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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)

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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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 (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

Unaudited Third Quarterly Results

The board of Directors (the “**Board**”) of Grace Wine presents the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2018, together with the comparative unaudited figures of the corresponding period in 2017.

Unaudited Condensed Consolidated Statement of Profit or Loss

For the nine months ended 30 September 2018

	Notes	Nine months ended 30 September 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
REVENUE	3	48,984	53,999
Cost of sales		(34,131)	(28,303)
Gross profit		14,853	25,696
Other income and gains, net	3	6,509	1,964
Selling and distribution expenses		(2,664)	(2,263)
Administrative expenses		(18,543)	(16,979)
Other expenses and losses		(388)	(62)
Finance costs, net	4	–	(439)
PROFIT/(LOSS) BEFORE TAX		(233)	7,917
Income tax credit/(expense)	5	3,677	(5,589)
PROFIT FOR THE PERIOD AND PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY		3,444	2,328
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted (RMB cents)	7	0.51	0.54

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the nine months ended 30 September 2018

	Nine months ended 30 September	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	3,444	2,328
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	2,793	6,630
Release of reserve upon disposal of subsidiaries	(65)	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	2,728	6,630
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	6,172	8,958

Unaudited Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2018

	Attributable to owners of the Company						
	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2018	-	104,194	93	13,544	(7,922)	94,151	204,060
Profit for the period	-	-	-	-	-	3,444	3,444
Other comprehensive income for the period:							
Exchange differences:							
Exchange difference on translation of financial information	-	-	-	-	2,793	-	2,793
Release of reserve upon disposal of subsidiaries	-	-	-	-	(65)	-	(65)
Total comprehensive income for the period	-	-	-	-	2,728	3,444	6,172
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 6)	-	(10,000)	-	-	-	-	(10,000)
At 30 September 2018 (Unaudited)	674	141,579	93	13,544	(5,194)	97,595	248,291
At 1 January 2017	-	-	93	12,781	(12,887)	114,508	114,495
Profit for the period	-	-	-	-	-	2,328	2,328
Other comprehensive income for the period:							
Exchange differences on translation of financial information	-	-	-	-	6,630	-	6,630
Total comprehensive income for the period	-	-	-	-	6,630	2,328	8,958
2017 interim dividend (Note 6)	-	-	-	-	-	(20,708)	(20,708)
Loan capitalisation	-	104,194	-	-	-	-	104,194
At 30 September 2017 (Unaudited)	-	104,194	93	12,781	(6,257)	96,128	206,939

Notes to Unaudited Condensed Consolidated Financial Information

For the nine months ended 30 September 2018

1. GENERAL

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

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

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

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

2. BASIS OF PREPARATION

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

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

The unaudited condensed consolidated 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 following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

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

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 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.

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

3. 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:

	Nine months ended 30 September	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Revenue		
Sales of goods	48,984	53,999
Other income and gains		
Bank interest income	173	346
Foreign exchange gains	–	182
Government grants*	504	1,034
Gains on disposal of items of property, plant and equipment, net	55	313
Gain on disposal of subsidiaries	5,660	–
Others	117	89
Other income and gains, net	6,509	1,964

* 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.

4. FINANCE COSTS, NET

	Nine months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans	–	939
Less: government grants*	–	(500)
	–	439

* The Group received government grants in respect of interest expense for the support of local agricultural businesses for the nine months ended 30 September 2017. The government grants received were deducted against interest expenses when the conditions of the government grants were fulfilled. There were no unfulfilled conditions or contingencies relating to these grants.

5. 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 income tax of the People's Republic of China ("PRC") 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.

	Nine months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Group:		
Current – Mainland China		
Charge for the period	2,697	7,006
Under provision in prior periods	24	224
Deferred tax	(6,398)	(1,641)
Total tax charge/(credit) for the period	(3,677)	5,589

6. DIVIDEND

	Nine months ended 30 September	
	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.

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share for the nine months ended 30 September 2018 is based on the profit for the period attributable to owners of the Company of RMB3,444,000 (2017: RMB2,328,000), and the weighted average number of ordinary shares of 670,329,670 (2017: 431,208,791) in issue during the nine months ended 30 September 2018.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the nine months ended 30 September 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) as if these additional shares issued under Capitalisation Issue had been in issue throughout the nine months ended 30 September 2018, and weighted average number of 70,329,670 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 nine months ended 30 September 2017 represented 700 ordinary shares of the Company as at 1 January 2017, weighted average number of 19 ordinary shares of the Company issued under Loan Capitalisation, as well as the respective proportion of weighted average ordinary shares in issue, representing 431,208,073 ordinary shares of the Company issued under the Capitalisation Issue as if these additional shares issued under the Loan Capitalisation (as defined in the Prospectus) had been in issue throughout the nine months ended 30 September 2017.

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

Management Discussion and Analysis

BUSINESS REVIEW

The Group is engaged in wine production business in Ningxia and Shanxi province and wine distribution business. During the nine months ended 30 September 2018 (“**3Q2018**”), the Group has recorded a decrease in gross profit as compared to the nine months ended 30 September 2017 (“**3Q2017**”), due to the drop in sales and increase in cost of the wine sold during 3Q2018. We anticipate that the gross profit margin will increase when the inventory of higher average unit production costs are fully digested next year.

OUTLOOK

We will continue to grow our sales by strengthening the distribution channels and marketing efforts, including but not limited to the online sales by key opinion leaders or via other platforms. Also, based on the average unit costs of the existing inventory and work-in-progress, we expect the cost of sales will decrease and hence the gross profit margin will increase in the coming year.

FINANCIAL REVIEW

Revenue

Our revenue decreased by RMB5.0 million or 9.3% from RMB54.0 million for 3Q2017 to RMB49.0 million for 3Q2018, primarily due to the decrease in sales by our distributor, Shanxi Jiajia, as a result of the sales downturn in the Shanxi province from July to September 2018.

We sold 808,000 bottles in 3Q2018 as compared to 945,000 bottles in 3Q2017. The average selling price increased from RMB57.0 in 3Q2017 to RMB60.4 in 3Q2018, due to the increase in the proportion of sales of our high-end wine portfolio, which have higher selling prices.

Cost of sales

Our cost of sales increased by RMB5.8 million or 20.5% from RMB28.3 million for 3Q2017 to RMB34.1 million for 3Q2018, primarily due to the increase in unit costs of production of the inventory sold during the period which was produced in years of lower production level and thus a higher absorption of the fixed costs per unit.

Gross profit and gross profit margin

Our overall gross profit decreased by RMB10.8 million or 42.2% from RMB25.7 million for 3Q2017 to RMB14.9 million for 3Q2018, due to the decrease in sales and increase in cost of sales as aforementioned. Our overall gross profit margin decreased from 47.6% for 3Q2017 to 30.3% for 3Q2018, mainly due to the increase in the unit cost of wine sold as aforementioned.

Other income and gains, net

Other net income and gains increased by RMB4.5 million or 2.3 times from RMB2.0 million for 3Q2017 to RMB6.5 million for 3Q2018, mainly due to the gain on disposal of subsidiaries amounted to RMB5.7 million for 3Q2018.

Selling and distribution expenses

Selling and distribution expenses increased by RMB0.4 million or 17.7% from RMB2.3 million for 3Q2017 to RMB2.7 million for 3Q2018, mainly due to the increase in promotion and exhibition expenses.

Administrative expenses

Administrative expenses increased by RMB1.5 million or 9.2% from RMB17.0 million for 3Q2017 to RMB18.5 million for 3Q2018, which was mainly attributable to (i) the increase in the sub-lease of our office premises and the shared administrative services by RMB0.7 million from RMB0.4 million for 3Q2017 to RMB1.0 million for 3Q2018; (ii) our Directors' fees increased by RMB0.8 million from RMB0.1 million for 3Q2017 to RMB0.9 million for 3Q2018.

Finance costs, net

No finance cost was incurred for 3Q2018 as compared to RMB0.4 million in 3Q2017 due to the full repayment of our bank loans in the previous year.

Income tax credit/(expense)

Income tax credit amounting to RMB3.7 million was recorded for 3Q2018 as compared to income tax expense of RMB5.6 million for 3Q2017, which was mainly attributable to (i) the reversal of the deferred taxation provision made in previous years amounting to RMB6.7 million for 3Q2018, and (ii) the decrease in current tax provision due to the decrease in profit before tax in our PRC operating subsidiaries. Deferred tax provision was made for the withholding tax payable upon the dividend payment from the PRC subsidiaries to offshore subsidiaries. During the quarter ended 30 September 2018, the Board had resolved that the dividend payout ratio of the PRC subsidiaries, with the consideration of the past experience and future capital requirement plans, should not exceed 30% of their distributable profits. As a result, the deferred taxation provision previously made with the basis of a dividend payout ratio by the PRC subsidiaries at 100% should be adjusted to 30% accordingly. The effect of the reversal of such provision was a gain of RMB6.7 million recognised as the profit for the period.

Profit for the period

As a result of the foregoing, our profit for the period increased by RMB1.1 million or 47.9% from RMB2.3 million for 3Q2017 to RMB3.4 million for 3Q2018, and our net profit margin increased from 4.3% in 3Q2017 to 7.0% in 3Q2018.

Dividends

The Board does not recommend the payment of any dividend for 3Q2018 (3Q2017: Nil).

Other Information

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

As at 30 September 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 ordinary 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 ordinary shares 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 wholly-owned by Ms. Chan Judy.

Save as disclosed above, as at 30 September 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' AND OTHER PERSON'S 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 September 2018, other than the Directors and the chief executive of the Company, the following persons or entities had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO, or which would be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Name	Capacity/Nature of interest	Number of ordinary shares held ⁽¹⁾	Approximate shareholding percentage
Macmillan Equity ⁽²⁾	Beneficial owner	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 September 2018, the Directors were not aware of any person or entities (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 2018. Details of the Share Option Scheme are set out in Appendix V to the prospectus of the Company dated 12 June 2018 (the “**Prospectus**”). No share option has been granted pursuant to the Share Option Scheme since its adoption.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during the nine months ended 30 September 2018 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 the nine months ended 30 September 2018 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).

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 shares of the Company are listed on GEM of the Stock Exchange since 27 June 2018 (the “**Listing Date**”) and up to the date of this 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 announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

COMPETING INTERESTS

During 3Q2018, none of the Directors, the controlling shareholder 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.

COMPLIANCE ADVISER’S INTERESTS

As at 30 September 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 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 throughout the period from the Listing Date 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. 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 two independent non-executive Directors and one non-executive Director, namely Mr. Lim Leung Yau Edwin, Mr. Ho Kent Ching-tak and Mr. Chow Christer Ho. Mr. Lim Leung Yau Edwin is the chairman of the Audit Committee. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information, provide advice in respect of financial reporting and oversee the risk management and internal control procedures of the Company.

The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Group for the nine months ended 30 September 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

Judy Chan

Chairlady, Chief Executive Officer and Executive Director

Hong Kong, 9 November 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>.