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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2024**

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

*This announcement, 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 of Hong Kong Limited (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 announcement 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 announcement misleading.*

The board of Directors (the “**Board**”) is pleased to present the results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2024 (“**FY2024**”), together with comparative figures for the preceding financial year (“**FY2023**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2024

	<i>Notes</i>	2024 <i>RMB’000</i>	2023 <i>RMB’000</i>
REVENUE	5	34,553	64,985
Cost of sales		<u>(8,251)</u>	<u>(17,340)</u>
Gross profit		26,302	47,645
Other income and gains, 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		<u>(1,152)</u>	<u>(1,185)</u>
(LOSS)/PROFIT BEFORE TAX	6	(35,336)	11,461
Income tax expense	7	<u>(5,682)</u>	<u>(1,241)</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(41,018)</u>	<u>10,220</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted (<i>RMB cents</i>)	9	<u>(5.12)</u>	<u>1.28</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	<i>Notes</i>	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		144,745	159,092
Right-of-use assets		19,211	21,856
Goodwill		1,361	4,087
Equity investment designated at fair value through other comprehensive income		1,062	1,000
Deferred tax assets		3,802	5,105
Total non-current assets		170,181	191,140
CURRENT ASSETS			
Inventories		99,240	82,176
Biological assets		–	–
Trade receivables	10	777	924
Prepayments, deposits and other receivables		13,875	15,087
Cash and cash equivalents		34,488	41,870
Total current assets		148,380	140,057
CURRENT LIABILITIES			
Trade payables	11	1,258	5
Other payables and accruals		16,300	22,560
Interest-bearing bank borrowings		3,343	2,000
Lease liabilities		233	37
Tax payables		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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	59,043	32,667
Lease liabilities	2,435	2,215
Deferred tax liabilities	4,093	3,839
	<hr/>	<hr/>
Total non-current liabilities	65,571	38,721
	<hr/>	<hr/>
Net assets	226,132	266,820
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Share capital	675	675
Reserves	225,457	266,145
	<hr/>	<hr/>
Total equity	226,132	266,820
	<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Investment revaluation 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 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	-	-	-	-	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 investments at fair value through other comprehensive income:									
Changes 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	-	-	-	-	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.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2024

1. CORPORATE INFORMATION

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

The Company is an investment holding company. The Company’s principal subsidiaries were engaged in the production and distribution of wine, spirits and other alcoholic products.

2. 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.

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

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.
- (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.

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 payables, 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	<u>37,433</u>	<u>65,847</u>	<u>79</u>	<u>468</u>	<u>37,512</u>	<u>66,315</u>
Impairment losses of non-current non-financial assets	–	–	(25,748)	–	(25,748)	–
Segment results	<u>2,966</u>	<u>20,795</u>	<u>(7,156)</u>	<u>(4,450)</u>	<u>(4,190)</u>	<u>16,345</u>
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					<u>(35,336)</u>	<u>11,461</u>
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					<u>318,561</u>	<u>331,197</u>
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					<u>(92,429)</u>	<u>(64,377)</u>

	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
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 goodwill	–	–	(2,726)	–	(2,726)	–
Impairment of property, plant and equipment	–	–	(21,741)	–	(21,741)	–
Impairment of right-of-use assets	–	–	(1,281)	–	(1,281)	–
Corporate and other unallocated depreciation					(141)	(142)
					(38,584)	(11,533)
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)
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 including assets from the acquisition of subsidiaries.

Geographical information

	2024	2023
	RMB'000	RMB'000
<i>Revenue from external customers</i>		
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 <i>RMB'000</i>	2023 <i>RMB'000</i>
Customer 1	N/A	13,611
Customer 2	N/A	12,132

During the year, there is no customer which revenue from sales 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 <i>RMB'000</i>	2023 <i>RMB'000</i>
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.

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 <i>RMB'000</i>	2023 <i>RMB'000</i>
Sales of goods	1,432	12,517

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

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

* 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):

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

* 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.

On 5 December 2024 and 21 January 2025, the Company entered into agreements with Ms. Judy 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 Disposal") 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 (the "Independent Shareholders") have approved the disposal.

Based on the management’s estimation, the Pacific Surplus Disposal will result in a loss on disposal to the Group upon completion. In light of the existence of the above impairment indicator, an impairment assessment was then performed with reference to the contracted consideration and estimated transaction costs as the recoverable amount of the production of spirits cash-generating unit (“CGU”). As a result, 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, during the year.

7. INCOME TAX EXPENSE

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.

	2024 <i>RMB’000</i>	2023 <i>RMB’000</i>
Current – Mainland China		
Charge for the year	4,110	896
Under/(over) provision in prior year	30	(515)
Deferred	1,542	860
	<hr/>	<hr/>
Total	5,682	1,241
	<hr/> <hr/>	<hr/> <hr/>

8. DIVIDENDS

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

9. (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.

10. TRADE RECEIVABLES

	<i>Note</i>	2024 RMB'000	2023 <i>RMB'000</i>
Trade receivables from third parties		782	776
Due from related parties		–	150
Impairment		(5)	(2)
		<hr/>	<hr/>
Net carrying amount	(i)	<u>777</u>	<u>924</u>

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.

Note:

(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 <i>RMB'000</i>
Within 60 days	777	924
61 to 90 days	–	–
	<hr/>	<hr/>
Total	<u>777</u>	<u>924</u>

11. 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 <i>RMB'000</i>
Within 30 days	478	5
31 to 90 days	780	–
	<hr/>	<hr/>
Total	<u>1,258</u>	<u>5</u>

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

12. EVENTS AFTER REPORTING PERIOD

On 19 February 2025, the Independent Shareholders approved the resolutions related to certain proposed disposals and special dividends. Please refer to relevant content in “Management Discussion and Analysis” of this announcement for details.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

In FY2024, our revenue declined by 46.8% to RMB34.6 million (FY2023: RMB65.0 million), with bottle sales dropping from 738,000 units in FY2023 to approximately 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 Fujian Dexi Wine Holdings Co., Ltd. ("**Fujian Dexi**") production.

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 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 wine 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.

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.

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).

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 (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 announcement, 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

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 announcement, the Group does not have other plans for material investments and capital assets.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During FY2024, 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).

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 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. Chan holds both positions in the Company. Ms. 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. 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 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.

The Audit Committee has reviewed the annual results of the Group for FY2024 and was satisfied 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 have been made.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto for FY2024 as set out in this announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

By order of the Board
Grace Wine Holdings Limited
Judy Chan

Chairlady, Chief Executive Officer and Executive Director

Hong Kong, 20 March 2025

As at the date of this announcement, 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.

This announcement will remain on the "Latest Listed Company Information" page of the Stock Exchange's website at www.hkexnews.hk for at least 7 days from the day of its posting. This announcement will also be published on the Company's website at www.gracewine.com.hk.