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GRACE VINEYARD
怡園酒莊

Grace Wine Holdings Limited
怡園酒業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8146)

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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.

UNAUDITED THIRD QUARTERLY RESULTS

The board (the "**Board**") of Directors of Grace Wine presents the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2019, together with the comparative unaudited figures for the corresponding period in 2018.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and nine months ended 30 September 2019

		For the nine months ended 30 September		**For the three months ended 30 September**	
	Notes	**2019 (Unaudited) RMB'000**	2018 (Unaudited) RMB'000	**2019 (Unaudited) RMB'000**	2018 (Unaudited) RMB'000
REVENUE	3	**46,895**	48,984	**17,434**	13,708
Cost of sales		**(28,587)**	(34,131)	**(9,949)**	(10,111)
Gross profit		**18,308**	14,853	**7,485**	3,597
Other income and gains, net	3	**1,368**	6,509	**356**	114
Selling and distribution expenses		**(3,461)**	(2,664)	**(867)**	(794)
Administrative expenses		**(17,034)**	(18,543)	**(5,940)**	(6,461)
Other expenses and losses		**(69)**	(388)	**(37)**	(194)
Finance costs, net		**(65)**	–	**(22)**	–
PROFIT/(LOSS) BEFORE TAX		**(953)**	(233)	**975**	(3,738)
Income tax credit/(expense)	4	**(2,002)**	3,677	**(917)**	6,215
PROFIT/(LOSS) FOR THE PERIOD AND PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(2,955)**	3,444	**58**	2,477
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY					
Basic and diluted (RMB cents)	6	**(0.37)**	0.51	**0.01**	0.31

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2019

	For the nine months ended 30 September		**For the three months ended 30 September**	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000	**2019 (Unaudited) RMB'000**	2018 (Unaudited) RMB'000
PROFIT/(LOSS) FOR THE PERIOD	**(2,955)**	3,444	**58**	2,477
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	**1,534**	2,793	**1,593**	474
Release of reserve upon disposal of subsidiaries	**–**	(65)	**–**	(130)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**1,534**	2,728	**1,593**	344
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(1,421)**	6,172	**1,651**	2,821

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

	Attributable to owners of the Company						
	Issued capital	**Share premium**	**Capital and other reserve**	**Statutory funds reserve**	**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	**–**	**–**	**–**	**–**	**–**	**(2,955)**	**(2,955)**
Other comprehensive income for the period:							
Exchange differences:							
Exchange difference on translation of financial information	**–**	**–**	**–**	**–**	**1,534**	**–**	**1,534**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**1,534**	**(2,955)**	**(1,421)**
Capital contributions from shareholders	**–**	**–**	**2,771**	**–**	**–**	**–**	**2,771**
At 30 September 2019 (unaudited)	**674**	**141,579**	**2,864**	**13,746**	**(4,028)**	**97,157**	**251,992**
At 1 January 2018	–	104,194	93	13,544	(7,922)	94,149	204,058
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 5)	–	(10,000)	–	–	–	–	(10,000)
At 30 September 2018 (unaudited)	674	141,579	93	13,544	(5,194)	97,593	248,289

1. GENERAL

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

The Company had its listing (the "**Listing**") on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 June 2018.

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

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

2. BASIS OF PREPARATION

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

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

The unaudited condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

The unaudited condensed consolidated financial information of the Group has been prepared in accordance with the same accounting policies adopted in Group's annual financial statements for the year ended 31 December 2018, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

Amendments to HKFRS 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 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 for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, 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

For the nine months ended 30 September 2019, the impact includes:

- Depreciation expense (as included in cost of sales and administrative expenses) increased by RMB957,000 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 RMB323,000 relating to previous operating leases.

- Amortisation of prepaid land lease expenses (as included in costs of sales and administrative expenses) decreased by RMB634,000 relating to the prepaid land leases.

- Finance costs increased by RMB65,000 relating to the interest expense on additional lease liabilities recognised.

The Group recognised rental expenses from short-term leases of RMB639,000 for the nine months ended 30 September 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.

3. REVENUE, OTHER INCOME AND GAINS, NET

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

	For the nine months ended 30 September		**For the three months ended 30 September**	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000	**2019 (Unaudited) RMB'000**	2018 (Unaudited) RMB'000
Revenue from contracts with customers				
Sales of goods	**46,895**	48,984	**17,434**	13,708

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

	For the nine months ended 30 September		**For the three months ended 30 September**	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000	**2019 (Unaudited) RMB'000**	2018 (Unaudited) RMB'000
Geographical market				
Mainland China	**45,682**	47,563	**16,927**	12,880
Hong Kong	**1,116**	1,083	**483**	736
Other jurisdictions	**97**	338	**24**	92
Total revenue from contracts with customers	**46,895**	48,984	**17,434**	13,708

	For the nine months ended 30 September		For the three months ended 30 September	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank interest income	**724**	173	**214**	111
Government grants*	**483**	504	**23**	3
Gains on disposal of items of property, plant and equipment, net	**89**	55	**72**	–
Gain on disposal of subsidiaries	**–**	5,660	**–**	–
Others	**72**	117	**47**	–
Other income and gains, net	**1,368**	6,509	**356**	114

* The Group received various government grants for the employment support in Mainland China by its subsidiaries and also for the Group's contribution to the wine industry in Shanghai. There were no unfulfilled conditions or contingencies relating to these grants.

4. INCOME TAX

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

No provision for Hong Kong profits tax had been made as the Group did not generate any assessable profits arising in Hong Kong during the reporting period. The provision for the People's Republic of China ("**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 nine months ended 30 September		For the three months ended 30 September	
	2019	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Group:				
Current – Mainland China				
Charge for the period	**1,468**	2,697	**811**	356
Under-provision in prior periods	**327**	24	**–**	–
Deferred tax	**207**	(6,398)	**106**	(6,571)
Total tax charge/(credit) for the period	**2,002**	(3,677)	**917**	(6,215)

5. DIVIDEND

	For the nine months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	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 nine months ended 30 September 2019.

Note:

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

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

The calculation of basic earnings/(loss) per share for the nine months ended 30 September 2019 is based on the loss for the period attributable to owners of the Company of RMB2,955,000 (for the nine months ended 30 September 2018: profit for the period: RMB3,444,000), and the weighted average number of ordinary shares of 800,000,000 (for the nine months ended 30 September 2018: 670,329,670) in issue during the nine months ended 30 September 2019. The calculation of basic earnings/(loss) per share for the three months ended 30 September 2019 is based on the profit for the period attributable to owners of the Company of RMB58,000 (for the three months ended 30 September 2018: RMB2,477,000), and the weighted average number of ordinary shares of 800,000,000 (for the three months ended 30 September 2018: 800,000,000) in issue during the three months ended 30 September 2019.

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 of the Company dated 12 June 2018 (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 three 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 if these additional shares issued under Capitalisation Issue had been in issue throughout the three months ended 30 September 2018, and weighted average number of 800,000,000 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 nine months ended 30 September 2019 and 2018 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 2019 ("**3Q2019**"), the Group has recorded an increase in gross profit as compared to the nine months ended 30 September 2018 ("**3Q2018**"), due to the decrease in cost of the wine sold during 3Q2019.

OUTLOOK

On 12 August 2019, Pacific Surplus Limited (the "**Purchaser**"), a direct wholly-owned subsidiary of the Company, and Kingdrive Limited (the "**Vendor**"), a company directly wholly-owned by Ms. Judy Chan and her associates, entered into a share purchase agreement pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell all issued shares of Maxco Asia Limited (the "**Acquired Group**") at an aggregate consideration of HK$15.0 million. The acquisition of the Acquired Group was completed on 11 October 2019. The Acquired Group is engaged in the production and trading of whisky. We anticipate that with the addition of new products, the Group could develop a new revenue stream and further diversify its business, which can also leverage on the existing brand image, production, sales and marketing know-how and distribution channels we have built up throughout the past two decades. For details, please refer to the announcements of the Company dated 12 August 2019 and 11 October 2019.

The overall market environment remains challenging and competitive. We will continue to strengthen our sales channels and marketing efforts for our wine products, and at the meantime reduce our operating expenses to ensure a stable profitability of the Group.

FINANCIAL REVIEW

Revenue

Our revenue decreased by RMB2.1 million or 4.3% from RMB49.0 million for 3Q2018 to RMB46.9 million for 3Q2019, primarily due to the decrease in sales by our distributor, Shanxi Jiajia, as a result of the sales downturn in the Shanxi province during 3Q2019.

We sold 686,000 bottles in 3Q2019 as compared to 808,000 bottles in 3Q2018. The average selling price increased from RMB60.4 in 3Q2018 to RMB68.4 in 3Q2019, due to the increase in the proportion of sales of our high-end wine portfolio, which have higher selling prices.

Cost of sales

Our cost of sales decreased by RMB5.5 million or 16.2% from RMB34.1 million for 3Q2018 to RMB28.6 million for 3Q2019, primarily due to the decrease in sales volume during 3Q2019.

Gross profit and gross profit margin

Our overall gross profit increased by RMB3.4 million or 23.3% from RMB14.9 million for 3Q2018 to RMB18.3 million for 3Q2019, due to the increase in the proportion of sales of our high-end wine and therefore the increase in average selling price as aforementioned. Our overall gross profit margin increased from 30.3% for 3Q2018 to 39.0% for 3Q2019.

Other income and gains, net

Other net income and gains decreased by RMB5.1 million or 79.0% from RMB6.5 million for 3Q2018 to RMB1.4 million for 3Q2019, mainly due to the gain on disposal of subsidiaries amounted to RMB5.7 million for 3Q2018 which was absent in 3Q2019.

Selling and distribution expenses

Selling and distribution expenses increased by RMB0.8 million or 29.9% from RMB2.7 million for 3Q2018 to RMB3.5 million for 3Q2019, mainly due to the increase in marketing and promotion expenses.

Administrative expenses

Administrative expenses decreased by RMB1.5 million or 8.1% from RMB18.5 million for 3Q2018 to RMB17.0 million for 3Q2019, which was mainly attributable to the absence of listing expenses for 3Q2019 which amounted to RMB6.0 million for 3Q2018, partially offset by the share-based payments made as remuneration to certain management personnel amounting to RMB2.6 million during 3Q2019 which was absent in 3Q2018.

Finance costs, net

Finance costs amounting to RMB65,000 comprise mainly the unwinding of discount on the long-term lease liabilities recognised for our leased office apartments (3Q2018: Nil). During 3Q2019, there was no bank borrowing or other loan drawn down by the Group.

Income tax credit/(expense)

Income tax expense amounting to RMB2.0 million was recorded for 3Q2019 as compared to income tax credit amounting to RMB3.7 million for 3Q2018, which was mainly attributable to the reversal of the deferred taxation provision made in previous years amounting to RMB6.7 million for 3Q2018 which was absent in 3Q2019. An analysis of the profit/(loss) before tax and the income tax credit/expenses arising from the PRC operating companies and the other offshore companies is set out below:

3Q2019	**PRC operating companies RMB'Million**	**Other offshore companies RMB'Million**
Profit/(Loss) before tax	**5.9**	**(6.9)**
Income tax expense	**(2.0)**	**–**

3Q2018	PRC operating companies RMB'Million	Other offshore companies RMB'Million
Profit/(Loss) before tax	4.4	(4.6)
Income tax credit	3.7	–

Loss for the period

As a result of the foregoing, a loss for the period of RMB3.0 million was recorded for 3Q2019 as compared to a profit for the period of RMB3.4 million for 3Q2018.

Exchange Differences on Translation of Financial Information

The exchange differences on translation of financial information represents the differences from the translation of the assets and liabilities of the companies of the Group, which have a presentation currency different from that of the consolidated financial statements of the Group, as compared to the previous reporting date. For 3Q2019, a translation gain of RMB1.5 million (3Q2018: RMB2.8 million) was recognised as other comprehensive income due to the depreciation of Renminbi against Hong Kong Dollar during the period. The management will monitor the foreign currency exposures closely and exercise measures to mitigate foreign exchange risks when necessary.

Harvest result of self-cultivated grapes

The management believes that the harvest result for the year is an important non-financial information to the Group due to the fact that the average unit production costs of the inventory for that year's vintage are affected by the total production volume of self-cultivated grapes harvested for that year, which will therefore impact the financial result of the Group for the subsequent years in which the inventory produced in that year was sold. The harvest of our self-cultivated grapes at our Shanxi Vineyard for the 2019 vintage has been completed in September 2019 and the quality of grapes for determining the level of wine products has been decided preliminarily. The table below sets out the quantities of the harvested grapes and the preliminary decision in the use for the production of wine in our Shanxi Vineyard for 2019 vintage, with comparative figures for 2018 vintage:

	2019 vintage No. of tonnes	2018 vintage No. of tonnes
Grapes harvested	**175.0**	269.5
Base wine produced according to the preliminary classifications		
Entry-level wine	**3.32**	63.69
High-end wine	**112.88**	115.35
	116.20	179.04

For the 2019 vintage, we have controlled our vegetation in order to reduce our targeted harvest quantity, which in return improved the quality of grapes. Following the implementation of such strategy, the percentage of grapes qualified for producing high-end wine increased from 64.4% for 2018 vintage to 97.1% for 2019 vintage.

Dividends

The Board does not recommend the payment of any dividend for 3Q2019 (3Q2018: Nil).

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 2019, the interests and short positions of the Directors and chief executive of the Company in the shares (the "**Shares**") and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Interests in the Company

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

Notes:

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

2. Macmillan Equity is wholly-owned by Ms. Judy Chan, and therefore Ms. Judy Chan is deemed to be interested in the 404,820,000 Shares held by Macmillan Equity pursuant to the SFO.

(ii) Interests in associated corporation of the Company

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

Notes:

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

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

Save as disclosed above, as at 30 September 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 required 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 September 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 ordinary Shares held(1)	Approximate shareholding percentage
Macmillan Equity(2)	Beneficial owner	404,820,000 (L)	50.60%
Palgrave Enterprises Limited ("**Palgrave Enterprises**")(3)	Beneficial owner	173,180,000 (L)	21.65%
Ms. Wong Shu Ying	Beneficial owner	680,000 (L)	0.085%
	Interest in controlled corporation(3)	173,180,000 (L)	21.65%
Mr. Chan Chun Keung(4)	Interest of spouse	173,860,000 (L)	21.73%

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 September 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 2018. Details of the Share Option Scheme are set out in Appendix V to the Prospectus. No share option has been granted pursuant to the Share Option Scheme since its adoption.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during 3Q2019 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 3Q2019 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 during 3Q2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During 3Q2019 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.

ACQUISITION OF MAXCO ASIA LIMITED

On 12 August 2019, the Purchaser, a direct wholly-owned subsidiary of the Company, and the Vendor, a company directly wholly-owned by Ms. Judy Chan and her associates, entered into a share purchase agreement pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell all issued shares of the Acquired Group at an aggregate consideration of HK$15.0 million. The Vendor is directly legally and beneficially owned as to 100% in aggregate by Ms. Judy Chan, an executive Director, the chief executive officer and a controlling shareholder of the Company, and Ms. Wong Shu Ying, a substantial shareholder of the Company, together with their associates. Accordingly, the Vendor is an associate and a connected person of the Company. It follows that the acquisition of the Acquired Group constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. As the applicable percentage ratios exceed 0.1% but are less than 5%, the share purchase agreement and the transaction contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirements. The acquisition of the Acquired Group was completed on 11 October 2019. For details, please refer to the announcements of the Company dated 12 August 2019 and 11 October 2019.

COMPETING INTERESTS

As at 30 September 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 GEM of the Stock Exchange on 27 June 2018.

COMPLIANCE ADVISER'S INTERESTS

As at 30 September 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 3Q2019 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 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 3Q2019 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, 8 November 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.