

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

FIRST QUARTERLY REPORT

2022



## **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.**

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



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Ms. Judy Chan

*(Chairlady and Chief Executive Officer)*

Mr. Lam Wai Kit Ricky

### Non-executive Directors

Mr. Chow Christer Ho

Dr. Cheung Chai Hong

### Independent non-executive Directors

Mr. Ho Kent Ching-tak

Mr. Lim Leung Yau Edwin

Mr. Alec Peter Tracy

### COMPLIANCE OFFICER

Mr. Lam Wai Kit Ricky

### COMPANY SECRETARY

Mr. Chiu Ming King

### AUTHORISED REPRESENTATIVES

Mr. Lam Wai Kit Ricky

Mr. Chiu Ming King

### AUDIT COMMITTEE

Mr. Lim Leung Yau Edwin *(Chairman)*

Mr. Chow Christer Ho

Mr. Ho Kent Ching-tak

### REMUNERATION COMMITTEE

Mr. Alec Peter Tracy *(Chairman)*

Dr. Cheung Chai Hong

Mr. Lim Leung Yau Edwin

## NOMINATION COMMITTEE

Ms. Judy Chan *(Chairlady)*

Mr. Chow Christer Ho

Mr. Ho Kent Ching-tak

Mr. Lim Leung Yau Edwin

Mr. Alec Peter Tracy

## INVESTMENT COMMITTEE

Ms. Judy Chan *(Chairlady)*

Mr. Lam Wai Kit Ricky

Mr. Chow Christer Ho

Dr. Cheung Chai Hong

Mr. Lim Leung Yau Edwin

## AUDITOR

Ernst & Young

*Certified Public Accountants*

*Registered Public Interest Entity Auditor*

27/F, One Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

## HONG KONG LEGAL ADVISER

Taylor Wessing

21/F, No. 8 Queen's Road Central

Hong Kong

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 705, 7/F

Westlands Centre

No. 20 Westlands Road

Hong Kong

## **CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

## **HONG KONG BRANCH SHARE REGISTRAR**

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **PRINCIPAL BANKERS**

China Construction Bank Corporation,  
Taigu Branch  
No. 119 Xihuan Road  
Taigu County  
Jinzhong City  
PRC

China Merchants Bank, Shanghai Branch,  
Taixing Sub-branch  
No. 847 Xinzha Road  
Jing'an District  
Shanghai  
PRC

## **STOCK CODE**

8146

# Unaudited First Quarterly Results

The board of Directors (the “**Board**”) of Grace Wine Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2022, together with the comparative unaudited figures of the corresponding period in 2021. Where appropriate, numerical figures or percentages presented herein shall be approximate figures and percentages (as the case may be).

## Unaudited Condensed Consolidated Statement of Profit or Loss

For the three months ended 31 March 2022

|  | Notes | Three months ended 31 March<br>2022<br>(Unaudited)<br>RMB'000 | 2021<br>(Unaudited)<br>RMB'000 |
|--|-------|---|--------------------------------|
| REVENUE  | 3     | <b>15,736</b>   | 29,433                         |
| Cost of sales  |       | <b>(6,487)</b>  | (12,709)                       |
| Gross profit   |       | <b>9,249</b>  | 16,724                         |
| Other income and gains, net  | 3     | <b>463</b>  | 520                            |
| Selling and distribution expenses  |       | <b>(2,289)</b>  | (4,284)                        |
| Administrative expenses  |       | <b>(4,934)</b>  | (4,760)                        |
| Other expenses and losses  |       | <b>(14)</b>   | (4)                            |
| Finance costs  |       | <b>(12)</b>   | (28)                           |
| PROFIT BEFORE TAX  |       | <b>2,463</b>  | 8,168                          |
| Income tax expense   | 4     | <b>(674)</b>  | (2,596)                        |
| PROFIT FOR THE PERIOD AND LOSS<br>ATTRIBUTABLE TO OWNERS<br>OF THE COMPANY |       | <b>1,789</b>  | 5,572                          |
| EARNINGS PER SHARE<br>ATTRIBUTABLE TO OWNERS<br>OF THE COMPANY             |       |   |                                |
| Basic and diluted (RMB cent)   | 5     | <b>0.22</b>   | 0.70                           |

# Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months ended 31 March 2022

|  | Three months ended 31 March |             |
|--|-----------------------------|-------------|
|  | 2022                        | 2021        |
|  | (Unaudited)                 | (Unaudited) |
|  | RMB'000                     | RMB'000     |
| PROFIT FOR THE PERIOD  | <b>1,789</b>                | 5,572       |
| OTHER COMPREHENSIVE INCOME/(LOSS)  |                             |             |
| Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:            |                             |             |
| Exchange differences on translation of financial information   | <b>(129)</b>                | 22          |
| TOTAL COMPREHENSIVE PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY | <b>1,660</b>                | 5,594       |

# Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2022

|   | Attributable to owners of the Company |                          |                                      |                                 |                                    |   |                             |                  |
|---|---------------------------------------|--------------------------|--------------------------------------|---------------------------------|------------------------------------|---|-----------------------------|------------------|
|   | Issued capital<br>RMB'000             | Share premium<br>RMB'000 | Capital and other reserve<br>RMB'000 | Share option reserve<br>RMB'000 | Statutory reserve funds<br>RMB'000 | Exchange fluctuation reserve<br>RMB'000 | Retained profits<br>RMB'000 | Total<br>RMB'000 |
| At 1 January 2022   | 674                                   | 141,579                  | 2,765                                | 269                             | 15,703                             | (6,249)                                 | 105,363                     | 260,104          |
| Profit for the period                                       | -                                     | -                        | -                                    | -                               | -                                  | -                                       | 1,789                       | 1,789            |
| Other comprehensive loss for the period:                    |                                       |                          |                                      |                                 |                                    |   |                             |                  |
| Exchange difference on translation of financial information | -                                     | -                        | -                                    | -                               | -                                  | (129)                                   | -                           | (129)            |
| Total comprehensive income for the period                   | -                                     | -                        | -                                    | -                               | -                                  | (129)                                   | 1,789                       | 1,660            |
| Equity-settled share option arrangements                    | -                                     | -                        | -                                    | 80                              | -                                  | -                                       | -                           | 80               |
| At 31 March 2022<br>(Unaudited)                             | 674                                   | 141,579                  | 2,765                                | 349                             | 15,703                             | (6,378)                                 | 107,152                     | 261,844          |
| At 1 January 2021   | 674                                   | 141,579                  | 2,765                                | -                               | 14,874                             | (5,879)                                 | 98,452                      | 252,465          |
| Profit for the period                                       | -                                     | -                        | -                                    | -                               | -                                  | -                                       | 5,572                       | 5,572            |
| Other comprehensive income for the period:                  |                                       |                          |                                      |                                 |                                    |   |                             |                  |
| Exchange difference on translation of financial information | -                                     | -                        | -                                    | -                               | -                                  | 22                                      | -                           | 22               |
| Total comprehensive income for the period                   | -                                     | -                        | -                                    | -                               | -                                  | 22                                      | 5,572                       | 5,594            |
| At 31 March 2021<br>(Unaudited)                             | 674                                   | 141,579                  | 2,765                                | -                               | 14,874                             | (5,857)                                 | 104,024                     | 258,059          |

# Notes to Unaudited Condensed Consolidated Financial Information

31 March 2022

## 1. GENERAL

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

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

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

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial information of the Group has been prepared to comply with the applicable disclosure requirements of the GEM Listing Rules.

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

The unaudited condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should read in conjunction with the Group's annual financial statements for the year ended 31 December 2021.

The unaudited condensed consolidated financial information of the Group has been prepared in accordance with the same accounting policies adopted in Group's annual financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

Amendments to HKFRS 3  
Amendments to HKAS 16

*Reference to the Conceptual Framework  
Property, Plant and Equipment: Proceeds before Intended Use*

Amendments to HKAS 37  
*Annual Improvements to  
HKFRSs 2018–2020*

*Onerous Contracts – Cost of Fulfilling a Contract*  
Amendments to HKFRS 1, HKFRS 9, Illustrative Examples  
accompanying HKFRS 16, and HKAS 41

These amendments had no impact on the condensed consolidated financial information of the Group.

### 3. REVENUE, OTHER INCOME AND GAINS, NET

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

|   | Three months ended 31 March |             |
|---|-----------------------------|-------------|
|   | 2022                        | 2021        |
|   | (Unaudited)                 | (Unaudited) |
|   | RMB'000                     | RMB'000     |
| <i>Revenue from contract with customers</i> |                             |             |
| Sales of goods                              | <b>15,736</b>               | 29,433      |

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

|   | Three months ended 31 March |             |
|---|-----------------------------|-------------|
|   | 2022                        | 2021        |
|   | (Unaudited)                 | (Unaudited) |
|   | RMB'000                     | RMB'000     |
| <i>Geographical market</i>                  |                             |             |
| Mainland China                              | <b>15,340</b>               | 29,202      |
| Other jurisdictions                         | <b>396</b>                  | 231         |
| Total revenue from contracts with customers | <b>15,736</b>               | 29,433      |

|   | Three months ended 31 March |             |
|---|-----------------------------|-------------|
|   | 2022                        | 2021        |
|   | (Unaudited)                 | (Unaudited) |
|   | RMB'000                     | RMB'000     |
| <i>Other income and gains, net</i>                                  |                             |             |
| Bank interest income  | <b>126</b>                  | 221         |
| Government grants*  | <b>331</b>                  | 262         |
| Gains on disposal of items of property,<br>plant and equipment, net | <b>–</b>                    | 34          |
| Others  | <b>6</b>                    | 3           |
| Other income and gains, net   | <b>463</b>                  | 520         |

\* The Group received government grants in relation to the foreign-invested enterprises subsidy in Fujian, agricultural development fund in Ningxia and employment support subsidy in Xiamen. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. There were no unfulfilled conditions or contingencies relating to these grants.

#### 4. 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 had been made as the Group did not generate any assessable profits arising in Hong Kong during the reporting period. The provision for the PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC.

|                                 | Three months ended 31 March |             |
|---------------------------------|-----------------------------|-------------|
|                                 | 2022                        | 2021        |
|                                 | (Unaudited)                 | (Unaudited) |
|                                 | RMB'000                     | RMB'000     |
| Current – Mainland China        |                             |             |
| Charge for the period           | <b>693</b>                  | 2,430       |
| Over-provision in prior periods | <b>(130)</b>                | –           |
| Deferred tax                    | <b>111</b>                  | 166         |
| Total tax charge for the period | <b>674</b>                  | 2,596       |

#### 4. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate 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 three months ended 31 March 2022

|  | Mainland China |      | Hong Kong |      | Total   |      |
|--|----------------|------|-----------|------|---------|------|
|  | RMB'000        | %    | RMB'000   | %    | RMB'000 | %    |
| Profit/(loss) before tax   | 3,230          |      | (767)     |      | 2,463   |      |
| Tax at the weighted average applicable   | 808            | 25.0 | (127)     | 16.5 | 681     | 27.6 |
| Lower tax rate for specific provinces or enacted by local authority                    | (44)           |      | –         |      | (44)    |      |
| Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries | 2              |      | –         |      | 2       |      |
| Adjustments in respect of current tax of previous periods                              | (130)          |      | –         |      | (130)   |      |
| Income not subject to tax  | (4)            |      | –         |      | (4)     |      |
| Expenses not deductible for tax  | 42             |      | –         |      | 42      |      |
| Tax losses not recognised  | –              |      | 127       |      | 127     |      |
| Tax charge for the period  | 674            | 20.9 | –         | –    | 674     | 27.4 |

#### 4. INCOME TAX (CONTINUED)

For the three months ended 31 March 2021

|  | Mainland China |      | Hong Kong |      | Total   |      |
|--|----------------|------|-----------|------|---------|------|
|  | RMB'000        | %    | RMB'000   | %    | RMB'000 | %    |
| Profit/(loss) before tax   | 9,329          |      | (1,161)   |      | 8,168   |      |
| Tax at the weighted average applicable   | 2,332          | 25.0 | (192)     | 16.5 | 2,140   | 26.2 |
| Lower tax rate for specific provinces or enacted by local authority                    | (75)           |      | –         |      | (75)    |      |
| Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries | 54             |      | –         |      | 54      |      |
| Income not subject to tax  | (15)           |      | –         |      | (15)    |      |
| Expenses not deductible for tax  | 105            |      | –         |      | 105     |      |
| Tax losses not recognised  | 195            |      | 192       |      | 387     |      |
| Tax charge for the period  | 2,596          | 27.8 | –         | –    | 2,596   | 31.8 |

#### 5. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share for the three months ended 31 March 2022 is based on the profit for the period attributable to owners of the Company of RMB1,789,000 (2021: RMB5,572,000), and the weighted average number of ordinary shares of 800,000,000 (2021: 800,000,000) in issue during the three months ended 31 March 2022.

No adjustment has been made to the basic earnings per share presented for the three months ended 31 March 2021 as the Group had no potentially dilutive ordinary shares in issue during this period.

No adjustment has been made to the basic earnings per share presented for the three months ended 31 March 2022 in respect of a dilution as the impact of the share options had an anti-dilutive effect in the basic earnings per share amount presented.

#### 6. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2022 (31 March 2021: Nil).

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group engages in the wine production and distribution business in Ningxia and Shanxi Provinces of the People's Republic of China (the "PRC"). Due to the resurgence of COVID-19 pandemic during the three months ended 31 March 2022 ("1Q2022"), the appearance of Omicron variants and the corresponding lockdown measures, economic activities were affected again. There was a decrease in sales in 1Q2022 as compared to the results of the three months ended 31 March 2021 ("1Q2021").

## OUTLOOK

With the rapid response by the government towards the pandemic, together with the experience of restarting economic activities in the first half of last year, we believe that the pandemic will subside gradually, and we will maintain prudence and optimism in our stance towards the market this year. If the pandemic is under control, we will adopt an active marketing and sales strategy similar to last year, and restart our production and sales activities. In addition, the construction of the distillery facility for the production of whisky and gin in Fujian Province, the PRC (the "Distillery") of Fujian Dexi Wine Company Limited ("Fujian Dexi") is underway according to the plan. As disclosed in the Company's announcement dated 19 November 2021 (the "Announcement"), Fujian Dexi and the contractor had entered into construction contracts in relation to the exterior decoration works and outdoor engineering works for the Distillery, in which the exterior decoration works had been completed as at the date of this report. The production of the Distillery is expected to commence in the latter half of 2022. Please refer to the Announcement for further details. With the commencement of production at the Distillery, we will launch a new gin series and certain new products, officially expanding our liquor production business and laying the foundation for the Group to penetrate the liquor business. It is expected that the liquor business will bring synergy to the wine business of the Group, steering our alcohol business towards diversified and sustainable development.

## FINANCIAL REVIEW

### Revenue

Our revenue decreased by RMB13.7 million or 46.5% from RMB29.4 million for 1Q2021 to RMB15.7 million for 1Q2022 as a result of the decrease in total sales volume.

We sold 222,000 bottles in 1Q2022 as compared to 396,000 bottles in 1Q2021, the average selling price decreased from RMB74.4 per bottle in 1Q2021 to RMB71.0 per bottle in 1Q2022, due to the decrease in the proportion of sales from our high-ended wine portfolio, which consists of wine with higher selling prices.

### Cost of sales

Our cost of sales decreased by RMB6.2 million or 49.0% from RMB12.7 million for 1Q2021 to RMB6.5 million for 1Q2022 primarily due to the decrease in total sales volume. Our average cost of sales per bottle decreased from RMB32.0 for 1Q2021 to RMB29.2 for 1Q2022.

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

Our overall gross profit decreased by RMB7.5 million or 44.7% from RMB16.7 million for 1Q2021 to RMB9.2 million for 1Q2022, due to the decrease in total sales. Our overall gross profit margin increased from 56.8% for 1Q2021 to 58.8% for 1Q2022.

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

Other net income and gains decreased by RMB57,000 or 11.0% from RMB520,000 for 1Q2021 to RMB463,000 for 1Q2022, which mainly comprised income from government grants and bank interest income.

## **Selling and distribution expenses**

Selling and distribution expenses decreased by RMB2.0 million or 46.6% from RMB4.3 million for 1Q2021 to RMB2.3 million for 1Q2022, which was due to proportionally decrease in revenue.

## **Administrative expenses**

Administrative expenses increased slightly by RMB174,000 or 3.7% from RMB4.8 million for 1Q2021 to RMB4.9 million for 1Q2022, which was mainly due to the increase in general administrative expenses.

## **Finance costs, net**

Our finance costs was RMB12,000, which represented the unwinding of the discounted lease liabilities recognised under HKFRS 16 *Leases* (1Q2021: RMB28,000).

## **Income tax expenses**

Our income tax expenses decreased by RMB1.9 million or 74% from RMB2.6 million for 1Q2021 to RMB674,000 for 1Q2022 due to the decrease in profit before tax in our PRC subsidiaries.

## **Profit for the period**

As a result of the foregoing, a profit for the period of RMB1.8 million was recognised for 1Q2022 (1Q2021: RMB5.6 million).

## **Dividend**

The Board does not recommend the payment of any dividend for 1Q2022 (1Q2021: Nil).

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

As at 31 March 2022, the interests and short positions of the Directors and chief executive of the Company in the shares ("**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/<br>Nature of interest                      | Number of<br>ordinary<br>Share(s) held <sup>(1)</sup> | Approximate<br>shareholding<br>percentage |
|------------------------------|--|---|---|
| Ms. Judy Chan <sup>(2)</sup> | Interest in controlled<br>corporation <sup>(2)</sup> | 411,350,000 (L)                                       | 51.42%                                    |
|                              | Beneficial owner <sup>(3)</sup>                      | 8,000,000 (L)   | 1.00%                                     |

Notes:

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

**(ii) Interests in associated corporation of the Company**

| <b>Name of Director</b>      | <b>Name of associated corporation</b> | <b>Capacity/<br/>Nature of interest</b> | <b>Number of ordinary share(s) held<sup>(1)</sup></b> | <b>Approximate shareholding percentage</b> |
|------------------------------|---------------------------------------|---|---|--|
| Ms. Judy Chan <sup>(2)</sup> | Macmillan Equity                      | Beneficial owner                        | 100 (L)   | 100%                                       |

Notes:

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

Save as disclosed above, as at 31 March 2022, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under the SFO), or pursuant to section 352 of the SFO, which were required to be recorded in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, which were to be notified to the Company and the Stock Exchange.

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

So far as the Directors and the chief executive of the Company are aware, as at 31 March 2022, other than the Directors and chief executive of the Company, the following persons had or were deemed or taken to have an interest and/or short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO, or which would be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

| Name  | Capacity/<br>Nature of interest                      | Number of<br>ordinary<br>Shares held <sup>(1)</sup> | Approximate<br>shareholding<br>percentage |
|---|--|---|---|
| Macmillan Equity <sup>(2)</sup>   | Beneficial owner                                     | 411,350,000 (L)                                     | 51.42%                                    |
| Palgrave Enterprises Limited<br>("Palgrave Enterprises") <sup>(3)</sup> | Beneficial owner                                     | 173,180,000 (L)                                     | 21.65%                                    |
| Ms. Wong Shu Ying   | Beneficial owner                                     | 4,460,000 (L)                                       | 0.56%                                     |
|   | Interest in controlled<br>corporation <sup>(3)</sup> | 173,180,000 (L)                                     | 21.65%                                    |
| Mr. Chan Chun Keung <sup>(4)</sup>                                      | Interest of spouse                                   | 177,640,000 (L)                                     | 22.21%                                    |
| Mr. Ting Tan Ming   | Beneficial owner                                     | 48,030,000 (L)                                      | 6.00%                                     |

Notes:

- The letter "L" denotes the person's long position in the Shares.
- Macmillan Equity is wholly-owned by Ms. Judy Chan.
- Palgrave Enterprises is wholly-owned by Ms. Wong Shu Ying, and therefore Ms. Wong Shu Ying is deemed to be interested in 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 4,460,000 Shares held by Ms. Wong Shu Ying and 173,180,000 Shares held by Ms. Wong Shu Ying through her controlled corporation, Palgrave Enterprises, pursuant to the SFO.

Save as disclosed above, as at 31 March 2022, the Directors were not aware of any person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

## 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 10 years from the date of adoption of the Share Option Scheme to make an offer to the below eligible participants (the “**Eligible Participants**”) of the Share Option Scheme:

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

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at 27 June 2018 (the “**Listing Date**”), being 80,000,000 Shares. Subject to Shareholders’ approval in general meeting, the Board may (i) refresh this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or (ii) grant options beyond the 10% limit to Eligible Participants specially approved by the Shareholders in general meeting and the Eligible Participants are specifically identified by the Company before such approval is sought.

The total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. Any further grant of options to an Eligible Participant in excess of the 1% limit shall be subject to approval by Shareholders in general meeting with such Eligible Participant and his or her close associates (or his or her associates if such Eligible Participant is a connected person) abstaining from voting.

Each of the grantees to whom an option has been granted under the Share Option Scheme shall be entitled to exercise his/her option in the manner set out in his/her offer document, provided that such period of time shall not exceed a period of ten years commencing on the date on which the option is granted. The exercise of any option shall be subject to the approval from the Shareholders in general meeting for any necessary increase in the authorised share capital of the Company.

## 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 31 March 2022, the number of shares in respect of which options under the Share Option Scheme had been granted and remained outstanding was 10,000,000 Shares and 10,000,000 Shares respectively, representing approximately 1.25% and 1.25%, respectively, of the Shares in issue as at 31 March 2022.

Total number of Shares available for issue under the Share Option Scheme was 70,000,000 Shares, representing approximately 8.75% of the Shares in issue as at 31 March 2022.

Details of the share options movement during the three months ended 31 March 2022 under the Share Option Scheme are set out in the table below.

| Grantee                  | Date of grant of share options | Number of share options |                           |                             |                          |                             | As at 31 March 2022 | Exercise price of share options HK\$ | Validity period of share options (both dates inclusive) Vesting period |        |
|--------------------------|--------------------------------|-------------------------|---------------------------|-----------------------------|--------------------------|-----------------------------|---------------------|--------------------------------------|--|--------|
|                          |                                | As at 1 January 2022    | Granted during the period | Exercised during the period | Lapsed during the period | Cancelled during the period |                     |                                      |  |        |
| Employees (in aggregate) | 17 May 2021                    | -                       | 2,000,000                 | -                           | -                        | -                           | 2,000,000           | 0.186                                | 17/5/2021 to 16/5/2031   | Note 1 |
| Director<br>Judy Chan    | 17 May 2021                    | -                       | 8,000,000                 | -                           | -                        | -                           | 8,000,000           | 0.186                                | 17/5/2021 to 16/5/2031   | Note 1 |

Note:

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

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

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

## RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during the three months ended 31 March 2022, have the Directors and the chief executive of the Company and their respective close associates (as defined under the GEM Listing Rules) had any interest in, or had been granted, or exercised any rights to subscribe for Shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above in the section “Share Option Scheme”, at no time during the three months ended 31 March 2022 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).

## 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 three months ended 31 March 2022.

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

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

During the three months ended 31 March 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## COMPETING INTERESTS

As at 31 March 2022, none of the Directors, the controlling shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interests (other than their interest in the Company or its subsidiaries) in any business which competed or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

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

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

## DEED OF NON-COMPETITION

The Deed of Non-Competition dated 1 June 2018 (as defined in the Prospectus) was entered into by Ms. Judy Chan and Macmillan Equity in favour of the Company (for the Company and for the benefit of its subsidiaries) in regard to non-competition undertakings. The details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed "Relationship with our Controlling Shareholders – Deed of Non-competition" and the non-competition undertaking has become effective since the Shares were listed on GEM of the Stock Exchange on 27 June 2018.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company has adopted with all the applicable provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules.

Except as expressly described below, the Company complied with all applicable code provisions set out in the CG Code during the three months ended 31 March 2022.

### Chairman and Chief Executive

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

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

## AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph D.3 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The Audit Committee comprises two independent non-executive Directors and one non-executive Director, namely Mr. Lim Leung Yau Edwin, Mr. Ho Kent Ching-tak and Mr. Chow Christer Ho. Mr. Lim Leung Yau Edwin is the chairman of the Audit Committee. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information, provide advice in respect of financial reporting and oversee the risk management and internal control procedures of the Company.

The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2022 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board

### **Grace Wine Holdings Limited**

#### **Judy Chan**

*Chairlady, Chief Executive Officer and Executive Director*  
Hong Kong, 6 May 2022

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