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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 2023**

**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 of directors (the “**Board**”) of Grace Wine Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months and nine months ended 30 September 2023, together with the comparative unaudited figures of the corresponding periods in 2022. Where appropriate, numerical figures or percentages presented herein shall be approximate figures and percentages (as the case may be).

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the three months and nine months ended 30 September 2023*

	Notes	For the nine months ended 30 September		For the three months ended 30 September	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
REVENUE	3	<b>48,556</b>	51,957	<b>12,085</b>	23,773
Cost of sales		<u>(12,962)</u>	<u>(20,351)</u>	<u>(2,712)</u>	<u>(9,249)</u>
Gross profit		<b>35,594</b>	31,606	<b>9,373</b>	14,524
Other income and gains, net	3	<b>1,247</b>	1,272	<b>311</b>	544
Selling and distribution expenses		<b>(10,539)</b>	(8,688)	<b>(4,612)</b>	(3,056)
Administrative expenses		<b>(18,208)</b>	(15,417)	<b>(5,786)</b>	(5,170)
Other expenses, net		<b>(84)</b>	(442)	<b>(66)</b>	(233)
Finance costs		<u><b>(867)</b></u>	<u>(112)</u>	<u><b>(256)</b></u>	<u>(80)</u>
PROFIT/(LOSS) BEFORE TAX		<b>7,143</b>	8,219	<b>(1,036)</b>	6,529
Income tax (expense)/ credit	4	<u><b>(2,320)</b></u>	<u>(3,129)</u>	<u><b>459</b></u>	<u>(2,275)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u><b>4,823</b></u>	<u>5,090</u>	<u><b>(577)</b></u>	<u>4,254</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Basic and diluted (RMB cent)	5	<u><b>0.60</b></u>	<u>0.64</u>	<u><b>(0.07)</b></u>	<u>0.53</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2023

	For the nine months ended 30 September		For the three months ended 30 September	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
PROFIT/(LOSS) FOR THE PERIOD	<u>4,823</u>	<u>5,090</u>	<u>(577)</u>	<u>4,254</u>
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	(5,392)	(5,146)	(730)	(805)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of the Company's financial statements	<u>5,606</u>	<u>5,692</u>	<u>767</u>	<u>869</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	<u>214</u>	<u>546</u>	<u>37</u>	<u>64</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>5,037</u>	<u>5,636</u>	<u>(540)</u>	<u>4,318</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the nine months ended 30 September 2023*

	Issued capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Share option reserve <i>RMB'000</i>	Statutory funds reserve <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2023	675	137,720	2,765	605	16,799	(5,962)	103,669	256,271
Profit for the period	-	-	-	-	-	-	4,823	4,823
Other comprehensive income/ (loss) for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	-	(5,392)	-	(5,392)
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	5,606	-	5,606
Total comprehensive income for the period	-	-	-	-	-	214	4,823	5,037
Equity-settled share option arrangements	-	-	-	199	-	-	-	199
Transfer from retained profits	-	-	-	-	36	-	(36)	-
At 30 September 2023 (unaudited)	<u>675</u>	<u>137,720</u>	<u>2,765</u>	<u>804</u>	<u>16,835</u>	<u>(5,748)</u>	<u>108,456</u>	<u>261,507</u>
At 1 January 2022	674	141,579	2,765	269	15,703	(6,249)	105,363	260,104
Profit for the period	-	-	-	-	-	-	5,090	5,090
Other comprehensive income/ (loss) for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	-	(5,146)	-	(5,146)
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	5,692	-	5,692
Total comprehensive income for the period	-	-	-	-	-	546	5,090	5,636
Issue of shares upon exercise of share options	1	141	-	(45)	-	-	-	97
Equity-settled share option arrangements	-	-	-	290	-	-	-	290
Transfer from retained profits	-	-	-	-	14	-	(14)	-
Special final 2021 dividend	-	(4,000)	-	-	-	-	-	(4,000)
At 30 September 2022 (unaudited)	<u>675</u>	<u>137,720</u>	<u>2,765</u>	<u>514</u>	<u>15,717</u>	<u>(5,703)</u>	<u>110,439</u>	<u>262,127</u>

# NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2023

## 1. GENERAL

Grace Wine Holdings Limited (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 is an investment holding company. The Company’s principal subsidiaries were engaged in the production and distribution of wine and other alcoholic products.

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

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial information of the Company and its subsidiaries (the “**Group**”) has been prepared to comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM (the “**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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 (“**Audit Committee**”).

The unaudited condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022.

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 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial information:

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

These new and revised HKFRSs did not have any significant impact on the financial position or performance of the Group.

### 3. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	For the nine months ended 30 September		For the three months ended 30 September	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<i>Revenue from contract with customers</i>				
Sales of goods	<b>48,556</b>	51,957	<b>12,085</b>	23,773

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

	For the nine months ended 30 September		For the three months ended 30 September	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<i>Geographical markets</i>				
Mainland China	<b>47,497</b>	51,449	<b>11,655</b>	23,702
Other jurisdictions	<b>1,059</b>	508	<b>430</b>	71
Total revenue from contracts with customers	<b>48,556</b>	51,957	<b>12,085</b>	23,773

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

	For the nine months ended 30 September		For the three months ended 30 September	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Bank interest income	<b>381</b>	411	<b>62</b>	157
Government grants*	<b>676</b>	456	<b>196</b>	99
Covid-19-related rent concessions from lessors	–	62	–	–
Gain on disposal of items of property, plant and equipment, net	<b>62</b>	92	<b>17</b>	89
Penalties from distributors	–	121	–	121
Others	<b>128</b>	130	<b>36</b>	78
	<b>1,247</b>	1,272	<b>311</b>	544

\* The Group received various government grants for promoting the wine industry and supporting agricultural development. There are 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 has been made as the Group did not generate any assessable profits arising in Hong Kong during the reporting period. The provision for the PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC.

	For the nine months ended 30 September		For the three months ended 30 September	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Current – Mainland China				
Charge/(credit) for the period	1,390	2,708	(615)	2,083
Over-provision in prior periods	(380)	(160)	(405)	–
Deferred	1,310	581	561	192
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total tax charge/(credit) for the period	<u>2,320</u>	<u>3,129</u>	<u>(459)</u>	<u>2,275</u>

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

##### For the nine months ended 30 September 2023

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	<u>10,006</u>		<u>(2,863)</u>		<u>7,143</u>	
Tax at the weighted average applicable tax rate	2,501	25.0	(472)	16.5	2,029	28.4
Lower tax rate for specific provinces or enacted by local authorities	(425)		–		(425)	
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	91		–		91	
Adjustments in respect of current tax of previous periods	(380)		–		(380)	
Income not subject to tax	(104)		(1)		(105)	
Expenses not deductible for tax	60		8		68	
Tax losses not recognised	<u>577</u>		<u>465</u>		<u>1,042</u>	
Tax charge for the period	<u>2,320</u>	23.2	<u>–</u>	–	<u>2,320</u>	32.5

For the nine months ended 30 September 2022

	Mainland China		Hong Kong		Total	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit/(loss) before tax	<u>11,042</u>		<u>(2,823)</u>		<u>8,219</u>	
Tax at the weighted average applicable tax rate	2,761	25.0	(466)	16.5	2,295	27.9
Lower tax rate for specific provinces or enacted by local authorities	(77)		–		(77)	
Adjustments in respect of current tax of previous periods	(160)		–		(160)	
Income not subject to tax	(101)		(10)		(111)	
Expenses not deductible for tax	53		6		59	
Tax losses not recognised	<u>653</u>		<u>470</u>		<u>1,123</u>	
Tax charge for the period	<u>3,129</u>	28.3	<u>–</u>	–	<u>3,129</u>	38.1

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

The calculation of basic earnings per share for the nine months ended 30 September 2023 is based on the profit for the period attributable to owners of the Company of RMB4,823,000 (for the nine months ended 30 September 2022: RMB5,090,000), and the weighted average number of ordinary shares of 800,600,000 (for the nine months ended 30 September 2022: 800,298,901) in issue during the period.

The calculation of basic (loss)/earnings per share for the three months ended 30 September 2023 is based on the loss for the period attributable to owners of the Company of RMB577,000 (for the three months ended 30 September 2022: profit of RMB4,254,000), and the weighted average number of ordinary shares of 800,600,000 (for the three months ended 30 September 2022: 800,600,000) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amount presented for the nine months and the three months ended 30 September 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

## 6. DIVIDENDS

	For the nine months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Special final 2021 dividend – HK0.62 cents per ordinary share	<u>–</u>	<u>4,000</u>

The board of directors does not recommend the payment of any dividend in respect of the nine months ended 30 September 2023 (for the nine months ended 30 September 2022: Nil).



## 7. SHARE OPTION SCHEME

In order to attract and retain the eligible participants, to provide incentives or rewards for their contribution to the Group and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (the “**Scheme**”) on 1 June 2018 whereby the board of directors (the “**Board**”) is authorised, at its absolute discretion and subject to the terms of the Scheme, to grant options to subscribe for the shares of the Company (the “**Shares**”) to, *inter alia*, any employees (full-time or part-time), potential employees, executives or officers (including executive, non-executive and independent non-executive Directors) of the Group and any suppliers, customers, agents and advisers who have contributed to the Group. The Scheme shall be valid and effective for a period of ten years commencing on 1 June 2018, subject to the early termination provisions contained in the Scheme.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the Shares in issue as at 27 June 2018 (the “**Listing Date**”). The Company may at any time refresh this limit, subject to the shareholders’ approval and issue of a circular in compliance with the GEM Listing Rules.

The total number of shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant, shall not exceed 0.1% of the Shares in issue.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within seven days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the official closing price of the shares as stated in the Stock Exchange’s daily quotation sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days (as defined in the GEM Listing Rules) immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option provided always that for the purpose of calculating the subscription price, where the Company has been listed on the Stock Exchange for less than five business days, the issue price shall be used as the closing price for any trading day falling within the period before the date of listing of the shares.

In May 2021, 10,000,000 share options were granted under the Scheme, at an exercise price of HK\$0.186 per share. 30% and 30% of the share options vested on 17 May 2022 and 17 May 2023, respectively. The remaining 40% of the share options will vest on 17 May 2024, on the condition that the director and employee of the Company remain in service as of the vesting date. The maximum aggregate number of ordinary shares that may be issued pursuant to all grantees under the Scheme was 10,000,000. The options will lapse on the tenth anniversary of the grant date.

In May 2022, 3,000,000 share options were granted under the Scheme, at an exercise price of HK\$0.170 per share. 30% of the share options vested on 17 May 2023. The remaining 30% and 40% of the share options will vest on 17 May 2024 and 17 May 2025, respectively, on the condition that the employee of the Company remains in service as of the vesting dates. The maximum aggregate number of ordinary shares that may be issued pursuant to all grantees under the Scheme was 3,000,000. The options will lapse on the tenth anniversary of the grant date.

- (a) The fair value of equity-settled share options granted during the period was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used:

	<b>Share options granted on 17 May 2022</b>
Dividend yield (%)	0%
Expected volatility (%) ( <i>note</i> )	45.54%
Risk-free interest rate (%)	3.081%
Option life ( <i>years</i> )	10
Spot price ( <i>HK\$ per share</i> )	0.1680

*Note:* Expected volatility is estimated based on the average historical volatility of the comparable companies. No other feature of the options granted was incorporated into the measurement of fair value.

- (b) The following share options were outstanding under the Scheme during the period:

	<b>2023</b>		2022	
	<b>Weighted average exercise price per share HK\$</b>	<b>Number of options '000</b>	Weighted average exercise price per share HK\$	Number of options '000
At 1 January	<b>0.182</b>	<b>12,400</b>	0.186	10,000
Granted during the period		–	0.170	3,000
Exercised during the period		–	0.186	(600)
At 30 September	<b>0.182</b>	<b>12,400</b>	0.182	12,400

- (c) The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

**30 September 2023**

Number of options '000	Exercise price* <i>HK\$ per share</i>	Exercise period
2,400	<b>0.186</b>	17 May 2022–16 May 2031
3,000	<b>0.186</b>	17 May 2023–16 May 2031
4,000	<b>0.186</b>	17 May 2024–16 May 2031
900	<b>0.170</b>	17 May 2023–16 May 2032
900	<b>0.170</b>	17 May 2024–16 May 2032
<u>1,200</u>	<b>0.170</b>	17 May 2025–16 May 2032
 <b>12,400</b>		

30 September 2022

Number of options '000	Exercise price* <i>HK\$ per share</i>	Exercise period
2,400	0.186	17 May 2022–16 May 2031
3,000	0.186	17 May 2023–16 May 2031
4,000	0.186	17 May 2024–16 May 2031
900	0.170	17 May 2023–16 May 2032
900	0.170	17 May 2024–16 May 2032
<u>1,200</u>	0.170	17 May 2025–16 May 2032
 <b>12,400</b>		

\* The exercise price of the share options is subject to adjustment in the case of right or bonus issues, or other similar changes in the Company's share capital.

The Group recognised a share option expense of RMB199,000 (equivalent to HK\$220,000) (for the nine months ended 30 September 2022: RMB290,000 (equivalent to HK\$342,000)) for the nine months ended 30 September 2023.

At the end of the reporting period, the Company had 12,400,000 share options outstanding. If the outstanding share options were exercised in full, an additional 12,400,000 ordinary shares of the Company will be issued, resulting in additional share capital of RMB11,000 (equivalent to HK\$12,000) and share premium of RMB2,100,000 (equivalent to HK\$2,246,000) (before issue expenses), respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group engages in the wine production business in Ningxia and Shanxi Provinces and wine distribution business throughout China. As the impact of the COVID-19 pandemic on economic activities diminished gradually in 2023, the Group recorded an increase in gross profit for the nine months ended 30 September 2023 (“**3Q2023**”) as compared to the nine months ended 30 September 2022 (“**3Q2022**”) and the two previous quarters and continued to maintain net profits. The net profit margin increased to 9.9%, as compared to the net profit margin of 9.8% for the same period last year.

### OUTLOOK

As the COVID-19 pandemic came to an end, the post-pandemic era began under active support from the central government for the recovery of domestic economic activities. As a result, the per capita disposable income and per capita spending on food, tobacco and alcohol across the country also increased, which brought a positive impact to the business development of the Group. The Group’s revenue for 3Q2023 amounted to RMB48.6 million, representing a decrease of approximately 6.6% as compared to 3Q2022. In spite of that, the Group’s gross profit margin continued to increase and amounted to 73.3% for 3Q2023, as compared to the gross profit margin of 60.8% for 3Q2022. The significant growth in gross profit margin has boosted our confidence in the business development of the Group in the future.

In relation to the acquisition of the whisky and gin facility located in China’s Fujian Province in 2019, the relevant preparation has been completed and the operation has been officially commenced. As the Group’s whisky business is still in its initial development stage, following our successful distillation of whisky in April this year, we will first focus on the production of single malt whisky and, until its development becomes stable, we will gradually start developing other types of whisky. In addition, we have also acquired the production license for gin and whisky since September this year and therefore our gin is ready for launch. We expect that the liquor business and wine business will bring stability to the diversified development of the Group in the alcohol industry, thereby enabling a better performance of the Group.

Looking forward, the Group will continue to maintain high-quality wine production to meet the demand of consumers. At the same time, we will carry out active development of our liquor business to expand our customer base and sales channels. We are confident that we can keep up with the recovery of the economic environment to achieve business growth and further consolidate the Group’s position in the industry.

## **FINANCIAL REVIEW**

### **Revenue**

Our revenue decreased by RMB3.4 million or 6.6% from RMB52.0 million for 3Q2022 to RMB48.6 million for 3Q2023 as a result of the decrease in total sales volume.

We sold 489,000 bottles in 3Q2023 as compared to 688,000 bottles in 3Q2022, the average selling price increased from RMB75.5 per bottle in 3Q2022 to RMB99.3 per bottle in 3Q2023.

The sales of high-end wine increased by 20.9% or 35,000 bottles from 152,000 for 3Q2022 to 187,000 bottles for 3Q2023 while the sales of low-end wine decreased by 43.6% or 234,000 bottles from 536,000 for 3Q2022 to 302,000 bottles for 3Q2023.

### **Cost of sales**

Our cost of sales decreased by RMB7.4 million or 36.3% from RMB20.4 million for 3Q2022 to RMB13.0 million for 3Q2023 primarily due to the decrease in total sales volume. Our average cost of sales per bottle decreased from RMB34.0 for 3Q2022 to RMB26.5 for 3Q2023.

### **Gross profit and gross profit margin**

Our overall gross profit increased by RMB4.0 million or 12.6% from RMB31.6 million for 3Q2022 to RMB35.6 million for 3Q2023, due to the increase in sales of high-end wine. Our overall gross profit margin increased from 60.8% for 3Q2022 to 73.3% for 3Q2023.

### **Other income and gains, net**

Other net income and gains remained at RMB1.3 million for both 3Q2022 and 3Q2023, which mainly comprised income from government grants and bank interest income.

### **Selling and distribution expenses**

Selling and distribution expenses increased by RMB1.8 million or 21.3% from RMB8.7 million for 3Q2022 to RMB10.5 million for 3Q2023, which was due to the increase in marketing events.

### **Administrative expenses**

Administrative expenses increased by RMB2.8 million or 18.1% from RMB15.4 million for 3Q2022 to RMB18.2 million for 3Q2023, which is mainly due to the increase in general administrative expenses in relation to the construction of the gin and whisky distillery such as depreciation expenses and research and development expenses.

Also, we experienced lockdown in our primary market for 3Q2022, which reduced the level of administrative activities in 3Q2022.

We expect that revenue from the sales of gin and whisky will start in the first quarter of 2024.

### **Finance costs**

Our finance costs was RMB867,000, which represented the interest on bank loans of RMB840,000 (3Q2022: RMB77,000) and unwinding of the discounted lease liabilities recognised under HKFRS 16 *Leases* of RMB27,000 (3Q2022: RMB35,000).

### **Income tax expense**

Our income tax expense decreased by RMB0.8 million or 25.9% from RMB3.1 million for 3Q2022 to RMB2.3 million for 3Q2023 due to the decrease in profit before tax in our PRC subsidiaries.

### **Profit for the period**

As a result of the foregoing, a profit for the period of RMB4.8 million was recognised for 3Q2023 (3Q2022: RMB5.1 million).

### **Dividend**

The Board does not recommend the payment of any dividend for 3Q2023 (3Q2022: 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 2023, 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 Share(s) held <sup>(1)</sup>	Approximate shareholding percentage
Ms. Judy Chan <sup>(2)</sup>	Interest in controlled corporation <sup>(2)</sup>	411,350,000 (L)	51.38%
	Beneficial Owner <sup>(3)</sup>	8,000,000 (L)	1.00%

#### 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. Judy Chan, and therefore Ms. Judy Chan is deemed to be interested in 411,350,000 Shares held by Macmillan Equity pursuant to the SFO.
3. The share options granted by the Company under its share option scheme to Ms. Judy Chan on 17 May 2021.

(ii) **Interests in associated corporation of the Company**

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity/ Nature of interest</b>	<b>Number of ordinary share(s) held<sup>(1)</sup></b>	<b>Approximate shareholding percentage</b>
Ms. Judy Chan <sup>(2)</sup>	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 2023, 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 September 2023, 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:

<b>Name</b>	<b>Capacity/ Nature of interest</b>	<b>Number of ordinary Shares held<sup>(1)</sup></b>	<b>Approximate shareholding percentage</b>
Macmillan Equity <sup>(2)</sup>	Beneficial owner	411,350,000 (L)	51.38%
Palgrave Enterprises Limited (“Palgrave Enterprises”) <sup>(3)</sup>	Beneficial owner	173,180,000 (L)	21.63%
Ms. Wong Shu Ying	Beneficial owner	4,460,000 (L)	0.56%
	Interest in controlled corporation <sup>(3)</sup>	173,180,000 (L)	21.63%
Mr. Chan Chun Keung <sup>(4)</sup>	Interest of spouse	177,640,000 (L)	22.19%
Mr. Ting Tan Ming	Beneficial owner	48,030,000 (L)	6.00%



*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 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 4,460,000 Shares held by Ms. Wong Shu Ying and 173,180,000 Shares held by Ms. Wong Shu Ying through her controlled corporation, Palgrave Enterprises, pursuant to the SFO.

Save as disclosed above, as at 30 September 2023, the Directors were not aware of any person or corporation (other than the Directors and the chief executives of the Company) who had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO, or pursuant to section 336 of the SFO, which would have to be recorded in the register referred to therein.

## **SHARE OPTION SCHEME**

A share option scheme was adopted by the Company on 1 June 2018 (the “**Share Option Scheme**”). The purpose of the Share Option Scheme is to enable the Company to grant options to Eligible Participants (as defined below) as incentives or rewards for their contribution or potential contribution to the Group. Details of the Share Option Scheme have been disclosed in the prospectus of the Company dated 12 June 2018 (the “**Prospectus**”) under section “Appendix V – Statutory and General Information – F. Share Option Scheme”.

Unless otherwise cancelled or amended, the Board is entitled at any time within the period of ten years from the date of adoption of the Share Option Scheme to make an offer to the below eligible participants (the “**Eligible Participants**”) of the Share Option Scheme:

- (i) any full-time or part-time employees, or potential employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any Directors (including executive, non-executive and independent non-executive Directors) of the Company or any of its subsidiaries; and
- (iii) any suppliers, customers, agents and advisers who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its subsidiaries.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date, being 80,000,000 Shares. Subject to Shareholders’ approval in general meeting, the Board may (i) refresh this limit at any time to 10% of the Shares in issue as at the date of the approval by the

Shareholders in general meeting; and/or (ii) grant options beyond the 10% limit to Eligible Participants specially approved by the Shareholders in general meeting and the Eligible Participants are specifically identified by the Company before such approval is sought.

The total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. Any further grant of options to an Eligible Participant in excess of the 1% limit shall be subject to approval by Shareholders in general meeting with such Eligible Participant and his or her close associates (or his or her associates if such Eligible Participant is a connected person) abstaining from voting.

Each of the grantees to whom an option has been granted under the Share Option Scheme shall be entitled to exercise his/her option in the manner set out in his/her offer document, provided that such period of time shall not exceed a period of ten years commencing on the date on which the option is granted. The exercise of any option shall be subject to the approval from the Shareholders in general meeting approving any necessary increase in the authorised share capital of the Company.

Upon acceptance of an option to subscribe for Shares granted pursuant to the Share Option Scheme, the Eligible Participant shall pay HK\$1.00 to the Company as consideration for the grant. The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and no less than the highest of:

- (a) the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant, which must be a day on which the Stock Exchange is open for business of dealing in securities;
- (b) the average of the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five business days (as defined under the GEM Listing Rules) immediately preceding the date of grant; and
- (c) the nominal value of a Share.

As at 30 September 2023, the number of shares in respect of which options under the Share Option Scheme had been granted and remained outstanding was 13,000,000 Shares and 12,400,000 Shares respectively, representing approximately 1.62% and 1.55%, respectively, of the Shares in issue as at 30 September 2023.

Total number of Shares available for issue under the Share Option Scheme was 67,000,000 Shares, representing approximately 8.37% of the Shares in issue as at 30 September 2023.

Details of the share options movement during the nine months ended 30 September 2023 under the Share Option Scheme are set out in the table below.

Grantee	Date of grant of share options	Number of share options					As at 30 September 2023	Exercise price of share options HK\$	Validity period of share options (both dates inclusive)	Vesting period
		As at 1 January 2023	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Employee	17 May 2021	1,400,000	-	-	-	-	1,400,000	0.186	17/5/2021 to 16/5/2031	Note 1
	17 May 2022	3,000,000	-	-	-	-	3,000,000	0.17	17/5/2022 to 16/5/2032	Note 2
Director Judy Chan	17 May 2021	8,000,000	-	-	-	-	8,000,000	0.186	17/5/2021 to 16/5/2031	Note 1

Notes:

- Grantees may only exercise their share options in the following manner:

Maximum percentage of share options exercisable	Period for vesting of the relevant percentage of the share option
30% of the total number of share options	From 17 May 2022 to 16 May 2031
30% of the total number of share options	From 17 May 2023 to 16 May 2031
40% of the total number of share options	From 17 May 2024 to 16 May 2031

- Grantees may only exercise their share options in the following manner:

Maximum percentage of share options exercisable	Period for vesting of the relevant percentage of the share option
30% of the total number of share options	From 17 May 2023 to 16 May 2032
30% of the total number of share options	From 17 May 2024 to 16 May 2032
40% of the total number of share options	From 17 May 2025 to 16 May 2032

The closing price of the Shares immediately before the date of grant of share options under the Share Option Scheme on 17 May 2021 and 17 May 2022 were HK\$0.185 and HK\$0.164 respectively.

## RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during the nine months ended 30 September 2023 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 2023 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 September 2023, 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.

Mr. Ho Kent Ching-tak (“**Mr. Ho**”), an independent non-executive Director of the Company, is a director of BP Wines (AU) Pty Ltd, an entity which owns Bass Phillip, a winery based in Australia which produces and sells wine globally with the PRC being one of its target markets. Mr. Ho is also the general partner of Spectrum 28 X Fund, LP which, through BP Wines (SG) Pte. Ltd., an investment holding entity of which he is a director, has shareholding interests in BP Wines (AU) Pty Ltd.

Dr. Cheung Chai Hong, a non-executive Director of the Company, is a director and leading founder of The Wine Company, a fine wine retail and trading company in Hong Kong established in 2010. The Wine Company’s principal business is based in Hong Kong, and it only generates a minimal portion of its sales in the PRC.

## **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 the Listing Date.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions (the “**Model Code**”) by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has confirmed that, having made specific enquiry of all the Directors, all Directors have complied with the Model Code during the nine months ended 30 September 2023.

Pursuant to Rule 5.66 of the GEM Listing Rules, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his/her office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he/she would be prohibited from dealing by the Model Code as if he/she was a Director.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the nine months ended 30 September 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **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 the nine months ended 30 September 2023.

### **Chairman and Chief Executive**

Under code provision C.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 C.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 D.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 2023 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, 6 November 2023

*As at the date of this announcement, the Board comprises Ms. Judy Chan as the executive Director, Mr. Chow Christer Ho and Dr. Cheung Chai Hong as the non-executive Directors, and Mr. Ho Kent Ching-tak, Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy as the independent non-executive Directors.*

*This announcement will remain on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and will be published on the Company’s website at [www.gracewine.com.hk](http://www.gracewine.com.hk).*