

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 RESULTS
FOR THE THREE MONTHS ENDED 31 MARCH 2020**

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.

UNAUDITED FIRST QUARTERLY RESULTS

The board (the “**Board**”) of Directors of Grace Wine presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2020, together with the comparative unaudited figures of the corresponding period in 2019. 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 2020

		Three months ended	
		31 March	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
REVENUE	3	6,861	12,700
Cost of sales		<u>(3,794)</u>	<u>(8,456)</u>
Gross profit		3,067	4,244
Other income and gains, net	3	436	726
Selling and distribution expenses		(1,306)	(1,358)
Administrative expenses		(4,421)	(6,639)
Other expenses and losses		(28)	(26)
Finance costs		<u>(35)</u>	<u>(23)</u>
LOSS BEFORE TAX		(2,287)	(3,076)
Income tax expense	4	<u>(155)</u>	<u>(116)</u>
LOSS FOR THE PERIOD AND LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(2,442)</u>	<u>(3,192)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted (RMB cents)	5	<u>(0.31)</u>	<u>(0.40)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2020

	Three months ended	
	31 March	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
LOSS FOR THE PERIOD	<u>(2,442)</u>	<u>(3,192)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial information	<u>529</u>	<u>(969)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(1,913)</u>	<u>(4,161)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	Attributable to owners of the Company						
	Issued capital RMB'000	Share premium RMB'000	Capital and other reserve RMB'000	Statutory reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2020	674	141,579	2,765	14,197	(4,831)	99,691	254,075
Loss for the period	-	-	-	-	-	(2,442)	(2,442)
Other comprehensive income for the period:							
Exchange difference on translation of financial information	-	-	-	-	529	-	529
Total comprehensive income/ (loss) for the period	-	-	-	-	529	(2,442)	(1,913)
At 31 March 2020 (Unaudited)	674	141,579	2,765	14,197	(4,302)	97,249	252,162
At 1 January 2019	674	141,579	93	13,746	(5,562)	100,112	250,642
Loss for the period	-	-	-	-	-	(3,192)	(3,192)
Other comprehensive loss for the period:							
Exchange difference on translation of financial information	-	-	-	-	(969)	-	(969)
Total comprehensive loss for the period	-	-	-	-	(969)	(3,192)	(4,161)
Transfer from retained profits	-	-	-	2	-	(2)	-
Capital contributions from shareholders	-	-	2,599	-	-	-	2,599
At 31 March 2019 (Unaudited)	674	141,579	2,692	13,748	(6,531)	96,918	249,080

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2020

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 had its listing (the “**Listing**”) on GEM of The Stock Exchange on 27 June 2018.

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 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 2019.

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 2019, except for the adoption of the following new and 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	<i>Definition of a Business</i>
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of material</i>

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	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Revenue from contract with customers		
Sales of goods	<u>6,861</u>	<u>12,700</u>

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

	Three months ended 31 March	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Geographical market		
Mainland China	6,792	12,646
Hong Kong	<u>69</u>	<u>54</u>
Total revenue from contracts with customers	<u>6,861</u>	<u>12,700</u>

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Other income and gains		
Bank interest income	119	229
Foreign exchange gains	–	21
Government grants*	313	460
Gains on disposal of items of property, plant and equipment, net	–	15
Others	<u>4</u>	<u>1</u>
Other income and gains, net	<u>436</u>	<u>726</u>

* The Group received government grants in relation to the industry development fund in Shanghai, value-added tax relief in Taiyuan and employment support subsidiaries in Ningxia and 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	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Group:		
Current – Mainland China		
Charge for the period	174	125
Deferred tax	(19)	(9)
	<hr/>	<hr/>
Total tax charge for the period	155	116
	<hr/>	<hr/>

5. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share for the three months ended 31 March 2020 is based on the loss for the period attributable to owners of the Company of RMB2,442,000 (31 March 2019: RMB3,192,000), and the weighted average number of ordinary shares of 800,000,000 (31 March 2019: 800,000,000) in issue during the three months ended 31 March 2020.

The calculation of the basic loss per share amounts for the three months ended 31 March 2020 and 2019 are based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 800,000,000 in issue during the periods.

No adjustment has been made to the basic earnings per share presented for the three months ended 31 March 2020 and 2019 as the Group had no potentially dilutive ordinary shares in issue during these periods.

6. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2020 (31 March 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in wine production business in Ningxia and Shanxi province and wine distribution business. During the three months ended 31 March 2020 (“1Q2020”), the Group has recorded a significant decrease in revenue as compared to the three months ended 31 March 2019 (“1Q2019”), due to the drop in sales as a result of the epidemic of the Coronavirus Disease 2019 (“COVID-19”). Our gross profit margin, however, has increased as the inventory costs have further decreased during 1Q2020. The Group has recorded a net loss for 1Q2020.

OUTLOOK

During 1Q2020, the outbreak of COVID-19 has severely impacted the global economy. There is huge uncertainty on the prospect of the business environment across different industries. Wine beverage consumption is directly affected by the economy as well as social activities. Although we see a gradual improvement in the situation, we will maintain a prudent and defensive strategy in our business. We will closely monitor the market development, and are optimistic that our sales will resume to a normal level when the situation improves.

FINANCIAL REVIEW

Revenue

Our revenue decreased by RMB5.8 million or 46.0% from RMB12.7 million for 1Q2019 to RMB6.9 million for 1Q2020, primarily due to the significant drop in sales since February 2020 when the outbreak of COVID-19 occurred. We sold 167,000 bottles in 1Q2020 as compared to 246,000 bottles in 1Q2019. The average selling price increased from RMB64.5 in 1Q2019 to RMB69.1 in 1Q2020, due to the increase in the proportion of sales of our high-end wine portfolio, which have higher selling prices.

Cost of sales

Our cost of sales decreased by RMB4.7 million or 55.1% from RMB8.5 million for 1Q2019 to RMB3.8 million for 1Q2020, primarily due to (i) the decrease in sales volume and (ii) the decrease in unit costs of production of the inventory sold during 1Q2020. The unit costs of production of the wine sold during 1Q2020 were lower as the production volume was higher in their respective years of production, and hence a lower absorption of the fixed overhead costs per unit. Based on the analysis on the inventory costs, we expect the unit cost of sales will further decrease in the near future should there be no significant changes to the product mix of sales.

Gross profit and gross profit margin

Our overall gross profit decreased by RMB1.2 million or 27.7% from RMB4.2 million for 1Q2019 to RMB3.1 million for 1Q2020, primarily due to the decrease in sales as aforementioned. Our overall gross profit margin increased from 33.4% for 1Q2019 to 44.7% for 1Q2020, mainly due to the decrease in the unit costs of wine sold as aforementioned. Based on the analysis on the inventory costs, we expect the gross profit margin will further increase in the near future should there be no significant changes to the product mix of sales.

Other income and gains, net

Other net income and gains decreased by RMB0.3 million or 39.9% from RMB0.7 million for 1Q2019 to RMB0.4 million for 1Q2020, primarily due to the (i) decrease in tax refund in a subsidiary of the Group and (ii) the decrease in interest income from the securities held by the Company.

Selling and distribution expenses

Selling and distribution expenses remained stable at RMB1.3 million for 1Q2020 as compared to RMB1.4 million for 1Q2019, which comprises mainly promotion and marketing expenses.

Administrative expenses

Administrative expenses decreased by RMB2.2 million or 33.8% from RMB6.6 million for 1Q2019 to RMB4.4 million for 1Q2020, primarily due to the absence of the share-based payments made as remuneration to certain management personnel amounting to RMB2.6 million in 1Q2019.

Finance costs

Finance costs amounting to RMB35,000 comprise mainly the unwinding of discount on the long-term lease liabilities recognised for our leased office apartments (1Q2019: RMB23,000). During 1Q2020, there was no bank borrowing or any other loan drawn down by the Group (1Q2019: Nil).

Income tax expense

Income tax expense increased by RMB39,000 or 33.6% from RMB116,000 for 1Q2019 to RMB155,000 for 1Q2020, which were mainly incurred by the PRC subsidiaries of the Group.

Loss for the period

As a result of the foregoing, our loss for the period decreased by RMB0.8 million or 23.5% from RMB3.2 million for 1Q2019 to RMB2.4 million for 1Q2020.

Other comprehensive income/ (loss) for the period

Our other comprehensive income for the period was RMB0.5 million for 1Q2020 as compared to other comprehensive loss of RMB1.0 million for 1Q2019. The amount represents the exchange difference on the translation of the assets and liabilities of the companies of the Group with a presentation currency other than RMB, i.e. Hong Kong Dollar (“**HKD**”). Since HKD has appreciated against RMB during 1Q2020, we recorded other comprehensive income from such translation of the net assets of the companies.

Dividends

The Board does not recommend the payment of any dividend for 1Q2020 (1Q2019: Nil).

OTHER INFORMATION

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

As at 31 March 2020, the interests and short positions of the Directors and chief executive of the Company in the shares (the “**Shares**”) and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Interests in the Company

Name of Director	Capacity/Nature of interest	Number of ordinary Shares held ⁽¹⁾	Approximate shareholding percentage
Ms. Judy Chan ⁽²⁾	Interest in controlled corporation	404,820,000 (L)	50.60%
Mr. Fan Chi Chiu	Beneficial owner	600,000 (L)	0.075%

Notes:

1. The letter “L” denotes the person’s long position in the Shares.
2. Macmillan Equity is wholly-owned by Ms. Judy Chan, and therefore Ms. Judy Chan is deemed to be interested in the 404,820,000 Shares held by Macmillan Equity pursuant to the SFO.

(ii) Interests in associated corporation of the Company

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

Notes:

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

Save as disclosed above, as at 31 March 2020, 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 2020, other than the Directors and chief executive of the Company, the following persons had or were deemed or taken to have an interest and/or short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO, or which would be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Name	Capacity/ Nature of interest	Number of ordinary Shares held⁽¹⁾	Approximate shareholding percentage
Macmillan Equity ⁽²⁾	Beneficial owner	404,820,000 (L)	50.60%
Palgrave Enterprises Limited ("Palgrave Enterprises") ⁽³⁾	Beneficial owner	173,180,000 (L)	21.65%
Ms. Wong Shu Ying	Beneficial owner	680,000 (L)	0.085%
	Interest in controlled corporation ⁽³⁾	173,180,000 (L)	21.65%
Mr. Chan Chun Keung ⁽⁴⁾	Interest of spouse	173,860,000 (L)	21.73%
Mr. Ting Tan Ming	Beneficial owner	40,290,000 (L)	5.04%

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. Macmillan Equity is wholly-owned by Ms. Judy Chan.
3. Palgrave Enterprises is wholly-owned by Ms. Wong Shu Ying, and therefore Ms. Wong Shu Ying is deemed to be interested in the 173,180,000 Shares held by Palgrave Enterprises pursuant to the SFO.
4. Mr. Chan Chun Keung, the spouse of Ms. Wong Shu Ying, is deemed to be interested in the 680,000 Shares held by Ms. Wong Shu Ying and the 173,180,000 Shares held by Ms. Wong Shu Ying through her controlled corporation, Palgrave Enterprises, pursuant to the SFO.

Save as disclosed above, as at 31 March 2020, the Directors were not aware of any person or corporation (other than the Directors and the chief executives of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) was adopted by the Company on 1 June 2018. Details of the Share Option Scheme are set out in Appendix V to the prospectus of the Company dated 12 June 2018 (the “**Prospectus**”). No share option has been granted pursuant to the Share Option Scheme since its adoption.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during 1Q2020, 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 1Q2020 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 1Q2020.

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 1Q2020, 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 2020, 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.

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.

COMPLIANCE ADVISER'S INTERESTS

As at 31 March 2020, save and except for the compliance adviser's agreement entered into between the Company and Southwest Securities (HK) Capital Limited (the "**Compliance Adviser**") dated 20 September 2017, neither the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to rule 6A.32 of the GEM Listing Rules.

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 1Q2020.

Chairman and Chief Executive

Under code provision A.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 A.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.

Composition of Nomination Committee of the Company

Under code provision A.5.1 of the CG Code, the nomination committee of an issuer should comprise a majority of independent non-executive Directors. For the period from 1 January 2020 to 19 March 2020, the nomination committee of the Company (the “**Nomination Committee**”) comprised Ms. Judy Chan (chairlady), an executive Director, Mr. Chow Christer Ho, a non-executive Director and Mr. Ho Kent Ching-tak, an independent non-executive Director. As a result, the Nomination Committee did not comprise a majority of independent non-executive Directors.

The Company has re-complied with code provision A.5.1 of the CG Code following the appointment of Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy as members of the Nomination Committee effective on 20 March 2020.

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 C.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 1Q2020 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, 7 May 2020

As at the date of this announcement, the Board comprises Ms. Judy Chan and Mr. Fan Chi Chiu as executive Directors, Ms. Hou Tan Tan Danielle and Mr. Chow Christer Ho as non-executive Directors and Mr. Ho Kent Ching-tak, Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy as independent non-executive Directors.

This announcement will remain on the “Latest Listed Company Information” page on the GEM website at <https://www.hkgem.com> for at least 7 days from the day of its posting. This announcement will also be published on the Company’s website at <http://www.gracewine.com.hk>.