposal as further detailed in note 15 to the financial statements, on 5 December 2024 and 21 January 2025, the Company also entered into agreements with Ms. Chan, chairlady, executive director and controlling shareholder of the Company, pursuant to which the Company has conditionally agreed to sell, and Ms. Chan has conditionally agreed to acquire 30% of the entire issued share capital of Epic Wealth Holdings Limited and its subsidiaries (the "Epic Wealth Disposal", being proposed disposal of all 30% of the winery business), for HK$38.88 million.

The Pacific Surplus Disposal and the Epic Wealth Disposal constitute very substantial disposals and connected transactions; therefore, these transactions are subject to reporting, announcement, and independent shareholders' approval.

The board of directors also proposed a special dividend of HK7.802 cents per Share (the "Pacific Surplus Dividend"), conditional on independent shareholders' approval of the resolutions related to the Pacific Surplus Disposal as well as the completion of the Pacific Surplus Disposal; and a special dividend of HK4.256 cents per Share (the "Epic Wealth Dividend"), conditional on Independent Shareholders' approval of the resolutions related to the Epic Wealth Disposal as well as the completion of the Epic Wealth Disposal.

On 19 February 2025, the Independent Shareholders approved the Pacific Surplus Disposal, the Pacific Surplus Dividend, the Epic Wealth Disposal, and the Epic Wealth Dividend. As at the date of this report, the Pacific Surplus Disposal and the Epic Wealth Disposal are yet to be completed.

Please refer to the Company's announcements dated 5 December 2024, 27 December 2024, 21 January 2025 and 19 February 2025, as well as the VSD Circular dated 24 January 2025 for further details.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024 **RMB'000**	2023 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**15,630**	15,630
CURRENT ASSETS		
Due from subsidiaries	**157,896**	152,570
Cash and bank balances	**182**	285
Total current assets	**158,078**	152,855
CURRENT LIABILITIES		
Other payables and accruals	**125**	120
Due to subsidiaries	**54,586**	50,549
Total current liabilities	**54,711**	50,669
NET CURRENT ASSETS	**103,367**	102,186
Net assets	**118,997**	117,816
EQUITY		
Issued capital	**675**	675
Reserves (note)	**118,322**	117,141
Total equity	**118,997**	117,816

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2023	137,720	2,672	605	7,552	(32,762)	115,787
Loss for the year	–	–	–	–	(1,866)	(1,866)
Other comprehensive income for the year: Exchange differences on translation of financial information	–	–	–	2,977	–	2,977
Total comprehensive income for the year	–	–	–	2,977	(1,866)	1,111
Equity-settled share option arrangements	–	–	243	–	–	243
At 31 December 2023 and 1 January 2024	**137,720**	**2,672**	**848**	**10,529**	**(34,628)**	**117,141**
Loss for the year	**–**	**–**	**–**	**–**	**(2,325)**	**(2,325)**
Other comprehensive income for the year: Exchange differences on translation of financial information	**–**	**–**	**–**	**3,420**	**–**	**3,420**
Total comprehensive income for the year	**–**	**–**	**–**	**3,420**	**(2,325)**	**1,095**
Equity-settled share option arrangements	**–**	**–**	**86**	**–**	**–**	**86**
At 31 December 2024	**137,720**	**2,672**	**934**	**13,949**	**(36,953)**	**118,322**

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2025.

Financial Summary

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the Company's audited consolidated financial statements and the Prospectus, is set out below:

RESULTS

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**34,553**	64,985	62,119	84,693	60,224
(Loss)/profit before tax	**(35,336)**	11,461	887	11,895	1,875
Income tax expense	**(5,682)**	(1,241)	(1,485)	(4,155)	(2,437)
(Loss)/profit for the year	**(41,018)**	10,220	(598)	7,740	(562)

ASSETS AND LIABILITIES

	As at 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**318,561**	331,197	330,835	309,326	278,898
Total liabilities	**92,429**	64,377	74,564	49,222	26,433
Total equity	**226,132**	266,820	256,271	260,104	252,465