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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 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.**

*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 (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**”) of the Company is pleased to present the results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022, together with comparative figures for the preceding financial year as follows:

## **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*Year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <b>RMB’000</b>	2021 RMB’000
REVENUE	5	<b>62,119</b>	84,693
Cost of sales		<u>(25,659)</u>	<u>(38,920)</u>
Gross profit		<b>36,460</b>	45,773
Other income and gains, net	5	<b>1,927</b>	2,214
Selling and distribution expenses		<b>(13,480)</b>	(12,535)
Administrative expenses		<b>(23,556)</b>	(23,357)
Other expenses		<b>(53)</b>	(113)
Finance costs		<u>(411)</u>	<u>(87)</u>
PROFIT BEFORE TAX	6	<b>887</b>	11,895
Income tax expense	7	<u>(1,485)</u>	<u>(4,155)</u>
PROFIT/(LOSS) FOR THE YEAR		<u><b>(598)</b></u>	<u>7,740</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE PARENT			
Basic and diluted ( <i>RMB cent</i> )	9	<u><b>(0.07)</b></u>	<u>0.97</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
PROFIT/(LOSS) FOR THE YEAR	<u><b>(598)</b></u>	<u>7,740</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(7,641)</u>	<u>2,708</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	<u>7,928</u>	<u>(3,078)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u><b>287</b></u>	<u>(370)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u><b>(311)</b></u>	<u>7,370</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

		2022	2021
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>135,987</b>	127,318
Right-of-use assets		<b>23,395</b>	19,546
Goodwill		<b>4,087</b>	4,087
Prepayments for acquisition of plant and equipment		<b>1,655</b>	3,766
Deferred tax assets		<b>5,242</b>	3,704
		<hr/>	<hr/>
Total non-current assets		<b>170,366</b>	158,421
<b>CURRENT ASSETS</b>			
Inventories		<b>71,132</b>	67,222
Biological assets		–	–
Trade receivables	10	<b>1,592</b>	1,539
Prepayments and other receivables		<b>14,378</b>	14,466
Cash and cash equivalents		<b>73,367</b>	67,678
		<hr/>	<hr/>
Total current assets		<b>160,469</b>	150,905
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>174</b>	6,681
Other payables and accruals		<b>41,096</b>	34,779
Interest-bearing bank borrowings		<b>8,000</b>	–
Lease liabilities		<b>259</b>	738
Tax payable		<b>2,250</b>	4,069
		<hr/>	<hr/>
Total current liabilities		<b>51,779</b>	46,267
		<hr/>	<hr/>
NET CURRENT ASSETS		<b>108,690</b>	104,638
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>279,056</b>	263,059
		<hr/>	<hr/>

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank borrowing	<b>17,320</b>	–
Lease liabilities	<b>2,349</b>	229
Deferred tax liabilities	<b>3,116</b>	2,726
	<hr/>	<hr/>
Total non-current liabilities	<b>22,785</b>	2,955
	<hr/>	<hr/>
Net assets	<b>256,271</b>	260,104
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
Share capital	<b>675</b>	674
Reserves	<b>255,596</b>	259,430
	<hr/>	<hr/>
Total equity	<b>256,271</b>	260,104
	<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	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 2021	674	141,579	2,765	-	14,874	(5,879)	98,452	252,465
Profit for the year	-	-	-	-	-	-	7,740	7,740
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations	-	-	-	-	-	2,708	-	2,708
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	(3,078)	-	(3,078)
Total comprehensive income for the year	-	-	-	-	-	(370)	7,740	7,370
Equity-settled share option arrangements	-	-	-	269	-	-	-	269
Transfer from retained profits	-	-	-	-	829	-	(829)	-
At 31 December 2021 and 1 January 2022	<b>674</b>	<b>141,579*</b>	<b>2,765*</b>	<b>269*</b>	<b>15,703*</b>	<b>(6,249)*</b>	<b>105,363*</b>	<b>260,104</b>
Loss for the year	-	-	-	-	-	-	(598)	(598)
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	-	-	-	-	-	(7,641)	-	(7,641)
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	7,928	-	7,928
Total comprehensive loss for the year	-	-	-	-	-	287	(598)	(311)
Issue of shares upon exercise of share options	1	141	-	(45)	-	-	-	97
Equity-settled share option arrangements	-	-	-	381	-	-	-	381
Transfer from retained profits	-	-	-	-	1,096	-	(1,096)	-
Special final 2021 dividend	-	(4,000)	-	-	-	-	-	(4,000)
At 31 December 2022	<b>675</b>	<b>137,720*</b>	<b>2,765*</b>	<b>605*</b>	<b>16,799*</b>	<b>(5,962)*</b>	<b>103,669*</b>	<b>256,271</b>

\* These reserve accounts comprise the consolidated reserves of RMB255,596,000 (2021: RMB259,430,000) in the consolidated statement of financial position.

## 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 and other alcoholic products.

## 2. BASIS OF PRESENTATION

The 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**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for biological assets, which have been measured at fair value. The financial statements are presented in Renminbi 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “**Conceptual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment 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 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 and other unallocated corporate assets as these assets are managed on a group basis.

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

	Production of wines		Production of spirits		Total	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<b>Segment revenue:</b>						
Sales to external customers	62,119	84,693	-	-	62,119	84,693
Other revenue	1,115	1,331	201	-	1,316	1,331
	<u>63,234</u>	<u>86,024</u>	<u>201</u>	<u>-</u>	<u>63,435</u>	<u>86,024</u>
<b>Segment results</b>	<u>6,714</u>	<u>18,699</u>	<u>(1,352)</u>	<u>(2,085)</u>	<u>5,362</u>	<u>16,614</u>
<b>Reconciliation:</b>						
Other unallocated income					55	10
Interest income					556	873
Corporate and other unallocated expenses					(4,721)	(5,602)
Finance costs (other than interest on lease liabilities)					(365)	-
<b>Profit before tax</b>					<u>887</u>	<u>11,895</u>
<b>Segment assets</b>	<b>160,645</b>	159,867	<b>90,300</b>	77,443	<b>250,945</b>	237,310
<b>Reconciliation:</b>						
Corporate and other unallocated assets					79,890	72,016
<b>Total assets</b>					<u>330,835</u>	<u>309,326</u>
<b>Segment liabilities</b>	<b>(36,104)</b>	(18,528)	<b>(7,179)</b>	(23,251)	<b>(43,283)</b>	(41,779)
<b>Reconciliation:</b>						
Corporate and other unallocated liabilities					(31,281)	(7,443)
<b>Total liabilities</b>					<u>(74,564)</u>	<u>(49,222)</u>

	Production of wines		Production of spirits		Total	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Other segment information</b>						
Depreciation of property, plant and equipment	(9,426)	(9,506)	(102)	(85)	(9,528)	(9,591)
Depreciation of right-of-use assets	(1,084)	(1,256)	(155)	(179)	(1,239)	(1,435)
Corporate and other unallocated depreciation	-	-	-	-	(245)	(349)
Gains arising from changes in fair value of agricultural produce at the point of harvest	1,630	475	-	-	1,630	475
Write-off inventories	(6)	(4)	-	-	(6)	(4)
Other non-cash expenses	11	141	-	-	11	141
Capital expenditures <sup>#</sup>	<u>3,308</u>	<u>2,650</u>	<u>15,164</u>	<u>50,104</u>	<u>18,472</u>	<u>52,754</u>

<sup>#</sup> Capital expenditure consists of additions to property, plant and equipment including assets from the acquisition of subsidiaries.

### Geographical information

	2022	2021
	RMB'000	RMB'000
<i>Revenue from external customers</i>		
Mainland China	61,669	84,171
Other jurisdictions	<u>450</u>	<u>522</u>
	<u>62,119</u>	<u>84,693</u>

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:

	2022	2021
	RMB'000	RMB'000
Customer 1	15,154	20,361
Customer 2	<u>13,263</u>	<u>16,992</u>

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

An analysis of revenue is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Revenue from contracts with customers</b>		
Sales of goods	<u>62,119</u>	<u>84,693</u>

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Sales of goods	<u>3,654</u>	<u>3,189</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Other income</b>		
Bank interest income	556	873
Government grants	493	608
COVID-19-related rent concessions from lessors	87	–
Others	<u>200</u>	<u>57</u>
	<u>1,336</u>	<u>1,538</u>
<b>Gains</b>		
Gain on disposal of items of plant and equipment, net	94	283
Gain on disposal of a property	–	252
Gain on modification/termination of lease contracts	11	141
Gain on bargain purchase of subsidiaries	<u>486</u>	<u>–</u>
	<u>591</u>	<u>676</u>
	<u>1,927</u>	<u>2,214</u>

## 6. PROFIT BEFORE TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of inventories sold	10,359	22,543
Employee benefit expense (including directors' remuneration):		
Wages and salaries	12,859	13,528
Pension scheme contributions (defined contribution schemes)	2,392	2,533
Equity-settled share option expense	381	269
	<u>15,632</u>	<u>16,330</u>
Depreciation of property, plant and equipment	9,803	9,848
Less: amount capitalised into inventories	(275)	(257)
	<u>9,528</u>	<u>9,591</u>
Depreciation of right-of-use assets	1,817	2,104
Less: amount capitalised into biological assets	(333)	(320)
	<u>1,484</u>	<u>1,784</u>
Lease payments not included in the measurement of lease liabilities	405	250
Auditor's remuneration	1,649	1,285
Write-off of inventories	6	4
Gain arising from changes in fair value of agricultural produce at the point of harvest	(1,630)	(475)
Foreign exchange differences, net	93	41
Gain on bargain purchase of subsidiaries	(486)	–
	<u><u>          </u></u>	<u><u>          </u></u>

## 7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong during the year (2021: Nil).

Under the Law of the PRC on Enterprises Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for the PRC subsidiaries is 25% (2021: 25%).

According to relevant EIT Law and Implementation Regulation of the EIT Law, a wholly-owned subsidiary in agricultural operation in the PRC was exempted from Enterprise Income Tax (“EIT”) on profits derived from fruit cultivation for the years ended 31 December 2022 and 2021, subject to annual review by the local PRC tax authority and any future changes in the relevant tax exemption policies or regulations.

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Current – Mainland China		
Charge for the year	<b>2,633</b>	6,303
Deferred	<b>(1,148)</b>	(2,148)
	<u>          </u>	<u>          </u>
Total tax charge for the year	<b><u>1,485</u></b>	<b><u>4,155</u></b>

#### 8. DIVIDEND

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Proposed special final – Nil (2021: HK0.62 cent per ordinary share)	<u>          </u> –	<u>          </u> 4,000

The board of directors does not recommend the payment of any dividend in respect of the year ended 31 December 2022.

#### 9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share is based on the loss for the year attributable to ordinary equity holders of the parent of RMB598,000 (2021: profit of RMB7,740,000), and the weighted average number of ordinary shares of 800,374,795 (2021: 800,000,000) in issue during the year.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2022 and the basic earnings per share amount presented for the year ended 31 December 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

#### 10. TRADE RECEIVABLES

	<b>2022</b>	2021
<i>Note</i>	<b>RMB'000</b>	RMB'000
Trade receivables from third parties	<b>931</b>	1,548
Due from a related party	<b>668</b>	–
Impairment	<b>(7)</b>	(9)
	<u>          </u>	<u>          </u>
Trade receivables	<b><u>1,592</u></b>	<b><u>1,539</u></b>

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 apply 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:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 60 days	<b>1,449</b>	1,379
61 to 90 days	<b>143</b>	13
91 to 180 days	–	62
181 to 365 days	–	85
	<u><b>1,592</b></u>	<u>1,539</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:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 30 days	<b>157</b>	518
31 to 90 days	<b>17</b>	6,163
	<u><b>174</b></u>	<u>6,681</u>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

According to data released by the National Bureau of Statistics of China, China's gross domestic product reached RMB121 trillion<sup>1</sup> in 2022, representing an increase of 3.0% at constant prices as compared with the same period in the previous year. At the end of 2022, the National Development and Reform Commission proposed a mid-to-long-term plan for expanding domestic demand, committed to expand the domestic market, boost consumption, expand employment, and increase income, with an aim to restore normal production order and develop offline consumption environments, thereby promoting consumption recovery<sup>2</sup>. Driven by a series of policies which aim to stabilise employment and protect livelihood, the income of people increased while the economy recovered throughout the nation. In 2022, the per capita disposable income was RMB36,883<sup>3</sup>, representing a year-on-year increase of 5.0%. Looking ahead, as the central government continues to implement a series of policies to boost economic growth and employment levels as well as to maintain price stability, domestic economic activities are expected to recover in an orderly manner. In addition, sustained investment in infrastructure construction may also further consolidate the foundation of economic recovery and foster the overall betterment of the economy.

In 2022, economic activities had been affected by the resurgence of COVID-19 pandemic in China and thus the development of food and beverage industry was hindered, resulting in a low level of wine production and demand. Data from the China Merchant Industry Research Institute (中商產業研究院) shows that the national wine output was 214,000 kiloliters<sup>4</sup> in 2022, representing a year-on-year decrease of 21.9%. However, under the economic recovery driven by the new stage of pandemic prevention and control, domestic alcohol demand is gradually recovering. Looking towards the long-term, there is still potential for growth in the wine industry. China was the seventh largest wine-consuming nation globally and the largest wine-consuming nation in Asia in 2021<sup>5</sup>. Currently, the per capita consumption of wine in China is still significantly lower than the world average consumption. As the wine produced in China has been improving gradually and won many international awards, domestic consumers are able to know more deeply about domestic wine and consume wine in multifarious occasions in life, rather than using wine only in wedding banquets and business entertainment, thereby promoting the popularity of domestic wine. Therefore, in the long run, there is still considerable growth potential in wine consumption in China.

<sup>1</sup> [http://www.stats.gov.cn/tjsj/zxfb/202301/t20230117\\_1892179.html](http://www.stats.gov.cn/tjsj/zxfb/202301/t20230117_1892179.html)

<sup>2</sup> [http://www.stats.gov.cn/tjsj/sjjd/202301/t20230117\\_1892139.html](http://www.stats.gov.cn/tjsj/sjjd/202301/t20230117_1892139.html)

<sup>3</sup> [http://www.stats.gov.cn/tjsj/sjjd/202301/t20230118\\_1892198.html](http://www.stats.gov.cn/tjsj/sjjd/202301/t20230118_1892198.html)

<sup>4</sup> <https://s.askci.com/data/industry/a02090b/>

<sup>5</sup> <https://winetech.b-cdn.net/wp-content/uploads/2022/05/eng-state-of-the-world-vine-and-wine-sector-april-2022-v6.pdf>

Thanks to the gradual implementation of the “14th Five-Year Plan” in China, the balanced development among regions and the new-type urbanisation will be promoted, allowing corporates in neighbouring regions with similar products to achieve a strategy of competition and cooperation and find mutual interests in competition and cooperation. It is beneficial to the difference between wine products and increases core competitiveness. In 2021, the China Alcoholic Drinks Association (“CADA”) (中國酒業協會) issued the “14th Five-Year Development Guide for the Chinese Alcohol Beverage Industry” (《中國酒業「十四五」發展指導意見》), which clearly put forward 13 main goals, outlined the strategic targets and major tasks of the wine industry in the next five years, and proposed specific safeguard measures and policy recommendations, which would promote the development of wine industry in China. Additionally, a few years ago, CADA began the implementation of two group standards, “Wine Grapes” and “Oak Barrels”, together with the “Standard Wine-Producing Regions” which was released earlier. These would also help unify and regulate the standards in China for wine-making techniques and evaluation, and promote a healthy development of the wine industry in China. In early 2022, nine departments including the Ministry of Science and Technology formulated the “14th Five-Year Plan” East-West Science and Technology Cooperation Implementation Plan (《「十四五」東西部科技合作實施方案》), implemented “Science and Technology Support Ningxia”<sup>6</sup>, and built a pilot zone for East-West science and technology cooperation in order to promote the technological development of various characteristic industries, which includes the development of wine-related technologies. It is expected that the plan will help improve the quality of domestic wine in the long run and bring positive impetus to the long-term development of the domestic wine industry in China. As one of the major wine producers in China, the Group will also fully collaborate with the nation’s requirements for the advancement of the wine industry, to achieve greater growth and strength.

In terms of the Group’s financial position, due to the impact of the local pandemic prevention and control measures in China during the year of 2022, revenue for the year in 2022 decreased as compared with the same in the previous year. However, as the pandemic gradually subsides and the prevention and control measures are relaxed, the economy will recover rapidly in the foreseeable future. The Group’s business gradually stabilised in the second half of the year, and its revenue and gross profit margin also rebounded.

We remain cautiously optimistic about the market in the coming year, and we will adopt proactive sales and marketing strategies, restart our production and sales activities, and closely monitor market developments to further restore the momentum of revenue growth. In the mid-to-long term, the management plans to continue expanding our market coverage by increasing the number of distribution channels to achieve online and offline integration. Meanwhile, we will allocate resources to strengthen brand promotion and endeavor to increase the market’s awareness of the “Grace Vineyard” brand. We strive to improve the price-performance ratio of our products and establish a clear market position in order to promote greater familiarity with our products among consumers.

<sup>6</sup> [https://www.most.gov.cn/xxgk/xinxifenlei/fdzdgnr/fgzc/gfxwj/gfxwj2022/202203/t20220304\\_179644.html](https://www.most.gov.cn/xxgk/xinxifenlei/fdzdgnr/fgzc/gfxwj/gfxwj2022/202203/t20220304_179644.html)

The Group completed an acquisition of 100% equity interest in Maxco Asia Limited (“**Maxco Asia**”) on 12 August 2019. Maxco Asia owns Fujian Dexi Wine Company Limited\* (福建德熙酒業有限公司) (“**Fujian Dexi**”), which was established in China and mainly produces whisky and gin in Fujian Province, China. As disclosed in the announcement dated 10 January 2022, for the exterior decoration works and the outdoor engineering works in respect of the Distillery, Fujian Dexi had entered into a contract with the contractor and, currently, the construction of the gin and whisky distillery (the “**Distillery**”) has entered the stage of final adjustment. It is expected the commencement of operation of the Distillery will take place in the middle of 2023. With the commencement of production at the Distillery, we will launch a new gin series and certain new products proactively and orderly, thereby 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 a diversified and sustainable development.

Looking forward to 2023, the implementation of pandemic prevention and control measures has entered a new stage. Life will return to normal. The Group expects to benefit from the recovery of the overall domestic economy, which will enable a growth in sales volume and performance. The Group will continue to focus on ensuring the product quality and consumer satisfaction of its products, creating a favourable brand reputation for the Group’s wine products among consumers. Looking forward to the future, the Group will continue to produce unique and high-quality wine products and expand our product portfolio for the liquor business while giving full play to its competitive advantages and excelling in the industry through active establishment of sales channels. The Group will continue to expand and diversify, together with the expansion and its businesses in order to spread risk and create value for the Group, as well as bring sustainable return for its shareholders.

## FINANCIAL REVIEW

### Revenue

Our revenue decreased by RMB22.6 million or 26.7% from RMB84.7 million for the financial year ended 31 December 2021 (“**FY2021**”) to RMB62.1 million for the financial year ended 31 December 2022 (“**FY2022**”) as a result of the decrease in total sales volume.

We sold 827,000 bottles in FY2022 as compared to 1,092,000 bottles in FY2021, the average selling price decreased from RMB77.5 per bottle in FY2021 to RMB75.1 per bottle in FY2022. The table below sets out the analysis of revenue and sales volume by our product mix:

	FY2022		FY2021	
	Revenue	Sales volume	Revenue	Sales volume
High-end	58.3%	22.7%	65.5%	28.4%
Entry-level	41.7%	77.3%	34.5%	71.6%

\* For identification purpose only

## **Cost of sales**

Our cost of sales decreased by RMB13.3 million or 34.1% from RMB38.9 million for FY2021 to RMB25.6 million for FY2022 primarily due to the decrease in total sales volume. Our average cost of sales per bottle decreased from RMB35.6 for FY2021 to RMB31.0 for FY2022.

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

Our overall gross profit decreased by RMB9.3 million or 20.3% from RMB45.8 million for FY2021 to RMB36.5 million for FY2022, primarily due to the decrease in total sales. Our overall gross profit margin increased from 54.0% for FY2021 to 58.7% for FY2022.

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

Other net income and gains, net slightly decreased by RMB0.3 million or 13.0% from RMB2.2 million to RMB1.9 million. Other income and gains, net mainly comprised income from government grants, bank interest income and gain on bargain purchase of subsidiaries.

## **Selling and distribution expenses**

Selling and distribution expenses slightly increased by RMB1.0 million or 7.5% from RMB12.5 million for FY2021 to RMB13.5 million for FY2022, which mainly comprised expenses for marketing and promotion events.

## **Administrative expenses**

Administrative expenses slightly increased by RMB0.2 million or 0.9% from RMB23.4 million for FY2021 to RMB23.6 million for FY2022, which mainly comprised general administrative expenses.

## **Finance costs**

Our finance costs was RMB0.4 million, which represented the interest on bank loans of RMB0.4 million (FY2021: Nil) and unwinding of the discounted lease liabilities recognised under HKFRS 16 *Leases* of RMB46,000 (FY2021: RMB87,000).

## **Income tax expense**

Our income tax expense decreased by RMB2.7 million or 64.3% from RMB4.2 million for FY2021 to RMB1.5 million for FY2022 due to the decrease in profit before tax in our PRC subsidiaries.

## **Loss for the year**

As a result of the foregoing, a loss for the year of RMB0.6 million was recognised for FY2022 (FY2021: profit of RMB7.7 million).

## **Liquidity, financial and capital resources**

Our principal liquidity and capital requirements primarily relate to acquisition of raw materials for wine production as well as other costs and expenses related to our business operation, as well as capital investment in new projects. As at 31 December 2022, the carrying amount of the Group's cash and cash equivalents was RMB73.4 million, representing an increase of 8.4% as compared with that of RMB67.7 million as at 31 December 2021.

As at 31 December 2022, the Group's cash and cash equivalents include RMB72.6 million, HK\$0.5 million, and some insignificant amounts of USD and EUR (31 December 2021: RMB60.2 million, USD1.15 million, and some insignificant amounts of HK\$ and EUR) .

## **Gearing ratio**

The Group's gearing ratio is measured by total external borrowings divided by total equity. Our gearing ratio is 9.9% as at 31 December 2022 (31 December 2021: Nil).

## **Treasury policies**

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

## **Foreign exchange risk**

The business of the Group is primarily 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 31 December 2022, the Group had no contingent liabilities (31 December 2021: nil).

## **Pledge of assets**

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

## **Employee and remuneration policies**

As at 31 December 2022, the Group had, including Directors, 176 employees (31 December 2021: 147 employees). Staff costs, including Directors' emoluments, amounted to RMB15.6 million for FY2022 (FY2021: RMB16.3 million). The remuneration policies for our Directors and employees are based on their experience, level of responsibility and general market conditions, and are reviewed and adjusted on an annual basis.

The Company has adopted a share option scheme on 1 June 2019 for the purpose of providing incentives and rewards to eligible members of the scheme.

## **Events after the reporting period**

There were no significant events after the reporting period up to the date of this announcement.

## **Significant investments, material acquisition and disposals**

Save as disclosed in this announcement, the Group did not have any significant investments, material acquisitions or disposal of assets, subsidiaries, associates or joint ventures during FY2022.

## **Final dividend**

The Board does not recommend the payment of any dividend for FY2022 (FY2021: Special final dividend of HK0.62 cent per ordinary share).

## **Future plans for material investments and capital assets**

Save as disclosed in the prospectus of the Company dated 12 June 2018 (the "**Prospectus**") and 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 FY2022, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by 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, having made specific enquiry of all Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout FY2022.

## **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 throughout FY2022.

### **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 annual results of the Group for FY2022 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 FY2022 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, 16 March 2023

*As at the date of this announcement, 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.*

*This announcement will remain on the "Latest Listed Company Information" page of the Stock Exchange's website at [www.hkex.com.hk](http://www.hkex.com.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](http://www.gracewine.com.hk).*