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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 (the “Company”, and announcement 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 (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.

CHAIRLADY'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Grace Wine Holdings Limited ("**Grace Wine**" or the "**Company**", and together with its subsidiaries, the "**Group**"), I am pleased to present the Company's interim results announcement for the six months ended 30 June 2018.

For the six months ended 30 June 2018, our revenue reached RMB35.3 million, representing an increase of 8.8% from RMB32.4 million for the same period in 2017. Our gross profit margin, however, was affected by the higher unit production costs of the inventory sold this year. Such increase in unit production costs was due to the reduction in production volume during 2013 and 2016 and thus the higher absorption of the fixed overhead costs per unit, as an aftermath of the significant market downturn in 2013. We expect that the inventory of higher production costs will be fully digested by the end of 2019 and the gross profit margin will be improved. The listing expenses and the gain on disposal of subsidiaries are two other factors that affected our net profit for the period. For further details, please refer to the Management Discussion and Analysis section and note 5 and note 7 to the unaudited condensed consolidated Interim Financial Information of this interim results announcement.

In 2018, the wine market in the PRC continues to grow. Wine is becoming an increasingly common beverage in the PRC, even in third-tier cities. However, for domestic producers, the landscape has proven to be difficult. Due to the competition posed by imported wines and a steady stream of new domestic producers, many of our competitors have seen a drop in their sales. Currently, the market is unable to absorb all the domestic supply and there is plenty of bulk wine and grapes available. This is both good and bad news for us. On the one hand, we face increasingly intense competition from other domestic companies. On the other hand, due to our recognised brand, we are in a notably better position to distinguish ourselves from our competitors and succeed in the industry. Meanwhile, we now have more raw materials (i.e. grapes) to choose from at a potentially lower cost.

We recognize more than ever that our brand is our most important asset. All our sales and marketing efforts are currently focused on building a trusted brand and reaching out to a wider audience. One of our initiatives, among many, is to increase crossover collaborations with key opinion leaders in other industries, enabling us to tap into the traditionally non-drinking millennial market to broaden our target demographic and ensure our continuous growth.

The first phase of our new winery in Ningxia province will start operations in the coming harvest season in September, while the construction of the second phase of this Ningxia winery is expected to be completed by the end of 2020. Operating in Ningxia gives us better and wider access to grapes in addition to our own vineyard in Shanxi province. This allows us to better manage our cost of grapes.

The management is very optimistic of the future of Grace Vineyard and we believe strongly in the branded-consumer-good market in the PRC. Following the successful listing of the Company on GEM of the Stock Exchange on 27 June 2018 (the "**Listing Date**"), we have certainly turned a new page. On behalf of the Board, I would like to express my gratitude to our shareholders and clients for your support throughout the years. We are committed to delivering satisfactory results to you going forward.

Chan Judy
Chairlady

10 August 2018

INTERIM RESULTS

The Board of Grace Wine presents the unaudited condensed consolidated results of the Group for the six months ended 30 June 2018, together with the comparative figures for the corresponding period in 2017.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
REVENUE	5	**35,276**	32,417
Cost of sales		**(24,020)**	(16,763)
Gross profit		**11,256**	15,654
Other income and gains, net	5	**6,395**	585
Selling and distribution expenses		**(1,870)**	(952)
Administrative expenses		**(12,082)**	(10,724)
Other expenses and losses		**(194)**	(15)
Finance costs, net		**–**	(124)
PROFIT BEFORE TAX	6	**3,505**	4,424
Income tax expense	7	**(2,538)**	(4,021)
PROFIT FOR THE PERIOD AND PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY		**967**	403
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (RMB cents)	9	**0.16**	0.10

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	**967**	403
OTHER COMPREHENSIVE INCOME		
Other comprehensive income may be reclassified to profit or loss in subsequent period:		
Exchange differences:		
Exchange differences on translation of financial information	**2,319**	3,608
Release of reserve upon disposal of subsidiaries	**65**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**2,384**	3,608
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	**3,351**	4,011

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**30 June 2018 (Unaudited) RMB'000**	31 December 2017 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**80,698**	83,930
Prepaid land lease payments		**13,290**	13,836
Goodwill		**1,361**	1,361
Prepayment for acquisition of property, plant and equipment		**1,138**	68
Total non-current assets		**96,487**	99,195
CURRENT ASSETS			
Inventories		**66,427**	77,525
Biological assets		**581**	–
Trade receivables	10	**11,219**	12,797
Prepayments, deposits and other receivables		**4,715**	7,150
Cash and bank balances		**89,116**	32,152
Total current assets		**172,058**	129,624
CURRENT LIABILITIES			
Trade payables	11	**665**	860
Other payables and accruals		**12,774**	12,403
Due to related parties		**–**	401
Tax payable		**1,341**	1,407
Total current liabilities		**14,780**	15,071
NET CURRENT ASSETS		**157,278**	114,553
TOTAL ASSETS LESS CURRENT LIABILITIES		**253,765**	213,748
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**9,492**	9,318
Deferred income		**359**	370
Total non-current liabilities		**9,851**	9,688
Net assets		**243,914**	204,060

	Note	**30 June 2018 (Unaudited) RMB'000**	31 December 2017 (Audited) RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	12	**674**	–
Reserves		**243,240**	204,060
Total equity		**243,914**	204,060

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 of Hong Kong Limited (the "**Stock Exchange**") on 27 June 2018.

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

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

2. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's financial statements for the year ended 31 December 2017, as included in Appendix I to the prospectus of the Company dated 12 June 2018 (the "**Prospectus**").

The unaudited condensed consolidated interim financial information of the Group has been prepared in accordance with the same accounting policies adopted in the Accountants' Report included in Appendix I to the Prospectus, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) as disclosed in note 3 below.

This unaudited condensed consolidated interim 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 interim financial information has not been audited or reviewed by the Company's external auditors, but has been reviewed by the Company's Audit Committee.

3. CHANGES IN ACCOUNTING POLICIES

In the accounting period from 1 January 2018, the Group has adopted, for the first time, the following HKFRSs issued by the HKICPA that affect the Group and are adopted for the first time for the current period's financial statements:

HKFRS 9	*Financial instruments*
Amendments to HKFRS 15	*Revenue from contracts with customers*
HK(IFRIC)-Int 22	*Foreign currency transactions and advance consideration*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this unaudited condensed consolidated interim financial information. The Group has not applied any new standards or interpretation that is not yet effective for the current accounting period.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective in the current accounting period, except for the amendments to HKFRS 9 *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The Group's financial assets consist of cash and cash equivalents and trade and other receivables that are subsequently recognised at amortised cost. The Group applies the HKFRS 9 simplified approach to measuring expected credit losses, using a lifetime expected loss allowance for all trade receivables. Cash and cash equivalents are also subject to the impairment requirements of HKFRS 9 and due to their nature, the expected loss allowance is immaterial.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due. The loss allowance for trade receivables applying lifetime expected credit loss as compared to the incurred loss model of HKFRS 39 did not result in a material difference and hence did not result in an adjustment of opening retained earnings as of 1 January 2018.

4. SEGMENT INFORMATION

Operating segments

No operating segment information for the Group is presented as over 90% of the Group's revenue, expenses, assets, liabilities and capital expenditure are attributable to the production and distribution of wine products during the period.

Geographical information

No geographical information for the Group is presented as over 90% of the Group's revenue and assets are derived from customers and operations based in the People's Republic of China ("**PRC**") during the period.

Information about major customers

For the six months ended 30 June 2018, revenue amounting to 10 percent or more of the Group's revenue derived from sales to a customer was RMB23,241,000 (six months ended 30 June 2017: RMB20,142,000).

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sales of goods	**35,276**	32,417
Other income and gains		
Bank interest income	**27**	307
Foreign exchange gains	**16**	–
Government grants*	**501**	51
Gains on disposal of items of property, plant and equipment, net	**133**	211
Gain on disposal of subsidiaries	**5,660**	–
Others	**58**	16
Other income and gains, net	**6,395**	585

* The Group received various government grants in respect of its subsidiaries for promoting the wine industry in China and also for the Group's contribution to the wine industry in Shanghai. 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.

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	**15,372**	10,770
Depreciation	**5,377**	5,056
Less: government grants released	**(11)**	(11)
Less: amount capitalised into inventories	**(153)**	(149)
	5,213	4,896
Amortisation of prepaid land lease payments	**446**	450
Less: amount capitalised into biological assets	**(177)**	(160)
	269	290
Listing expenses	**4,153**	5,233

7. INCOME TAX

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

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current – Mainland China		
Charge for the year	**2,341**	5,535
Under provision in prior periods	**24**	224
Deferred tax	**173**	(1,738)
Total tax charge for the period	**2,538**	4,021

8. DIVIDEND

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
1st 2017 interim dividend at RMB9,714 per ordinary share	**–**	6,800
2nd 2017 interim dividend at HK$22,857 per ordinary share (equivalent to RMB19,869 per ordinary share)	**–**	13,908
2018 special interim dividend at RMB10,000 per ordinary share (Note (i))	**10,000**	–
	10,000	20,708

Note:

(i) On 4 June 2018, the Company declared and approved a special dividend of RMB10,000,000 to its then shareholders.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share for the six months ended 30 June 2018 is based on the profit for the period attributable to owners of the Company of RMB967,000 (2017: RMB403,000), and the weighted average number of ordinary shares of 604,419,890 (2017: 420,000,000) in issue during the six months ended 30 June 2018.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 June 2018 represented 1,000 ordinary shares of the Company as at 1 January 2018, 599,999,000 ordinary shares of the Company issued under the Capitalisation Issue (as defined in note 15) as if these additional shares issued under Capitalisation Issue had been in issue throughout the six months ended 30 June 2018, and weighted average number of 4,419,890 ordinary shares of the Company issued upon the Listing on GEM of the Stock Exchange on 27 June 2018.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 June 2017 represented 700 ordinary shares of the Company as at 1 January 2017 and the respective proportion ordinary shares representing 419,999,300 ordinary shares of the Company issued under the Capitalisation Issue as if these additional shares issued under the Capitalisation Issue had been in issue throughout the six months ended 30 June 2017.

No adjustment has been made to the basic earnings per share presented for the six months ended 30 June 2018 and 2017 as the Group had no potentially dilutive ordinary shares in issue during these periods.

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period up to three months. The Group does not hold any collateral or other credit enhancements over its trade receivable balances and the trade receivables are non-interest-bearing.

An aged analysis of the trade receivables, based on the invoice date and net of provision, is as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within 60 days	**9,204**	12,790
61 to 90 days	**693**	7
Over 90 days	**1,322**	–
	11,219	12,797

11. TRADE PAYABLES

An aged analysis of the trade payables, based on the invoice date, is as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within 30 days	**646**	575
31 to 90 days	**19**	285
	665	860

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

12. SHARE CAPITAL

	30 June 2018			31 December 2017		
	Number of shares	**HK$'000**	**(Unaudited) RMB'000 equivalent**	Number of shares	HK$'000	(Audited) RMB'000 equivalent
Authorised:						
Ordinary shares of HK$0.001 each	**8,000,000,000**	**8,000**		380,000,000	380	
Issued and fully paid:						
Ordinary shares of HK$0.001 each	**800,000,000**	**800**	**674**	1,000	–	–

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Issued capital (Unaudited)** RMB'000
At 1 January 2017	700	–
Loan Capitalisation (note (i))	300	–
At 31 December 2017 and 1 January 2018	1,000	–
Share Offer (note (ii))	200,000,000	169
Capitalisation Issue (note (iv))	599,999,000	505
At 30 June 2018	800,000,000	674

Notes:

(i) Pursuant to the loan capitalisation ("**Loan Capitalisation**") of HK$124,649,000 (equivalent to approximately RMB104,194,000), amounts owed to Judy Chan were deemed to have been fully repaid by the allotment and issue of 217 shares to Macmillan Equity Limited, which is wholly owned by Judy Chan, on 14 September 2017 and the share premium account of the Company has been credited for HK$124,649,000 (equivalent to approximately RMB104,194,000) as a result. On 14 September 2017, 83 shares were allotted and issued to Palgrave Enterprises Limited, which is wholly owned by Wong Shu Ying, at par value. Further details are set in the paragraph "Reorganisation" in the section headed "History, Reorganisation and Corporation Structure" to the Prospectus.

(ii) In connection with the Listing of the shares of the Company on the Stock Exchange, 200,000,000 new ordinary shares of HK$0.001 each of the Company were issued at a price of HK$0.35 per ordinary share for a total cash consideration, before expenses, of HK$70.0 million (equivalent to approximately RMB59.0 million) (the "**Share Offer**") and the amount of share capital issued was HK$200,000 (equivalent to approximately RMB169,000). Dealings in the shares of the Company on the Stock Exchange commenced on 27 June 2018.

(iii) Upon the Listing of the Company on 27 June 2018, the expense related to the issuance of new shares of HK$13.0 million (equivalent to approximately RMB11.0 million) was debited and deducted from the Company's share premium account.

(iv) Upon the creation of the Company's share premium account as a result of the Share Offer, an amount of HK$600,000 (equivalent to approximately RMB505,000) standing to the credit of the share premium account of the Company has been capitalised on 27 June 2018 by applying such sum towards paying up in full at par a total of 599,999,000 ordinary shares for allotment and issue to the then existing shareholders (the "**Capitalisation Issue**"). Immediately following the completion of the Share Offer and the Capitalisation Issue, the total outstanding ordinary shares of the Company was 800,000,000 ordinary shares including 200,000,000 ordinary shares issued upon the Share Offer.

13. DISPOSAL OF SUBSIDIARIES

On 1 June 2018, the Group and Judy Chan entered into a share transfer agreement, pursuant to which the Company transferred its 100% equity interests in Interfusion Limited and its subsidiaries Corpwealth Asia Limited and Ningxia Ganlin Agricultural Development Co., Limited (collectively the "**Disposal Group**") at a consideration of RMB1 to Judy Chan to rectify certain defects to the land use rights and non-compliant land usage of a parcel of land in Ningxia.

	Note	(Unaudited) RMB'000
Net liabilities disposed of:		
Property, plant and equipment		3,192
Prepaid land lease payments		101
Inventories		59
Biological assets		796
Prepayments and other receivables		67
Cash and bank balances		59
Trade payables		(15)
Other payables and accruals		(4)
Due to related parties		(9,980)
		(5,725)
Release of exchange fluctuation reserve upon disposal of subsidiaries		65
Gain on disposal of subsidiaries	5	(5,660)
Satisfied by:		
Cash		–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	(Unaudited) RMB'000
Cash consideration	–
Cash and bank balances disposed of	(59)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(59)

14. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at the end of the reporting period.

15. EVENTS AFTER THE REPORTING PERIOD

No subsequent event has occurred after 30 June 2018 which may have a significant effect on the assets and liabilities or future operation of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Driven by the growing popularity of wine consumption, the wine industry in the PRC is expected to increase at a compound annual growth rate of 6.8% from 2016 to 2021. We anticipate that the expansion of distribution channels and the growing use of e-commerce will allow wine products to enter into new markets. In light of their increased spending power over recent years, we aim to target millennials in particular. The Board believes that our Group will be able to capture the opportunities arising from the increasing visibility of the wine industry and use this to facilitate growth by broadening our products offering, expanding our wine-making capacity and increasing distribution channels.

Currently, Grace Wine operates two wineries in Shanxi and Ningxia, respectively. The annual production capacity is 2,200 tons of wine for our Shanxi winery and 390 tons for our Ningxia Winery. We produce wine with grapes from our own vineyard in Shanxi and external sources in Ningxia. Categorised into high-end series and entry level series, our wines are branded with strong characteristics which target different customer segments. We mainly sell our wine through distributors but also have direct sales and online sales.

Looking forward, we will continue to strengthen our brand name and offer high quality and value-for-money products. While keeping distributorship as our primary sales channel, we will continue to explore new sales and distribution channels, including enhancing our online sales platforms. We will also continue to invest in the expansion of our Ningxia winery to increase its annual production capacity by 260 tons of wine per year.

FINANCIAL REVIEW

Revenue

Our revenue increased by RMB2.9 million or 8.8% from RMB32.4 million for the six months ended 30 June 2017 ("**1H2017**") to RMB35.3 million for the six months ended 30 June 2018 ("**1H2018**") as a result of the increase of our average selling price.

We sold 598,000 bottles in 1H2018 as compared to 592,000 bottles in 1H2017, while our average selling price increased from RMB54.8 in 1H2017 to RMB59.3 in 1H2018. This was due to an increase in the sales of our high-end wine portfolio, which has a generally higher selling price.

Cost of sales

Our cost of sales increased by RMB7.3 million or 43.3% from RMB16.8 million for 1H2017 to RMB24.0 million for 1H2018 which was due to (i) an increase in the sales of high-end wine portfolio, which has higher production costs, and (ii) an increase in the unit cost of wine sold in 1H2018 mainly as a result of an increase in the cost of wines which were produced in previous years.

Gross profit and gross profit margin

Our overall gross profit decreased by RMB4.4 million or 28.1% from RMB15.7 million for 1H2017 to RMB11.3 million for 1H2018, due to the increase in cost of sales as aforementioned. Our overall gross profit margin decreased from 48.3% for 1H2017 to 31.9% for 1H2018, mainly due to the increase in the unit cost of wine sold as aforementioned. The effect of decrease in gross profit margin was partially offset by the increase in sales from our higher-end wine portfolio which is generally of higher gross profit margin.

Other income and gains, net

Other net income and gains increased by RMB5.8 million or 9.9 times from RMB0.6 million for 1H2017 to RMB6.4 million for 1H2018, mainly due to the gain on disposal of subsidiaries amounted to RMB5.7 million for 1H2018.

Selling and distribution expenses

Selling and distribution expenses increased by RMB0.9 million or 96.4% from RMB1.0 million for 1H2017 to RMB1.9 million for 1H2018, which was mainly attributable to the RMB0.6 million increase in promotion and exhibition expenses.

Administrative expenses

Administrative expenses increased by RMB1.4 million or 12.7% from RMB10.7 million for 1H2017 to RMB12.1 million for 1H2018, which was mainly attributable to (i) the commencement of the sub-lease of our office premises and the shared administrative services, amounting to RMB0.3 million and RMB0.4 million, respectively, (ii) our Directors' fees of RMB0.5 million for 1H2018, which were absent in 1H2017, (iii) the increase in general administrative expense in our subsidiaries in the PRC resulted from the expansion of business and the commencement of the operations in the Ningxia Winery, and (iv) the offsetting effect from the decrease in listing expenses by RMB1.0 million from RMB5.2 million for 1H2017 to RMB4.2 million for 1H2018.

Finance costs, net

No finance cost was incurred for 1H2018 as compared to RMB0.1 million in 1H2017 due to the full repayment of our bank loans in the previous year.

Income tax expense

Our income tax expense decreased by RMB1.5 million or 36.9% from RMB4.0 million for 1H2017 to RMB2.5 million for 1H2018 due to decrease in profit before tax.

Profit for the year

As a result of the foregoing, our profit for the year increased by RMB0.6 million or 1.4 times from RMB0.4 million for 1H2017 to RMB1.0 million for 1H2018, whilst our net profit margin increased slightly from 1.2% in 1H2017 to 2.7% in 1H2018.

Liquidity, financial and capital resources

Our principal liquidity and capital requirements primarily relate to our capital investment in the construction and purchases of equipment of the Ningxia Winery, acquisition of raw materials for wine production as well as other costs and expenses related to our business operation. As at 30 June 2018, the carrying amount of the Group's bank and cash balances was RMB89.1 million, representing an increase of 177.2% as compared with that of RMB32.2 million as at 31 December 2017. The increase was mainly due to the proceeds received from shares issuance.

As at 30 June 2018, the Group's bank and cash balances include RMB40.6 million and HK$34.1 million, some insignificant amounts of USD and EUR (31 December 2017: RMB20.2 million and HK$14.0 million, and some insignificant amounts of USD and EUR).

Gearing ratio

The Group's gearing ratio is measured by total external borrowings divided by total equity. As at 30 June 2018, the Group does not have any external borrowings (31 December 2017: 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 30 June 2018, the Group had no contingent liabilities (31 December 2017: nil).

Pledge of assets

As at 30 June 2018, the Group did not have any assets pledged for credit facilities (31 December 2017: nil).

Employee and remuneration policies

As at 30 June 2018, the Group had, including Directors, 133 employees (31 December 2017: 118 employees). Staff costs, including Directors' emoluments, amounted to RMB4.9 million for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB4.0 million). The remuneration policies for our Directors and employees are based on their experience, level of responsibility and general market conditions, and is reviewed and adjusted on an annual basis.

The Company has adopted a share option scheme on 1 June 2018 for the purpose of providing incentives and rewards to eligible members of the scheme.

Events after the reporting period

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

Significant investments, material acquisition and disposals

Save for the corporate reorganisation (the "**Corporate Reorganisation**") arrangement undergone by the Group in the preparation for the Listing, the Group did not have any significant investments, material acquisitions or disposal of assets, subsidiaries, associates or joint ventures during the six months ended 30 June 2018.

Details of the Corporate Reorganisation are set out in the section headed "History, reorganisation and corporate structure" of the prospectus of the Company dated 12 June 2018 (the "**Prospectus**").

Use of proceeds from initial public offering

The net proceeds from the initial public offering of the Company's shares on the Stock Exchange on 27 June 2018 (after deducting underwriting fees and related expenses) amounted to RMB50.8 million. Due to the fact that the Company was listed on the Listing Date, none of the net proceeds were used as of 30 June 2018. After the Listing, such net proceeds will be applied in accordance with the proposed application as disclosed in the Prospectus.

Interim dividend

Pursuant to its meeting held on 10 August 2018, the Board has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2018.

Future plans for material investments and capital assets

Save as disclosed in the Prospectus, the Group does not have other plans for material investments and capital assets.

Comparison of business objectives with actual business progress

As the shares of the Company was listed on GEM of the Stock Exchange on 27 June 2018, the latest practicable date prior to the Listing Date, being 5 June 2018, to the six months ended 30 June 2018 was relatively short. Therefore, as at 30 June 2018, the Group was in its preliminary stage of implementing its business objectives and strategies disclosed in the Prospectus. The Group will strive to achieve the business objectives as stated in the Prospectus.

OTHER INFORMATION

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

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company in 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 shares held [1]	Approximate shareholding percentage
Ms. Chan Judy [2]	Interest in controlled corporation	420,000,000 (L)	52.5%

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. Chan Judy, and therefore Ms. Chan Judy is deemed to be interested in the 420,000,000 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 share(s) held [1]	Approximate shareholding percentage
Ms. Chan Judy [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 beneficially and wholly-owned by Ms. Chan Judy.

Save as disclosed above, as at 30 June 2018, 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 executives of the Company are aware, as at 30 June 2018, other than the Directors and Chief Executives, 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 Shares held** (1)	**Approximate shareholding percentage**
Macmillan Equity (2)	Beneficial owner	420,000,000 (L)	52.5%
Palgrave Enterprises Limited ("**Palgrave Enterprises**") (3)	Beneficial owner	180,000,000 (L)	22.5%
Ms. Wong Shu Ying (3)	Interest in controlled corporation	180,000,000 (L)	22.5%
Mr. Chan Chun Keung (4)	Interest of spouse	180,000,000 (L)	22.5%

Notes:

1. The letter "L" denotes the person's long position in the shares.

2. Macmillan Equity is wholly-owned by Ms. Chan Judy.

3. Palgrave Enterprises is wholly-owned by Ms. Wong Shu Ying, and therefore Ms. Wong Shu Ying is deemed to be interested in the 180,000,000 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 180,000,000 shares held by Ms. Wong Shu Ying, through her controlled corporation, Palgrave Enterprises, pursuant to the SFO.

Save as disclosed above, as at 30 June 2018, 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 (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. 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 the six months ended 30 June 2018 and up to the date of this report, have the Directors and the chief executive of the Company or 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 six months ended 30 June 2018 and up to the date of this report was the Company, any of its subsidiaries, its associated companies or its holding companies a party to any arrangements enabling the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

COMPETING INTERESTS

As at 30 June 2018, none of the Directors, the substantial 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. Chan Judy 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 from the Listing Date.

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 since the Listing Date and up to the date of this interim results announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the period from the Listing Date and up to the date of this interim results announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE ADVISER'S INTERESTS

As at 30 June 2018, 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 are 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 throughout the period from the Listing Date and up to the date of this interim results announcement.

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

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 three independent non-executive Directors, namely Mr. Lim Leung Yau Edwin, Mr. Chow Christer Ho and Mr. Ho Kent Ching-tak. Mr. Lim Leung Yau Edwin is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2018 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
Chan Judy
Chairlady, Chief Executive Officer and Executive Director

Hong Kong, 10 August 2018

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 Company Announcements" page on the GEM website at http://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.