

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

The image features a stylized, abstract illustration of wine bottles and a glass. The bottles are rendered in various colors (blue, green, red, purple) with a geometric, low-poly aesthetic. A large white label is overlaid on the central bottle, containing the text '2024 Interim Report'. To the right, a wine glass is filled with a golden liquid. The background is a light, textured beige with faint, abstract shapes.

2024
Interim
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 of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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Corporate Information

BOARD OF DIRECTORS

Executive 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
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Hong Kong

HONG KONG LEGAL ADVISER

Chiu & Partners
40/F, Jardine House
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Central
Hong Kong

REGISTERED OFFICE

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



PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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 Directors of Grace Wine, I would like to present the Company's interim results for the six months ended 30 June 2024.

The first half of 2024 has been challenging, with our financial results showing a significant decline in revenues of approximately 54.5% as compared to the same period in 2023. This downturn is partly due to market sentiment and a notable lack of consumer confidence. People are much more cautious with their spending, affecting our sales performance.

In addition to these market conditions, we have consciously chosen to lower the inventory levels of our distributors by not pressing them to purchase more stock. We believe this is a healthier and more sustainable approach, ensuring that our partners are not overburdened and that we maintain a balanced supply chain.

I am pleased to report that our distillery is now fully operational. Our whisky has been aged in barrels for a year, and it is showing great promise and development. Furthermore, our hospitality center will officially open to the public in late August, and we welcome everyone to visit and experience our offerings firsthand.

We are acutely aware that the consumer market may remain challenging for the rest of the year. Additionally, we understand that our cash flow is tight, and we have been monitoring it very closely. Our team has come up with numerous cost-saving measures, which we believe will help us navigate through this tough period effectively.

On behalf of the Board and the entire team, I would like to express our gratitude to our shareholders and clients for your continued support during these difficult times. We remain committed to our goals and are confident that we can overcome these challenges together.

Sincerely,

Judy Chan

Chairlady



Unaudited Interim Results

The board of Directors (the “**Board**”) of the Company presents the unaudited condensed consolidated results of the Group for the six months ended 30 June 2024, together with the comparative unaudited figures of the corresponding period in 2023. Where appropriate, numerical figures or percentages presented herein are approximate figures and percentages (as the case may be).

Unaudited Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024

	Notes	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
REVENUE	5	16,583	36,471
Cost of sales		(2,838)	(10,250)
Gross profit		13,745	26,221
Other income and gains, net	6	2,049	936
Selling and distribution expenses		(6,158)	(5,927)
Administrative expenses		(11,554)	(12,422)
Other expenses, net		(9)	(18)
Finance costs		(498)	(611)
(LOSS)/PROFIT BEFORE TAX	7	(2,425)	8,179
Income tax expense	8	(1,106)	(2,779)
(LOSS)/PROFIT FOR THE PERIOD		(3,531)	5,400
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted (RMB cent)	10	(0.44)	0.67



Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024

	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
(LOSS)/PROFIT FOR THE PERIOD	(3,531)	5,400
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(2,264)	(4,662)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	2,425	4,839
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	161	177
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(3,370)	5,577



Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2024

	Notes	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	165,191	159,092
Right-of-use assets		20,950	21,856
Goodwill		4,087	4,087
Equity investment designated at fair value through other comprehensive income		1,000	1,000
Deferred tax assets		4,056	5,105
Total non-current assets		195,284	191,140
CURRENT ASSETS			
Inventories		90,071	82,176
Biological assets	12	2,133	–
Trade receivables	13	717	924
Prepayments, deposits and other receivables		14,065	15,087
Cash and cash equivalents		31,555	41,870
Total current assets		138,541	140,057
CURRENT LIABILITIES			
Trade payables	14	83	5
Other payables and accruals		20,170	22,560
Interest-bearing bank borrowings		1,305	2,000
Lease liabilities		41	37
Tax payables		643	1,054
Total current liabilities		22,242	25,656
NET CURRENT ASSETS		116,299	114,401
TOTAL ASSETS LESS CURRENT LIABILITIES		311,583	305,541



Unaudited Condensed Consolidated Statement of Financial Position
As at 30 June 2024

	Notes	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		42,187	32,667
Lease liabilities		2,144	2,215
Deferred tax liabilities		3,731	3,839
Total non-current liabilities		48,062	38,721
Net assets		263,521	266,820
EQUITY			
Issued capital		675	675
Reserves		262,846	266,145
Total equity		263,521	266,820



Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Statutory reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2024	675	137,720*	2,765*	848*	16,950*	(5,876)*	113,738*	266,820
Loss for the period	-	-	-	-	-	-	(3,531)	(3,531)
Other comprehensive income/ (loss) for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	-	(2,264)	-	(2,264)
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	2,425	-	2,425
Total comprehensive income/(loss) for the period	-	-	-	-	-	161	(3,531)	(3,370)
Equity-settled share option arrangements	-	-	-	71	-	-	-	71
Transfer from retained profits	-	-	-	-	87	-	(87)	-
At 30 June 2024 (unaudited)	675	137,720*	2,765*	919*	17,037*	(5,715)*	110,120*	263,521
At 1 January 2023	675	137,720	2,765	605	16,799	(5,962)	103,669	256,271
Profit for the period	-	-	-	-	-	-	5,400	5,400
Other comprehensive income/ (loss) for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	-	(4,662)	-	(4,662)
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	4,839	-	4,839
Total comprehensive income for the period	-	-	-	-	-	177	5,400	5,577
Equity-settled share option arrangements	-	-	-	153	-	-	-	153
Transfer from retained profits	-	-	-	-	(4)	-	4	-
At 30 June 2023 (unaudited)	675	137,720	2,765	758	16,795	(5,785)	109,073	262,001

* These reserve accounts comprise the consolidated reserves of RMB262,846,000 (31 December 2023: RMB266,145,000) in the unaudited condensed consolidated statement of financial position as at 30 June 2024.



Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows used in operating activities	(10,566)	(13,598)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(2,140)	(828)
Increase in construction in progress	(6,428)	(2,696)
Proceeds from disposal of items of property, plant and equipment	20	47
Prepayment of property, plant and equipment	-	(299)
Net cash flows used in investing activities	(8,548)	(3,776)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	10,925	11,000
Repayment of bank loans	(2,100)	(9,000)
Principal portion of lease payments	(75)	(262)
Net cash flows from financing activities	8,750	1,738
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	41,870	73,367
Effect of foreign exchange rate changes, net	49	(141)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	31,555	57,590
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	31,555	57,590



Notes to the Unaudited Interim Condensed Consolidated Financial Information

30 June 2024

1. GENERAL

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 are 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 (the “**BVI**”). The entire issued capital of Macmillan Equity Limited is held by Ms. Judy Chan.

2. BASIS OF PREPARATION

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

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2023.

The unaudited interim condensed consolidated financial information of the Group has been prepared in accordance with the same accounting policies adopted in the Group’s annual financial statements for the year ended 31 December 2023, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) as disclosed in note 3 below.

This unaudited interim condensed consolidated financial information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.



3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the accounting period beginning from 1 January 2024, the Group has adopted, for the first time, the following revised to HKFRSs issued by the HKICPA that are applicable to the Group and are adopted for the current period's financial information:

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

These revised HKFRSs did not have any impact on the financial position or performance of the Group.

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 reportable operating segments, namely (i) production of wines; and (ii) production of spirits.

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

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



4. SEGMENT INFORMATION (CONTINUED)

Operating segments (continued)

	Production of wines		Production of spirits		Total	
	30 June		30 June		30 June	
	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:						
Sales to external customers	16,583	36,471	–	–	16,583	36,471
Other revenue	1,854	148	44	462	1,898	610
	18,437	36,619	44	462	18,481	37,081
Segment results	3,346	12,714	(2,860)	(2,139)	486	10,575
Reconciliation:						
Other unallocated income					–	7
Interest income					151	319
Corporate and other unallocated expenses					(2,572)	(2,130)
Finance costs (other than interest on lease liabilities)					(490)	(592)
(Loss)/profit before tax					(2,425)	8,179



4. SEGMENT INFORMATION (CONTINUED)

Operating segments (continued)

	Production of wines		Production of spirits		Total	
	30 June	31 December	30 June	31 December	30 June	31 December
	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	165,364	162,959	130,601	119,048	295,965	282,007
Reconciliation:						
Corporate and other unallocated assets					37,860	49,190
Total assets					333,825	331,197
Segment liabilities	(6,100)	(9,354)	(4,914)	(4,221)	(11,014)	(13,575)
Reconciliation:						
Corporate and other unallocated liabilities					(59,290)	(50,802)
Total liabilities					(70,304)	(64,377)

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



5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from contracts with customers		
Sales of goods	16,583	36,471

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

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<i>Geographical markets</i>		
Chinese Mainland	16,106	35,842
Other jurisdictions	477	629
Total	16,583	36,471



6. OTHER INCOME AND GAINS, NET

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

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Bank interest income	151	319
Government grants*	1,145	480
Consultancy income	608	–
Gain on disposal of items of property, plant and equipment, net	20	45
Others	125	92
Total	2,049	936

* 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.

7. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Cost of inventories sold	1,904	5,970
Depreciation of property, plant and equipment	4,797	4,660
Depreciation of right-of-use assets	906	1,001
Less: amount capitalised into biological assets	(201)	(200)
Total	705	801
Impairment/(reversal of impairment) of trade receivables, net	2	(2)



8. INCOME TAX

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

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

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Chinese Mainland		
Charge for the period	3	2,005
Underprovision in prior periods	63	25
Deferred	1,040	749
Total tax charge for the period	1,106	2,779



8. INCOME TAX (CONTINUED)

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

For the six months ended 30 June 2024

	Chinese Mainland		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Loss before tax	(56)		(2,369)		(2,425)	
Tax at the weighted average applicable tax rate	(14)	25.0	(391)	16.5	(405)	16.7
Lower tax rate for specific provinces or enacted by local authorities	397		–		397	
Adjustments in respect of current tax of previous periods	63		–		63	
Income not subject to tax	(30)		–		(30)	
Expenses not deductible for tax	26		6		32	
Tax losses not recognised	664		385		1,049	
Tax charge for the period	1,106	(1,975.0)	–	–	1,106	(45.6)



8. INCOME TAX (CONTINUED)

For the six months ended 30 June 2023

	Chinese Mainland		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	10,319		(2,140)		8,179	
Tax at the weighted average applicable tax rate	2,580	25.0	(353)	16.5	2,227	27.2
Lower tax rate for specific provinces or enacted by local authorities	(370)		–		(370)	
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	76		–		76	
Adjustments in respect of current tax of previous periods	25		–		25	
Income not subject to tax	(86)		–		(86)	
Expenses not deductible for tax	28		9		37	
Tax losses utilised from previous periods	–		(20)		(20)	
Tax losses not recognised	526		364		890	
Tax charge for the period	2,779	26.9	–	–	2,779	34.0



9. DIVIDENDS

The board of directors does not recommend the payment of any dividend in respect of the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

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

The calculation of basic loss per share for the six months ended 30 June 2024 is based on the loss for the period attributable to owners of the Company of RMB3,531,000 (for the six months ended 30 June 2023: profit of RMB5,400,000), and the weighted average number of ordinary shares of 800,600,000 (for the six months ended 30 June 2023: 800,600,000) in issue during the period.

No adjustment has been made to the basic (loss)/earnings per share amount presented for the six months ended 30 June 2024 and 30 June 2023 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group acquired items of plant and machinery with a cost of approximately RMB2,140,000 (for the six months ended 30 June 2023: RMB2,483,000) and additions of construction in progress of approximately RMB6,428,000 (for the six months ended 30 June 2023: RMB4,099,000). Items of plant and machinery with net book value of nil (for the six months ended 30 June 2023: RMB2,000) were disposed of during the six months ended 30 June 2024, resulting in a gain on disposal of approximately RMB20,000 (for the six months ended 30 June 2023: RMB45,000).



12. BIOLOGICAL ASSETS

All grapes are harvested annually from late August to October each year. After the harvest, plantation works commence again on the farmland. The directors consider that there was no active market for the grapes before harvest at the end of the reporting periods and therefore the replacement cost approach is adopted to value the immature grapes during the growing period as at the end of the reporting periods.

Cultivation costs incurred are accounted for as additions to the biological assets and have been considered in the determination of the fair values during the growing period and these costs approximate to their fair values. During the six months ended 30 June 2024, the Group incurred RMB2,133,000 (for the six months ended 30 June 2023: RMB2,651,000) on the plantation of biological assets.

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

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

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

Biological assets	Fair value hierarchy	Valuation technique	Significant unobservable input	Relationship of unobservable input to fair value
Immature grapes	Level 3	Replacement cost approach	Various costs for replacing	The higher the costs incurred, the higher the fair value



13. TRADE RECEIVABLES

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Trade receivables from third parties	721	776
Due from a related party	–	150
Impairment	(4)	(2)
Net carrying amount	717	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 three 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.

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

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 60 days	595	924
61 to 90 days	122	–
Total	717	924



14. TRADE PAYABLES

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

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 30 days	83	5

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

15. 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.



15. 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%, 30% and 40% of the share options vested on 17 May 2022, 17 May 2023, and 17 May 2024, respectively, on the condition that the director and employee of the Company remain in service as of the vesting dates. The maximum aggregate number of ordinary shares that may be issued pursuant to all grantees under the Scheme was 10,000,000. The options will lapse on the tenth anniversary of the grant date.

In May 2022, 3,000,000 share options were granted under the Scheme, at an exercise price of HK\$0.170 per share. 30% and 30% of the share options vested on 17 May 2023 and 17 May 2024, respectively. The remaining 40% of the share options will vest on 17 May 2025 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.



15. SHARE OPTION SCHEME (CONTINUED)

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

	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	0.182	12,400	0.182	12,400
Granted during the period		-		-
Exercised during the period		-		-
At 30 June	0.182	12,400	0.182	12,400

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

30 June 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		



15. SHARE OPTION SCHEME (CONTINUED)

(b) (continued)
30 June 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 RMB71,000 (equivalent to HK\$76,000) (for the six months ended 30 June 2023: RMB153,000 (equivalent to HK\$172,000)) for the six months ended 30 June 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 RMB12,000 (equivalent to HK\$12,400) and share premium of RMB2,096,000 (equivalent to HK\$2,246,000) (before issue expenses), respectively.

16. COMMITMENTS

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

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Contracted, but not provided for: Construction in progress	3,256	8,186



17. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Sales of products		
– Chan Kwan (note (i))	41	8
– Chan Chun Keung (note (ii))	35	35
– Judy Chan (note (iii))	13	18
– Rugao Hengfa Wastewater Treatment Company Limited (“ Rugao Hengfa ”) (note (iv))	–	47
Purchases of wines		
– Intervine Capital Cienega Valley LLC (“ Intervine ”) (note (v))	–	680

Notes:

- (i) Chan Kwan is a brother of Judy Chan.
- (ii) Chan Chun Keung is the father of Judy Chan and the spouse of Wong Shu Ying.
- (iii) Judy Chan is an executive director.
- (iv) Rugao Hengfa is a subsidiary of ELL Environmental Holdings Limited (“**ELL Environmental**”). Chan Kwan serves as an executive director of ELL Environmental.
- (v) 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.



17. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) The Group has paid Dragonfield Management Limited amounting to RMB76,000 (for the six months ended 30 June 2023: RMB82,000) for the leasing of commercial premises for use as offices during the six months ended 30 June 2024. Dragonfield Management Limited is held by Chan Chun Keung, Judy Chan, Wong Shu Yin, Chan Kwan and Chan Pak Lim Brian (brother of Judy Chan) 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 six months ended 30 June 2024 on behalf of the Group was RMB749,000 (for the six months ended 30 June 2023: RMB732,000).
- (c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Fees	238	330
Salaries, allowances and benefits in kind	616	587
Pension scheme contributions	41	45
Equity-settled share option expense	33	78
	928	1,040

18. FAIR VALUE HIERARCHY

Other than biological assets, as disclosed in note 12, and equity investment designated at fair value through other comprehensive income, the Group did not have any financial assets or financial liabilities measured at fair value at the end of the reporting period.



BUSINESS REVIEW AND OUTLOOK

In the first half of 2024, China's economic slowdown had a significant impact on the wine market, underscoring the challenges faced by the industry. The decline in domestic demand, compounded by low consumer confidence and reduced discretionary spending, has directly affected wine consumption. As a luxury or non-essential item, wine is particularly vulnerable during economic downturns, leading to lower spending allocations toward purchasing wine.

The below-expected retail sales growth in June 2024 reflects the broader struggles within the wine industry, with most companies reporting poor performance. This decline suggests that consumers are cutting back on discretionary spending, which negatively impacts wine sales. Additionally, the substantial decline in property investment signals broader economic difficulties, potentially affecting consumers' financial stability. This instability further translates into reduced spending on non-essential items, such as wine.

The high-end strategy pursued by domestic wine brands faces significant hurdles due to reduced consumer spending on luxury items. As economic conditions tighten, consumers may opt for cheaper alternatives, adversely affecting the market for high-end domestic wines. The shift toward premium products requires considerable brand investment and increases operational costs. In a slowing economy, these costs may become unsustainable without corresponding revenue growth, which is challenged by low consumer spending and strong competition from imports.

To navigate these challenges, domestic wine brands may need to diversify their product offerings to include more affordable options, thereby capturing a broader consumer base in a sluggish economy. Marketing strategies that emphasize the unique qualities and cultural heritage of domestic wines could help differentiate them from imports. Shifting away from an exclusive focus on high-end positioning towards more accessible luxury options might resonate better with cost-conscious consumers. Additionally, advocating for supportive policies, such as favorable tax treatments or subsidies for domestic producers, could help mitigate the impact of imports and the economic slowdown. Focusing on cost control and efficiency improvements within the production process can also help domestic brands maintain competitiveness despite these economic challenges.

Regarding the Group's financial performance, wine sales volume for the first six months of 2024 dropped by approximately 42.8%, with consumers opting for more entry-level wines compared to the same period in 2023. This significant drop in sales volume led to a change from a net profit of approximately RMB5.4 million for the six months ended 30 June 2023 to a net loss of approximately RMB3.5 million for the same period in 2024. We are implementing cost-saving measures while continuing to expand our sales channels.

In the first half of 2024, the Group received a government grant of approximately RMB987,000 for the grape plantation in Ningxia, which helped mitigate the impact of the loss in sales during this period.



The Group's first distillery in Longyan, Fujian, is now fully operational. We have started producing whisky, which has been aged for a year. We also expect gin sales to start in the second half of 2024. In addition to liquor sales, the distillery will serve as a venue to introduce the history of whisky to the general public, making it not just a distillery but also a visitor center to attract tourists.

Looking ahead to the second half of 2024, the economic slowdown continues to present challenges for the Chinese wine industry, particularly for domestic brands pushing for high-end products. Low consumer confidence, reduced discretionary spending, and strong competition from imported wines exacerbate the difficulties faced by the industry. The Group will closely monitor market sentiment, diversify product offerings, and improve cost efficiency to deliver returns to our shareholders.

FINANCIAL REVIEW

Revenue

Our revenue decreased by RMB19.9 million or 54.5% from RMB36.5 million for the six months ended 30 June 2023 ("1H2023") to RMB16.6 million for the six months ended 30 June 2024 ("1H2024") as a result of the decrease in total sales volume of both entry-level wines and high-end wines.

We sold 206,000 bottles in 1H2024 as compared to 360,000 bottles in 1H2023, the average selling price decreased to RMB80.6 per bottle in 1H2024 from RMB101.4 per bottle in 1H2023. The table below sets out the analysis of revenue and sales volume by our product mix:

	For the six months ended 30 June 2024		For the six months ended 30 June 2023	
	Revenue	Sales volume	Revenue	Sales volume
High-end	52.4%	21.4%	70.0%	35.9%
Entry-level	47.6%	78.6%	30.0%	64.1%

Cost of sales

Our cost of sales decreased by RMB7.4 million or 72.3% from RMB10.3 million for 1H2023 to RMB2.8 million for 1H2024 primarily due to the decrease in total sales volume. Our average cost of sales per bottle decreased from RMB28.5 in 1H2023 to RMB13.8 in 1H2024.

Gross profit and gross profit margin

Our overall gross profit decreased by RMB12.5 million or 47.6% from RMB26.2 million for 1H2023 to RMB13.7 million for 1H2024, primarily due to the decrease in total sales of both entry-level wines and high-end wines. Our overall gross profit margin increased from 71.9% for 1H2023 to 82.9% for 1H2024. Such increase was due to the lower level of per unit costs allocated to each unit of wine sold in 1H2024, reflecting the higher historical production scale of the wine sold in 1H2024.



Other income and gains, net

Other net income and gains increased by RMB1.1 million or 118.9% from RMB0.9 million for 1H2023 to RMB2.0 million for 1H2024, which mainly comprised income from government grants and bank interest income.

Selling and distribution expenses

Selling and distribution expenses slightly increased by RMB0.2 million or 3.9% from RMB5.9 million for 1H2023 to RMB6.2 million for 1H2024, which mainly comprised marketing event and promotion fee, packaging fee and salary. There was an increase in selling and distribution expenses despite the drop in sales, as the Group was expanding sales channels, which incurred higher logistics and service fees. The Group also incurred additional costs for sales and promotion activities.

Administrative expenses

Administrative expenses decreased by RMB0.9 million or 7.0% from RMB12.4 million for 1H2023 to RMB11.6 million for 1H2024, which mainly comprised general administrative expenses. The decrease was mainly attributable to the decrease in costs such as staff costs and professional and consultancy fees as a result of the Group's cost-saving measures.

Finance costs

Our finance costs was RMB0.5 million, which represented the interest on bank loans of RMB0.5 million (1H2023: RMB10,000) and unwinding of the discounted lease liabilities recognised under HKFRS 16 Leases of RMB8,000 (1H2023: RMB19,000).

Income tax expense

Our income tax expense decreased by RMB1.7 million or 60.2% from RMB2.8 million for 1H2023 to RMB1.1 million for 1H2024 due to the decrease in profit before tax in our PRC subsidiaries.

Loss for the period

As a result of the foregoing, a loss for the period of RMB3.5 million was recognised for 1H2024 (1H2023: profit for the period of RMB5.4 million).

Liquidity, financial and capital resources

Our principal liquidity and capital requirements primarily relate to acquisition of raw materials for wine production, other costs and expenses related to our business operation, as well as capital investment in new projects. As at 30 June 2024, the carrying amount of the Group's cash and cash equivalents was RMB31.6 million, representing a decrease of 24.6% as compared with that of RMB41.9 million as at 31 December 2023.

As at 30 June 2024, the Group's cash and cash equivalents include RMB30.6 million, HK\$1.0 million, and some insignificant amounts of USD and EUR (31 December 2023: RMB41.1 million, HK\$0.5 million, and some insignificant amounts of USD and EUR).



During the 1H2024, the Group's cash and cash equivalents decreased by approximately RMB10.3 million, which mainly comprised the net cash used in operating activities with the amount of approximately RMB10.6 million, net cash used in investing activities with the amount of approximately RMB8.5 million, net cash generated from financing activities with the amount of approximately RMB8.8 million, and the positive effect of foreign exchange rate changes of approximately RMB49,000. The cash flow details of the Group are set out on page 10 of the Unaudited Condensed Consolidated Statement of Cash Flows for the six months ended 30 June 2024 in this report.

Borrowings

As at 30 June 2024, the total amount of our utilised bank borrowings was RMB43.5 million, of which RMB1.3 million was repayable within one year and RMB42.2 million was repayable more than one year. The outstanding bank borrowings were denominated in RMB. The bank borrowings bore a floating interest rate of 0.35% over the loan prime rate issued by the National interbank Funding Center ("LPR") – 5 years period (31 December 2023: RMB32.7 million bore a floating interest rate of 0.35% over the loan prime rate issued by LPR – 5 years period and RMB2.0 million bore a floating interest rate of 1.15% over the loan prime rate issued by LPR – 1 year). We had unutilised banking facilities as at 30 June 2024 of RMB38.2 million (31 December 2023: RMB13.3 million).

Gearing ratio

The Group's gearing ratio is measured by total external borrowings divided by total equity. Our gearing ratio is 16.5% as at 30 June 2024 (31 December 2023: 10.4%).

Treasury policies

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

Foreign exchange risk

The business of the Group is primarily in Mainland China where most of the transactions are denominated in RMB. Therefore, the individual companies within the Group have minimal exposures of foreign exchange risk to its functional currency. Given that the presentation currency of the Group's consolidated financial positions is also RMB, the exchange gain or loss arising from currency translation is also insignificant.

For the Group's subsidiaries outside Mainland China, transactions, including the Group's financing activities, may be denominated in Hong Kong Dollars or United States Dollars, and therefore are exposed to foreign exchange risks. The Group does not have a foreign currency hedging policy and does not use any financial instruments for hedging purposes. The Board monitors the Group's foreign currency exposures closely and may take appropriate measures to minimise the foreign currency risk exposures accordingly.

Contingent liabilities

As at 30 June 2024, the Group had no contingent liabilities (31 December 2023: Nil).



Pledge of assets

As at 30 June 2024, the Group has pledged property, plant and equipment for the general banking facilities and for the construction work of Fujian Dexi Wine Company Limited, an indirectly wholly-owned subsidiary of the Company, in the amount of RMB52.8 million (31 December 2023: Property, plant and equipment of RMB53.5 million).

Employee and remuneration policies

As at 30 June 2024, the Group had, including Directors, 170 employees (31 December 2023: 170 employees). Staff costs, including Directors' emoluments, amounted to RMB6.0 million for 1H2024 (1H2023: RMB6.2 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 2018 for the purpose of providing incentives and rewards to eligible members of the scheme.

Events after the reporting period

There were no significant events after 30 June 2024 up to the date of this report.

Significant investments, material acquisition and disposals

The Group did not have any significant investments, material acquisitions or disposal of assets, subsidiaries, associates or joint ventures during 1H2024.

Interim dividend

The Board does not recommend the payment of any dividend for 1H2024 (2023: Nil).

Future plans for material investments and capital assets

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



Other Information

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

As at 30 June 2024, the interests and short positions of the Directors and chief executive of the Company in the shares (the "**Shares**") and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Interests in the Company

Name of Director	Capacity/ Nature of interest	Number of ordinary 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:

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



(ii) Interests in associated corporation of the Company

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

Notes:

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

Save as disclosed above, as at 30 June 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 30 June 2024, other than the Directors and chief executive of the Company, the following persons had or were deemed or taken to have an interest and/or short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO, or which would be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Name	Capacity/ Nature of interest	Number of ordinary Shares held ⁽¹⁾	Approximate shareholding percentage
Macmillan Equity ⁽²⁾	Beneficial owner	411,350,000 (L)	51.38%
Palgrave Enterprises Limited ("Palgrave Enterprises") ⁽³⁾	Beneficial owner	173,180,000 (L)	21.63%
Ms. Wong Shu Ying	Beneficial owner	4,950,000 (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:

- The letter "L" denotes the person's long position in the Shares.
- Macmillan Equity is wholly-owned by Ms. Judy Chan.
- Palgrave Enterprises is wholly-owned by Ms. Wong Shu Ying, and therefore Ms. Wong Shu Ying is deemed to be interested in the 173,180,000 Shares held by Palgrave Enterprises pursuant to the SFO.
- Mr. Chan Chun Keung, the spouse of Ms. Wong Shu Ying, is deemed to be interested in the 4,950,000 Shares held by Ms. Wong Shu Ying and the 173,180,000 Shares held by Ms. Wong Shu Ying through her controlled corporation, Palgrave Enterprises, pursuant to the SFO.
- 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 30 June 2024, the Directors were not aware of any person or corporation (other than the Directors and the chief executive of the Company) who had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.



SHARE OPTION SCHEME

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

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

- (i) any full-time or part-time employees, or potential employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any Directors (including executive, non-executive and independent non-executive Directors) of the Company or any of its subsidiaries; and
- (iii) any suppliers, customers, agents and advisers who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its subsidiaries.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at 27 June 2018 (the “**Listing Date**”), being 80,000,000 Shares, also representing approximately 10.00% of the Shares in issue as at 30 June 2024. 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.



Other Information

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

- (a) the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant, which must be a day on which the Stock Exchange is open for business of dealing in securities;
- (b) the average of the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days (as defined under the GEM Listing Rules) immediately preceding the date of grant; and
- (c) the nominal value of a Share.

As at 30 June 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 30 June 2024.

The total number of Shares available for issue under the Share Option Scheme was 67,000,000 Shares, representing approximately 8.37% of the Shares in issue as at 30 June 2024.

Details of the share options movement during the six months ended 30 June 2024 under the Share Option Scheme are set out in the table below.

Grantee	Date of grant of share options	Number of share options					As at 30 June 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
		As at 1 January 2024	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the 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

Other Information

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
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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
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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 30 June 2024.
4. The number of Shares that may be issued in respect of share options during the period 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 the period divided by the weighted average number of the Shares in issue for period is 1.55%.
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 fair value of options at the date of grant and the accounting standard and policy adopted are set out in Note 15 to Unaudited Condensed Consolidated Interim Financial Information.



RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during the six months ended 30 June 2024 and up to the date of this report, have the Directors and the chief executive of the Company and their respective close associates (as defined under the GEM Listing Rules) had any interest in, or had been granted, or exercised any rights to subscribe for Shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above in the section headed “Share Option Scheme”, at no time during the six months ended 30 June 2024 and up to the date of this report was the Company, any of its subsidiaries, its associated companies or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the Shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

COMPETING INTERESTS

As at 30 June 2024, none of the Directors, the controlling shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interests (other than their interest in the Company or its subsidiaries) in any business which competed or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

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

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

DEED OF NON-COMPETITION

The Deed of Non-Competition dated 1 June 2018 (as defined in the Prospectus) was entered into by Ms. Judy Chan and Macmillan Equity in favour of the Company (for the Company and for the benefit of its subsidiaries) in regard to certain non-competition undertakings. The details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed “Relationship with our Controlling Shareholders – Deed of Non-competition” and the non-competition undertaking has become effective since the Shares were listed on GEM of the Stock Exchange on the Listing Date.



DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions (the “**Model Code**”) by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has confirmed that, having made specific enquiry of all the Directors, all Directors have complied with the Model Code during the six months ended 30 June 2024.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2024 and up to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

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

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

- Mr. James Douglas Richard Field was appointed as a non-executive Director and a member of the remuneration committee of the Company with effect from the conclusion of the annual general meeting of the Company held on 5 June 2024.

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 during the six months ended 30 June 2024.



Chairman and Chief Executive

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

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

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph D.3 of the CG Code. The Audit Committee comprises two independent non-executive Directors and one non-executive Director, namely Mr. Lim Leung Yau Edwin, Mr. Ho Kent Ching-tak and Mr. Chow Christer Ho. Mr. Lim Leung Yau Edwin is the chairman of the Audit Committee. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information, provide advice in respect of financial reporting and oversee the risk management and internal control procedures of the Company.

The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2024 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board

Grace Wine Holdings Limited

Judy Chan

Chairlady, Chief Executive Officer and Executive Director

Hong Kong, 16 August 2024

As at the date of this report, the Board comprises Ms. Judy Chan as the executive Director, Mr. Chow Christer Ho, Dr. Cheung Chai Hong and Mr. James Douglas Richard Field as the non-executive Directors, and Mr. Ho Kent Ching-tak, Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy as the independent non-executive Directors.

