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 2019

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.

CHAIRLADY'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**") of Grace Wine, I am pleased to present the Company's interim report for the six months ended 30 June 2019.

For the six months ended 30 June 2019, our revenue reached RMB29.5 million, representing a decrease of 16.5% from RMB35.3 million for the same period in 2018. However, I'd like to highlight that our second-quarter result is in fact better than the same period in 2018. Our sales volume increased 46.7%, while our revenue increased 15.5% in 2019 in comparison to the same period in 2018, a positive sign to show that we are turning the situation around.

Another significant positive development is that we had significantly sold out our stocks of higher-cost inventory. We expect our gross profit will return to historical normal in the second half of 2019.

Although the circumstances seem to have turned around, we understand there are still many challenges ahead of us as always. The team is in the progress of reviewing and repositioning our existing portfolio. Two new products from Ningxia will be launched before the end of this year. A selection of wines will be refreshed and relaunched in order to fine tune the features and characteristics of each product. In an information-overflowing world, it's crucial that we are able to present the image of our wines in a simple yet memorable manner.

As the market becomes more competitive, great results can only be achieved if we carefully identify the market segments in order to better distinguish the needs of various customer bases. Our largest group of customers is currently in their 50s. We have recently commissioned a market research study which showed that many of the potential customers who are currently in their 30s or 40s haven't heard of "Grace Vineyard". Raising awareness of our brand for customers within this age group will be the focus of our work in the second half of 2019, and should prove to be a valuable source of continuous growth.

As our home market, Shanxi province remains critical to our overall business. In order to improve the service to our partners and customers, we are planning to establish a new office in Taiyuan in the second half of 2019. We believe that there is significant room for further growth in Shanxi province.

Apart from the existing business, the management is also actively looking for expansion opportunities through acquisitions within our sector, as we believe strongly in the potential growth in the consumer goods market in China, over which we have extensive experiences and expertise in place.

Meanwhile, the Board is analyzing the cash flows of the Group based on the anticipation of market trend, business operations and potential capital investments in new projects in order to formulate a dividend policy based on the factors including, but not limited to, excessive cash balance and financial results of the period. We look forward to deliver to our shareholders the best dividend distribution strategy for their investment, and we are optimistic that the Group will reward our shareholders for their support with its first dividend payment during this year.

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 deliver satisfactory results to you going forward.

Judy Chan
Chairlady

9 August 2019

UNAUDITED INTERIM RESULTS

The Board of Grace Wine presents the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2019, together with the comparative unaudited figures of the corresponding period in 2018.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and six months ended 30 June 2019

		For the six months ended 30 June		**For the three months ended 30 June**	
	Notes	**2019 (Unaudited) RMB'000**	2018 (Unaudited) RMB'000	**2019 (Unaudited) RMB'000**	2018 (Unaudited) RMB'000
REVENUE	5	**29,461**	35,276	**16,761**	14,514
Cost of sales		**(18,638)**	(24,020)	**(10,182)**	(9,342)
Gross profit		**10,823**	11,256	**6,579**	5,172
Other income and gains, net	6	**1,012**	6,395	**286**	5,758
Selling and distribution expenses		**(2,594)**	(1,870)	**(1,236)**	(855)
Administrative expenses		**(11,094)**	(12,082)	**(4,455)**	(7,686)
Other expenses and losses		**(32)**	(194)	**(6)**	(154)
Finance costs, net		**(43)**	–	**(20)**	–
PROFIT/(LOSS) BEFORE TAX	7	**(1,928)**	3,505	**1,148**	2,235
Income tax expense	8	**(1,085)**	(2,538)	**(969)**	(1,423)
PROFIT/(LOSS) FOR THE PERIOD AND PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(3,013)**	967	**179**	812
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY					
Basic and diluted (RMB cents)	10	**(0.38)**	0.16	**0.02**	0.13

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2019

	For the six months ended 30 June		**For the three months ended 30 June**	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000	**2019 (Unaudited) RMB'000**	2018 (Unaudited) RMB'000
PROFIT/(LOSS) FOR THE PERIOD	**(3,013)**	967	**179**	812
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income may be reclassified to profit or loss in subsequent period:				
Exchange differences:				
Exchange differences on translation of financial information	**(59)**	2,319	**910**	2,024
Release of reserve upon disposal of subsidiaries	**–**	65	**–**	65
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(59)**	2,384	**910**	2,089
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(3,072)**	3,351	**1,089**	2,901

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**As at 30 June 2019 (Unaudited) RMB'000**	As at 31 December 2018 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**78,996**	81,513
Right-of-use assets		**14,048**	–
Prepaid land lease payments		**–**	12,867
Goodwill		**1,361**	1,361
Total non-current assets		**94,405**	95,741
CURRENT ASSETS			
Inventories		**62,901**	65,051
Biological assets	12	**591**	–
Trade receivables	13	**10,056**	18,124
Prepayments, deposits and other receivables		**5,522**	3,458
Cash and bank balances		**89,244**	82,099
Total current assets		**168,314**	168,732
CURRENT LIABILITIES			
Trade payables	14	**676**	142
Other payables and accruals		**5,543**	8,676
Tax payable		**1,573**	2,064
Lease liabilities		**358**	–
Total current liabilities		**8,150**	10,882
NET CURRENT ASSETS		**160,164**	157,850
TOTAL ASSETS LESS CURRENT LIABILITIES		**254,569**	253,591
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**2,702**	2,601
Deferred income		**337**	348
Lease liabilities		**1,288**	–
Total non-current liabilities		**4,327**	2,949
Net assets		**250,242**	250,642

	Note	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	15	**674**	674
Reserves		**249,568**	249,968
Total equity		**250,242**	250,642

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company						
	Issued capital	**Share premium**	**Capital and other reserve**	**Statutory reserve funds**	**Exchange fluctuation reserve**	**Retained profits**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	**674**	**141,579***	**93***	**13,746***	**(5,562)***	**100,112***	**250,642**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(3,013)**	**(3,013)**
Other comprehensive income/ (loss) for the period:							
Exchange differences:							
Exchange difference on translation of financial information	**–**	**–**	**–**	**–**	**(59)**	**–**	**(59)**
Total comprehensive income/ (loss) for the period	**–**	**–**	**–**	**–**	**(59)**	**(3,013)**	**(3,072)**
Capital contributions from shareholders	**–**	**–**	**2,672**	**–**	**–**	**–**	**2,672**
At 30 June 2019 (unaudited)	**674**	**141,579***	**2,765***	**13,746***	**(5,621)***	**97,099***	**250,242**

	Attributable to owners of the Company						
	Issued capital	Share premium	Capital and other reserve	Statutory reserve funds	Exchange fluctuation reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	–	104,194	93	13,544	(7,922)	94,149	204,058
Profit for the period	–	–	–	–	–	967	967
Other comprehensive income for the period:							
Exchange differences:							
Exchange difference on translation of financial information	–	–	–	–	2,319	–	2,319
Release of reserve upon disposal of subsidiaries	–	–	–	–	65	–	65
Total comprehensive income for the period	–	–	–	–	2,384	967	3,351
Share offer	169	58,847	–	–	–	–	59,016
Capitalisation issue	505	(505)	–	–	–	–	–
Expense incurred in connection with issue of new shares	–	(10,957)	–	–	–	–	(10,957)
2018 special dividend (note 9)	–	(10,000)	–	–	–	–	(10,000)
At 30 June 2018 (unaudited)	674	141,579	93	13,544	(5,538)	95,116	245,468

* These reserve accounts comprise the consolidated reserves of RMB249,568,000 (31 December 2018: RMB249,968,000) in the unaudited condensed consolidated statement of financial position.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows from operating activities	**10,504**	18,307
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(2,880)**	(5,453)
Proceeds from disposal of items of property, plant and equipment	**61**	251
Prepayment of property, plant and equipment	**–**	(1,070)
Disposal of subsidiaries	**–**	(59)
Withholding taxes paid on investing activities	**(300)**	(300)
Other cash flows arising from investing activities	**–**	(122)
Net cash flows used in investing activities	**(3,119)**	(6,753)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from issue of shares	**–**	59,017
Share issue expenses	**–**	(7,347)
Principal portion of lease payments	**(215)**	–
Dividend paid	**–**	(6,745)
Repayment of advances from related parties	**–**	(391)
Net cash flows from/(used in) financing activities	**(215)**	44,534
NET INCREASE IN CASH AND CASH EQUIVALENTS	**7,170**	56,088
Cash and cash equivalents at beginning of period	**82,099**	32,152
Effect of foreign exchange rate changes, net	**(25)**	876
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**89,244**	89,116
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances as stated in the unaudited condensed consolidated statement of financial position	**89,244**	89,116

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 "**Listing Date**").

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 interim financial information of the Group has been prepared in accordance with Hong Kong Accounting Standard ("**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 the 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 read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

The unaudited condensed consolidated interim financial information of the Group has been prepared in accordance with the same accounting policies adopted in the Group' annual financial statements for the year ended 31 December 2018, 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 ("**Audit Committee"**).

3. CHANGES IN ACCOUNTING POLICIES

In the accounting period from 1 January 2019, 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 information:

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards have had no 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 nature and impact of new and revised HKFRSs are described below:

HKFRS 16 supersedes HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases-Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("**short-term leases**"), and lease contracts for which the underlying asset is of low value ("**low-value assets**").

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items including offices, warehouse, staff quarter and office equipment. Before the adoption of HKFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Accruals, respectively.

Upon adoption of HKFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use asset representing the right to use the underlying assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of RMB14,686,000 were recognised and presented separately in the statement of financial position.

- Additional lease liabilities of RMB1,819,000 were recognised.

- Prepaid land lease payment of RMB12,867,000 were derecognised.

For the six months ended 30 June 2019:

- Depreciation expense (as included in cost of sales and administrative expenses) increased by RMB638,000 relating to the depreciation of additional assets recognised (i.e. increase in right-of-use assets).

- Rental expense (as included in administrative expenses) decreased by RMB215,000 relating to previous operating leases.

- Amortisation of prepaid land lease expenses (as included in costs of sales and administrative expenses) decreased by RMB423,000 relating to the prepaid land leases.

- Finance costs increased by RMB43,000 relating to the interest expense on additional lease liabilities recognised.

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	(Unaudited) RMB'000
Operating lease commitments as at 31 December 2018	3,006
Weighted average incremental borrowing rate as at 1 January 2019	4.75%
Discounted operating lease commitments as at 1 January 2019	2,616
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(797)
Lease liabilities as at 1 January 2019	1,819

The Group recognised rental expenses from short-term leases of RMB427,000 for the six months ended 30 June 2019.

Summary of new accounting policies

Set out below of the new accounting policies of the Group upon adoption of HKFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of offices, warehouse, staff quarter and office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below US$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to expired the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of one to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of offices, warehouse, staff quarter and office equipment due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., one to five years) and there will be a significant negative effect on production if a replacement is not readily available.

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 2019, revenue amounting to 10 percent or more of the Group's revenue derived from sales to a customer was RMB18,233,000 (30 June 2018: RMB23,241,000).

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June		**For the three months ended 30 June**	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000	**2019 (Unaudited) RMB'000**	2018 (Unaudited) RMB'000
Revenue from contracts with customers				
Sales of goods	**29,461**	35,276	**16,761**	14,514

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

	For the six months ended 30 June		For the three months ended 30 June	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Geographical market				
Mainland China	**28,755**	34,683	**16,109**	14,503
Hong Kong	**633**	347	**579**	11
Other jurisdictions	**73**	246	**73**	–
Total revenue from contracts with customers	**29,461**	35,276	**16,761**	14,514

6. OTHER INCOME AND GAINS, NET

An analysis of other income and gains is as follows:

	For the six months ended 30 June		For the three months ended 30 June	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank interest income	**510**	27	**281**	–
Foreign exchange gains	**–**	16	**–**	16
Government grants*	**460**	501	**–**	20
Gains on disposal of items of property, plant and equipment, net	**17**	133	**2**	29
Gain on disposal of subsidiaries	**–**	5,660	**–**	5,660
Others	**25**	58	**3**	33
Other income and gains, net	**1,012**	6,395	**286**	5,758

* The Group received a government grant during the six months ended 30 June 2019. The grant received was an industry development fund of RMB460,000. There were no unfulfilled conditions or contingencies relating to this grant.

7. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June		**For the three months ended 30 June**	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000	**2019 (Unaudited) RMB'000**	2018 (Unaudited) RMB'000
Cost of inventories sold	**10,250**	15,372	**6,389**	5,394
Depreciation of property, plant and equipment	**5,353**	5,377	**2,553**	2,630
Less: government grants released	**–**	(11)	**–**	(11)
Less: amount capitalised into inventories	**–**	(153)	**–**	–
	5,353	5,213	**2,553**	2,619
Depreciation of right-of-use assets	**638**	–	**319**	–
Amortisation of prepaid land lease payments	**–**	446	**–**	223
Less: amount capitalised into biological assets	**(158)**	(177)	**(158)**	(177)
	480	269	**161**	46
Listing expenses	**–**	4,153	**–**	2,823

8. 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.

	For the six months ended 30 June		**For the three months ended 30 June**	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000	**2019 (Unaudited) RMB'000**	2018 (Unaudited) RMB'000
Group:				
Current – Mainland China				
Charge for the year	**657**	2,341	**532**	1,043
Under-provision in prior periods	**327**	24	**327**	24
Deferred tax	**101**	173	**110**	356
Total tax charge for the period	**1,085**	2,538	**969**	1,423

9. DIVIDEND

	For the six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
2018 special interim dividend at RMB10,000 per ordinary share (Note (i))	**–**	10,000

The Board does not recommend the payment of any dividend for the six months ended 30 June 2019.

Note:

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

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings/(loss) per share for the six months ended 30 June 2019 is based on the loss for the period attributable to owners of the Company of RMB3,013,000 (for the six months ended 30 June 2018: profit for the period: RMB967,000), and the weighted average number of ordinary shares of 800,000,000 (for the six months ended 30 June 2018: 604,419,890) in issue during the six months ended 30 June 2019. The calculation of basic earnings per share for the three months ended 30 June 2019 is based on the profit for the period attributable to owners of the Company of RMB179,000 (for the three months ended 30 June 2018: RMB812,000), and the weighted average number of ordinary shares of 800,000,000 (for the three months ended 30 June 2018: 608,791,210) in issue during the three months ended 30 June 2019.

The calculation of the basic earnings/(loss) per share amounts for the three months and six months ended 30 June 2019 is based on the profit/(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 period.

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 the prospectus of the Company dated 12 June 2018 (the "**Prospectus**")) 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 three 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 if these additional shares issued under Capitalisation Issue had been in issue throughout the three months ended 30 June 2018, and weighted average number of 8,791,210 ordinary shares of the Company issued upon the Listing on GEM of the Stock Exchange.

No adjustment has been made to the basic earnings/(loss) per share presented for the three months and six months ended 30 June 2019 and 2018 as the Group had no potentially dilutive ordinary shares in issue during these periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group acquired items of plant and machinery with a cost of approximately RMB2,880,000 (30 June 2018: RMB5,130,000). Items of plant and machinery with a net book value of approximately RMB44,000 (30 June 2018: RMB3,310,000) were disposed of during the six months ended 30 June 2019, resulting in a gain on disposal of approximately RMB17,000 (30 June 2018: RMB133,000).

12. BIOLOGICAL ASSETS

All grapes are harvested annually from late August to the end of September each year. After the harvest, plantation works commence again on the farmland. The directors consider that there was no active market for the grapes before harvest at the end of the reporting periods, therefore the cost approach is adopted to value the immature grapes during the growing period as at the end of the reporting periods.

Cultivation costs incurred are accounted for as additions to the biological assets and have been considered in the calculation of the fair values for the growing period and these costs approximate to their fair values. During the six months ended 30 June 2019, the Group incurred RMB591,000 on the plantation of biological assets.

The fair value measurement of the grapes is categorised as level 3 fair value measurement within the three-level fair value hierarchy as defined in HKFRS 13 Fair Value Measurement. Significant unobservable inputs are mainly the replacement cost for Immature Grapes and the market price for harvested grapes.

During each of the reporting period, no transfers occurred between levels in the hierarchy.

The fair value of agricultural produce is calculated based on the inputs to the valuation technique used. The following table gives information about how the fair values of these biological assets are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Biological assets	**Fair value hierarchy**	**Valuation technique and key input**	**Significant unobservable input**	**Relationship of unobservable input to fair value**
Immature Grapes	3	Replacement cost approach The key input is: Various costs for replacing	Various costs for replacing	The higher the costs incurred, the higher the fair value

13. TRADE RECEIVABLES

	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) RMB'000
Trade receivables from third parties	**10,045**	18,089
Due from related parties	**13**	37
Impairment	**(2)**	(2)
Trade receivables	**10,056**	18,124

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.

Notes:

(i) Trade receivables

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

	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) RMB'000
Within 60 days	**10,040**	17,404
61 to 90 days	**16**	720
	10,056	18,124

14. TRADE PAYABLES

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

	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) RMB'000
Within 30 days	**676**	94
31 to 90 days	**–**	48
	676	142

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

15. SHARE CAPITAL

	As at 30 June 2019			As at 31 December 2018		
	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**		8,000,000,000	8,000	
Issued and fully paid:						
Ordinary shares of HK$0.001 each	**800,000,000**	**800**	**674**	800,000,000	800	674

16. CONTINGENT LIABILITIES

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

17. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) RMB'000
Contracted, but not provided for:		
Construction in progress	**214**	527

18. RELATED PARTY TRANSACTIONS

(a) In addition to those transactions and balances disclosed elsewhere in the unaudited condensed consolidated interim financial information, the Group had the following transactions with related parties during the reporting period:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sales of products		
– Chan Kwan (note (a)(i))	**19**	9
– Chan Chun Keung (note (a)(ii))	**113**	52
– Judy Chan (note (a)(iii))	**4**	19
– Fan Chi Chiu (note (a)(iii))	**–**	1
– Wong Shu Ying	**–**	11
– Rugao Hengfa Water Treatment Company Limited# (note (a)(iv))	**4**	11

Notes:

(a)(i) Chan Kwan is a brother of Judy Chan.

(a)(ii) Chan Chun Keung is the father of Judy Chan and spouse of Wong Shu Ying.

(a)(iii) Judy Chan and Fan Chi Chiu are the executive Directors.

(a)(iv) Judy Chan and Wong Shu Ying, effectively hold 20% and 30% interest in the company, respectively. The remaining 50% equity interest is held by Chan Chun Keung. Judy Chan also serves as a director of this company.

Rugao Hengfa Water Treatment Company Limited is a wholly-owned subsidiary of ELL Environmental Holdings Limited. Chan Kwan has a 35.17% interest in ELL Environmental Holdings Limited.

All of the above transactions were conducted at prices mutually agreed between the parties.

(b) The Group has sub-leased commercial premises for use as offices from Dragonfield Management Limited, which RMB301,000 (30 June 2018: RMB283,000) was incurred during the period ended 30 June 2019. The expenses in respect of other administrative services provided by Dragonfield Management Limited during the period ended 30 June 2019 on behalf of the Group was RMB413,000 (30 June 2018: RMB388,000).

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Fee	**554**	453
Salaries, allowances and benefits in kind	**514**	507
Performance related bonuses	**9**	47
Pension scheme contributions	**72**	88
Equity-settled share-based payment expense	**1,435**	–
	2,584	1,095

The English name of this company represents the best effort made by management of the Company to directly translate the Chinese name of this company as it has not registered any official English names.

19. FAIR VALUE HIERARCHY

Other than biological assets, as discussed in note 12, the Group did not have any financial assets or financial liabilities measured at fair value at the end of the reporting period.

20. EVENTS AFTER THE REPORTING PERIOD

No subsequent event has occurred after 30 June 2019 which may have a significant effect on the assets and liabilities or future operation of the Group.

BUSINESS REVIEW AND OUTLOOK

According to data released by the National Bureau of Statistics of China, China's gross domestic product ("**GDP**") reached to RMB21 trillion in the first quarter of 2019[1], representing an increase of 6.4% as compared to the same period of the previous year. The overall national economy has remained stable and continued to develop favorably. With the continuous growth of the economy and ongoing urbanization in the PRC, the average income of urban households has risen in recent years. Per capita quarterly disposable income increased from RMB5,562[2] in the first quarter of 2014 to RMB8,493[3] for the same period of 2019, representing a compound annual growth rate ("**CAGR**") of 8.83%.

In China, the wine industry has also kept pace with economic development with strong momentum. Diversification of product categories and rising domestic market demand have resulted in an expanding wine industry, enabling China to maintain its status as the fifth largest wine consumer worldwide in recent years. China's wine consumer base has extended beyond the middle class and the wealthy, with more young people expected to become wine consumers. On the other hand, it is expected that middle-aged and older consumers will switch from other types of alcohol to wine due to health concerns and increased interest in wine. In light of the economic development in some non-tier 1 cities, the wine market has expanded to areas outside major coastal cities, while domestic wine consumption has also been on the rise as wine culture is promoted in more communities.

According to the "13th Five-Year Plan of Wine Industry" (《葡萄酒行業十三五規劃》), the PRC government plans to implement the construction of wine grape cultivation bases to cultivate wine grapes that can better satisfy the tastes of local residents. Those policies and measures are expected to have positive effects on the wine-making industry. For instance, both Shanxi and Ningxia governments have provided subsidies to vineyard farmers. The China Alcoholic Drinks Association issued the "13th Five-Year Guidance of China Alcohol Beverage Industry" (《中國酒業「十三五」發展指導意見》), which suggested developing the wine industry and integrating the industrial chain from cultivating wine grapes to grape production as well as wine distribution and sales, and encouraging the development of small and medium-sized wineries. The Shanxi government has also published the "13th Five-Year Plan of Modern Agriculture in Shanxi Province" (《山西省「十三五」現代農業發展規劃》), which was aimed at promoting the planting of fruits, such as grapes and apples, and facilitating the development of processed wine-making for fruit wines such as grape wine. In addition, with the promulgation of a series of policies and regulations, such as the "12th Five-Year Development Plan of Wine Industry" (《葡萄酒行業十二五發展規劃》) and "Wine Manufacturing Industry Access Conditions" (《葡萄酒製造業准入條件》), a considerable number of small and medium-sized enterprises have been forced to exit the market as they no longer meet the corresponding standards. Large enterprises such as our Group, especially those with the ability to integrate wine grape cultivation, wine production, logistics and sales, are likely to benefit from these policies which will bring more opportunities to the Group.

1 http://www.stats.gov.cn/tjsj/zxfb/201904/t20190418_1660244.html
2 http://www.stats.gov.cn/tjsj/zxfb/201404/t20140416_539846.html
3 http://www.stats.gov.cn/tjsj/zxfb/201904/t20190417_1659987.html
4 http://www.winesinfo.com/html/2019/4/12-80766.html
http://www.oiv.int/public/medias/5958/oiv-state-of-the-vitiviniculture-world-market-april-2018.pdf

In terms of financial conditions, the Group recorded an improvement in gross profit margin for the first half of 2019 as compared with 2018, mainly because the majority of inventories with higher production costs were sold in 2018. Our gross profit margin of sales is expected to sustain such improvement in the second half of 2019. The first-phase construction of our Ningxia Winery was completed in December 2017, with a gross floor area ("**GFA**") of approximately 8,600 square meters, which has 71 wine-making tanks and was fully operational after the harvest season of grapes in 2018. After a thorough consideration of the outlook of the current domestic economy, the market conditions of the areas in which our key distribution channels are located, as well as the potential risks in increasing our investment in Ningxia Winery especially given our current financial condition and expected sales trend, we believe that the Group should take a more prudent and cautious approach to its business development plan at the moment. We have, therefore, decided to put our construction plan for the second phase of our new Ningxia Winery on hold in order to reassess the latest market developments and consider if any change is necessary. We will continuously monitor the development of the market promptly inform our Shareholders if we decide to change our development plans for the Ningxia Winery and/or the use of any proceeds from our initial public offering.

Due to the slowdown in domestic demand for wine, the revenue and gross profit of the Group declined in the first half of 2019 as compared to the corresponding period in 2018, leading to a net loss recorded by the Group for the first half of 2019. In the future, the Group plans to adopt a prudent and stable development approach and continue its efforts to maintain the quality of products as well as strengthen and promote our brand. We hope that this will bring sales growth and diversified development opportunities for us.

In addition, with the rapid development of Internet technology and the increasing penetration rate of social media, the development of online sales platforms appears to be increasingly important. Therefore, we will continue to seek new sales and distribution channels while maintaining our distributors as the primary sales channel, including strengthening our online sales platform for further development as well as striving for a higher market share in the PRC wine market. In the first half of 2019, we actively sought cooperation with distributers from different regions, and successfully signed agreements with some of them. We will also continue to enhance our publicity on internet platforms such as by inviting famous internet celebrities to promote our products. We believe that our diversified marketing strategy can effectively improve our brand awareness, enable our products to be sold to more customer groups in different areas and bring better opportunities to the Group.

We anticipate that the expansion of distribution channels and the growing use of e-commerce will allow wine products to enter into new markets. We aim to target millennials in light of their increased spending power over recent years. 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 decreased by RMB5.8 million or 16.5% from RMB35.3 million for the six months ended 30 June 2018 ("**1H2018**") to RMB29.5 million for the six months ended 30 June 2019 ("**1H2019**") as a result of the decrease in total sales volume.

We sold 425,000 bottles in 1H2019 as compared to 598,000 bottles in 1H2018, while our average selling price increased from RMB59.0 in 1H2018 to RMB69.2 in 1H2019. 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 decreased by RMB5.4 million or 22.4% from RMB24.0 million for 1H2018 to RMB18.6 million for 1H2019 primarily due to the decrease in total sales volume.

Gross profit and gross profit margin

Our overall gross profit decreased by RMB0.4 million or 3.8% from RMB11.3 million for 1H2018 to RMB10.8 million for 1H2019, due to (i) the decrease in total sales, offset by (ii) the decrease in unit costs of sales of the products sold, given that the inventory with higher average unit production costs had been mostly digested already. Our overall gross profit margin, therefore, increased from 31.9% for 1H2018 to 36.7% for 1H2019.

Other income and gains, net

Other net income and gains decreased by RMB5.4 million or 84.2% from RMB6.4 million for 1H2018 to RMB1.0 million for 1H2019, mainly due to the absence of the gain on disposal of subsidiaries which amounted to RMB5.7 million for 1H2018.

Selling and distribution expenses

Selling and distribution expenses increased by RMB0.7 million or 38.7% from RMB1.9 million for 1H2018 to RMB2.6 million for 1H2019, which was mainly attributable to the increase in promotion and exhibition expenses.

Administrative expenses

Administrative expenses decreased by RMB1.0 million or 8.2% from RMB12.1 million for 1H2018 to RMB11.1 million for 1H2019, which was mainly attributable to the absence of listing expenses of RMB4.2 million for 1H2018, offset by the increase in staff costs due to the share-based payments made as remuneration to certain management personnel amounting to RMB2.6 million in 1H2019.

Finance costs, net

Our finance costs was RMB43,000, which represented the unwinding of the discounted lease liabilities recognised under "HKFRS 16 *Leases*" (1H2018: nil).

Income tax expense

Our income tax expense decreased by RMB1.5 million or 57.2% from RMB2.5 million for 1H2018 to RMB1.1 million for 1H2019 due to the decrease in profit before tax.

Loss for the period

As a result of the foregoing, a loss for the period of RMB3.0 million was recognised for 1H2019 as compared to a profit of RMB1.0 million for 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 2019, the carrying amount of the Group's cash and cash equivalents was RMB89.2 million, representing an increase of 8.7% as compared with that of RMB82.1 million as at 31 December 2018.

As at 30 June 2019, the Group's cash and cash equivalents include RMB50.8 million, USD5.2 million, HK$2.9 million, and some insignificant amounts of EUR.

Gearing ratio

The Group's gearing ratio is measured by total external borrowings divided by total equity. As at 30 June 2019, the Group does not have any external borrowings (31 December 2018: 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 2019, the Group had no contingent liabilities (31 December 2018: nil).

Pledge of assets

As at 30 June 2019, the Group did not have any assets pledged for credit facilities (31 December 2018: nil).

Employee and remuneration policies

As at 30 June 2019, the Group had, including Directors, 136 employees (31 December 2018: 136 employees). Staff costs, including Directors' emoluments, amounted to RMB6.0 million for 1H2019 (1H2018: RMB4.9 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 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 announcement.

Significant investments, material acquisition and disposals

During 1H2019, the Group did not have any significant investments, material acquisitions or disposal of assets, subsidiaries, associates or joint ventures.

Interim dividend

The Board does not recommend the payment of any dividend for 1H2019.

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

The following is a comparison of the Group's business objectives as set out in the Prospectus with the Group's actual business progress up to 30 June 2019:

Business objectives up to 30 June 2019 as set out in the Prospectus	Actual business progress up to 30 June 2019
(i) To increase our brand awareness and sales by collaborating with selected distributors	
We intend to use approximately 2.4% of the net proceeds, or approximately RMB0.8 million (equivalent to HK$1.0 million), to increase marketing and promotion efforts in, among others, (i) marketing events conducted with media, such as wine pairing dinners; (ii) web and mobile social media blogs and marketing campaigns; (iii) internet marketing campaigns; and (iv) marketing department administrative fees.	We have successfully commenced the collaboration with 1919 Wines & Spirits, an "online-to-offline" wine and spirit retailer in the PRC, which allows us to sell our products in around 60 stores in the Shanxi Province. We have also further strengthen the relationship with ASC, one of our key distributors, to promote sales on online platforms. Promotions and events by online "key opinion leaders" were carried out in order to improve our brand recognition.
(ii) To increase production capacity	
• We intend to use approximately 28.1% of the net proceeds, or approximately RMB9.3 million (equivalent to HK$11.4 million), to construct the second phase of our Ningxia Winery, namely, (i) construction of the winery, such as constructing the outdoor area which includes road pavements, street furniture and lighting, installation of the drainage pipe system; and (ii) purchase of plants and equipment, including the cross flow filtre, vacuum drum filtre, filling equipment and forklift.	After considering a range of factors including the potential slowdown of the expected economy growth of PRC, the consumption growth of wine products in the geographical locations of our key distribution channels and hence the sales growth trend of our Group, we expect that the potential risk in increasing the investment is elevated. As a result, the construction of the second phase of our Ningxia Winery will be postponed in the coming year.
• We intend to use approximately 3.0% of the net proceeds, or approximately RMB1.0 million (equivalent to HK$1.2 million) for the initial production costs of the first phase of our Ningxia Winery, including the purchase of raw materials and utility expenses.	We have invested in the initial production costs of the first phase of our Ningxia Winery as planned in our business objectives. We have acquired raw materials (mainly grapes) for the wine production from our new Ningxia Winery.

Issue of Shares and use of proceeds from initial public offering

The shares ("**Shares**") of the Company were listed on the GEM of the Stock Exchange on the Listing Date with a total of 200,000,000 Shares issued at HK$0.35 each by way of public offer and placing (the "**Share Offer**"), raising net proceeds of an estimated amount of approximately HK$40.6 million (equivalent to RMB33.1 million) after deducting underwriting commissions and all related expenses. The net proceeds received from the Share Offer are intended to be used in the manner consistent with that mentioned in the paragraph headed "Future Plans and Use of Proceeds" of the Prospectus.

An analysis of the planned usage of net proceeds as stated in the Prospectus and the actual utilization of the net proceeds from the Listing Date up to 30 June 2019 and the intended use of the proceeds and the expected timeline are set out as below:

	Total planned use of proceeds as stated in the Prospectus as at 31 December 2020 RMB'000	**Planned use of net proceeds during the period from the Listing Date to 30 June 2019** RMB'000	**Actual use of net proceeds during the period from the Listing Date to 30 June 2019** RMB'000	**Unutilized Proceeds** RMB'000	**Expected timeline for the unutilized proceeds** RMB'000
To construct the second phase of our Ningxia Winery					
(i) Construction of the winery	15,000	5,500	–	15,000	By 30 June 2020 (subject to further market conditions)
(ii) Purchase of plants and equipment	6,800	4,800	–	6,800	By 30 June 2020 (subject to further market conditions)
Initial production costs of the first phase of our Ningxia Winery	6,700	2,000	2,000	4,700	The unutilized use of proceeds will be used as per the Prospectus
Sales and marketing expenses	3,000	750	750	2,250	The unutilized use of proceeds will be used as per the Prospectus
General working capital	1,598	399	399	1,199	The unutilized use of proceeds will be used as per the Prospectus

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions and industry development made by the Company at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

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 2019, 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. 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 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 30 June 2019, 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 30 June 2019, 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 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%

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 173,860,000 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 2019, the Directors were not aware of any person or corporation (other than the Directors and the chief executive 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 2019. 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 1H2019 and up to the date of this announcement, 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 1H2019 and up to the date of this announcement 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).

COMPETING INTERESTS

As at 30 June 2019, 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 the GEM of the Stock Exchange on 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 during 1H2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During 1H2019 and up to the date of this 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 2019, 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 1H2019 and up to the date of this 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. 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.

AUDIT COMMITTEE

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 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 1H2019 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, 9 August 2019

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 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.