

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

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 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 2021, together with the comparative unaudited figures of the corresponding periods in 2020. 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 2021

		For the nine months ended 30 September		For the three months ended 30 September	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
	Notes				
REVENUE	3	66,314	39,632	23,478	20,007
Cost of sales		<u>(28,772)</u>	<u>(20,523)</u>	<u>(10,015)</u>	<u>(10,237)</u>
Gross profit		37,542	19,109	13,463	9,770
Other income and gains, net	3	1,374	1,431	246	326
Selling and distribution expenses		(11,638)	(4,262)	(3,446)	(1,525)
Administrative expenses		(16,004)	(14,337)	(5,933)	(5,337)
Other expenses and losses		(189)	(157)	(30)	(69)
Finance costs, net		<u>(74)</u>	<u>(96)</u>	<u>(14)</u>	<u>(32)</u>
PROFIT BEFORE TAX		11,011	1,688	4,286	3,133
Income tax expense	4	<u>(4,447)</u>	<u>(2,017)</u>	<u>(1,259)</u>	<u>(1,517)</u>
PROFIT/(LOSS) FOR THE PERIOD AND PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>6,564</u>	<u>(329)</u>	<u>3,027</u>	<u>1,616</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY					
Basic and diluted (RMB cent)	5	<u>0.82</u>	<u>(0.04)</u>	<u>0.38</u>	<u>0.20</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2021

	For the nine months ended 30 September		For the three months ended 30 September	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
PROFIT/(LOSS) FOR THE PERIOD	<u>6,564</u>	<u>(329)</u>	<u>3,027</u>	<u>1,616</u>
OTHER COMPREHENSIVE LOSS				
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
Exchange differences on translation of financial information	<u>(632)</u>	<u>(324)</u>	<u>(343)</u>	<u>(769)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>5,932</u>	<u>(653)</u>	<u>(2,684)</u>	<u>847</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021

	Attributable to owners of the Company							Total RMB'000
	Issued capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Capital and other reserve RMB'000	Statutory funds RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	
At 1 January 2021	674	141,579	-	2,765	14,874	(5,879)	98,452	252,465
Profit for the period	-	-	-	-	-	-	6,564	6,564
Other comprehensive loss for the period:								
Exchange differences:								
Exchange difference on translation of financial information	-	-	-	-	-	(632)	-	(632)
Total comprehensive income/ (loss) for the period	-	-	-	-	-	(632)	6,564	5,932
Equity-settled share option arrangements	-	-	161	-	-	-	-	161
Transfer from retained profits	-	-	-	-	(6)	-	6	-
At 30 September 2021 (unaudited)	<u>674</u>	<u>141,579</u>	<u>161</u>	<u>2,765</u>	<u>14,868</u>	<u>(6,511)</u>	<u>105,022</u>	<u>258,558</u>
At 1 January 2020	674	141,579	-	2,765	14,197	(4,831)	99,691	254,075
Loss for the period	-	-	-	-	-	-	(329)	(329)
Other comprehensive loss for the period:								
Exchange differences:								
Exchange difference on translation of financial information	-	-	-	-	-	(324)	-	(324)
Total comprehensive loss for the period	-	-	-	-	-	(324)	(329)	(653)
Transfer from retained profits	-	-	-	-	17	-	(17)	-
At 30 September 2020 (unaudited)	<u>674</u>	<u>141,579</u>	<u>-</u>	<u>2,765</u>	<u>14,214</u>	<u>(5,155)</u>	<u>99,345</u>	<u>253,422</u>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2021

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 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 the 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 2020.

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 2020, except for the adoption of the following 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, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Covid-19-Related Rent Concessions beyond 30 June 2021
(early adopted)

These amendments had no impact on the condensed consolidated financial information of the Group.

3. REVENUE, OTHER INCOME AND GAINS, NET

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

	For the nine months ended 30 September		For the three months ended 30 September	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Revenue from contracts with customers</i>				
Sales of goods	66,314	39,632	23,478	20,007

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	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Geographical markets</i>				
Mainland China	65,269	39,437	23,359	19,881
Other jurisdictions	1,045	195	119	126
Total revenue from contracts with customers	66,314	39,632	23,478	20,007

	For the nine months ended 30 September		For the three months ended 30 September	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Other income and gains, net</i>				
Bank interest income	632	529	242	97
Government grants*	606	743	–	132
Gains on disposal of items of property, plant and equipment, net	114	121	4	85
Others	22	38	–	12
Other income and gains, net	1,374	1,431	246	326

* The Group received government grants in relation to the agricultural development fund in Shanxi, sewage treatment subsidy in Ningxia and employment support subsidy in Xiamen. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. There were no unfulfilled conditions or contingencies relating to these grants.

4. INCOME TAX

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

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

	For the nine months ended 30 September		For the three months ended 30 September	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Group:				
Current – Mainland China				
Charge for the period	4,327	2,195	1,286	1,606
Under-provision/ (over-provision) in prior periods	66	(114)	1	(23)
Deferred tax	54	(64)	(28)	(66)
Total tax charge for the period	<u>4,447</u>	<u>2,017</u>	<u>1,259</u>	<u>1,517</u>

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate 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 2021

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	<u>15,502</u>		<u>(4,491)</u>		<u>11,011</u>	
Tax at the weighted average applicable tax rate	3,875	25.0	(741)	16.5	3,134	28.5
Lower tax rate for specific provinces or enacted by local authority	(87)		–		(87)	
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	81		–		81	
Adjustments in respect of current tax of previous periods	66		–		66	
Income not subject to tax	(141)		(4)		(145)	
Expenses not deductible for tax	70		111		181	
Tax losses not recognised	<u>583</u>		<u>634</u>		<u>1,217</u>	
Tax charge for the period	<u>4,447</u>	28.7	<u>–</u>	–	<u>4,447</u>	40.4

For the nine months ended 30 September 2020

	Mainland China		Hong Kong		Total	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit/(loss) before tax	<u>6,217</u>		<u>(4,529)</u>		<u>1,688</u>	
Tax at the weighted average applicable tax rate	1,554	25.0	(747)	16.5	807	47.8
Lower tax rate for specific provinces or enacted by local authority	(235)		–		(235)	
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	97		–		97	
Adjustments in respect of current tax of previous periods	(114)		–		(114)	
Income not subject to tax	(21)		–		(21)	
Expenses not deductible for tax	33		–		33	
Tax losses not recognised	<u>703</u>		<u>747</u>		<u>1,450</u>	
Tax charge for the period	<u>2,017</u>	32.4	<u>–</u>	–	<u>2,017</u>	119.5

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 2021 is based on the profit for the period attributable to owners of the Company of RMB6,564,000 (for the nine months ended 30 September 2020: loss of RMB329,000), and the weighted average number of ordinary shares of 800,000,000 (for the nine months ended 30 September 2020: 800,000,000) in issue during the period.

The calculation of basic earning per share for the three months ended 30 September 2021 is based on the profit for the period attributable to owners of the Company of RMB3,027,000 (for the three months ended 30 September 2020: RMB1,616,000), and the weighted average number of ordinary shares of 800,000,000 (for the three months ended 30 September 2020: 800,000,000) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share presented for the three months and nine months ended 30 September 2020 as the Group had no potentially dilutive ordinary shares in issue during these periods.

No adjustment has been made to the basic earnings per share presented for the three months and nine months ended 30 September 2021 in respect of a dilution as the impact of the share options had an anti-dilutive effect in the basic earnings per share amount presented.

6. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2021 (nine months ended 30 September 2020: Nil).

7. SHARE-BASED PAYMENTS

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 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 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 on 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 Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time.

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%, 30% and 40% of the share options will vest on 17 May 2022, 17 May 2023, and 17 May 2024, respectively, on the condition that directors and employees of the Company remain 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 10,000,000. The Scheme lapses 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:

Key assumption	Input
Dividend yield (%)	0%
Expected volatility (%) (note)	44.91%
Risk-free interest rate (%)	1.192%
Option life (years)	10
Spot price (HK\$ per share)	0.1780

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 was outstanding under the Scheme during the period:

	Weighted average exercise price per share HK\$	Number of options
At 1 January 2021	—	—
Granted during the period	0.186	10,000,000
At 30 September 2021	0.186	10,000,000

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

Exercise period	Number of options	Exercise price HK\$
17 May 2022–16 May 2031	3,000,000	0.186
17 May 2023–16 May 2031	3,000,000	0.186
17 May 2024–16 May 2031	4,000,000	0.186
At 30 September 2021	10,000,000	

The fair values of the share options granted under the Scheme during the nine months ended 30 September 2021 was RMB743,000 (equivalent to HK\$892,000), of which the Group recognised a share-based payment expense of RMB161,000 (equivalent to HK\$196,000) for the nine months ended 30 September 2021.

At the end of the reporting period, the Company had 10,000,000 share options outstanding. If the outstanding share options were exercised in full, an additional 10,000,000 ordinary shares of the Company will be issued, resulting in additional share capital of RMB8,000 (equivalent to HK\$10,000) and capital reserve of RMB1,541,000 (equivalent to HK\$1,850,000) (before issue expenses), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in the wine production and distribution business in China's Ningxia and Shanxi Provinces. During the nine months ended 30 September 2021 ("3Q2021"), the Group recorded an increase in gross profit as compared to the nine months ended 30 September 2020 ("3Q2020"), and continued to materialise the net profit, principally due to the increase in sales volume and decrease in average cost of the wine sold.

OUTLOOK

The global economy has gradually recovered from the crisis of COVID-19 in 2021. After the implementation of various large-scale and effective disease prevention measures in China, production and consumer activities have been recovered rapidly, and the consumer demand across the country have gradually been recovered to the normal level before the pandemic. Our sales performance improved significantly due to an overall consumption growth which led to an ideal growth of revenue of the Group for the first half year of 2021. The ongoing market growth for 3Q2021 also brought positive performance to our sales, the revenue for the nine months ended 30 September 2021 reached RMB23.5 million, 17.5% higher than the corresponding period of 2020 (RMB20.0 million). Our gross profit margin also continued to improve, reaching 56.6% for the nine months ended 30 September 2021 as compared to 48.2% for the corresponding period of 2020. We are encouraged by the remarkable growth in revenue and gross profit margin.

In relation to the acquisition of the whisky and gin facility located in China's Fujian Province in 2019, the Group used part of the proceeds from the Listing to the construction of a distillery facility at the acquired plant in October 2021. Through Fujian Dexi Wine Company Limited* (福建德熙酒業有限公司), an indirect wholly-owned subsidiary of the Group, the Group has already entered into an equipment purchase contract with Weihai Yuanhang Technology Development Co., Ltd.* (威海遠航科技發展股份有限公司) ("Weihai Yuanhang") on 19 October 2021, an independent third party, Weihai Yuanhang will supply and install the relevant equipment for the purpose of whisky production. The Group believes that the construction of these facilities can make the Group to produce quality whisky and gin, to be benefited from the trend of the gradual popularity of whisky and gin beverages, while realised the optimisation of product portfolio and business diversification. For more details, please refer to the Company's announcements dated 12 August 2019, 11 October 2019, 4 September 2020 and 19 October 2021.

The Group will continue to overcome the challenges brought by the ever-changing business environment, and we are confident that we will achieve better results in the future.

* For identification purposes only

FINANCIAL REVIEW

Revenue

Our revenue increased by RMB26.7 million or 67% from RMB39.6 million for 3Q2020 to RMB66.3 million for 3Q2021 as a result of the increase in total sales volume.

We sold 817,000 bottles in 3Q2021 as compared to 493,000 bottles in 3Q2020, while our average selling price maintained at RMB80.4 per bottle in 3Q2020 as compared to RMB80.9 per bottle in 3Q2021.

Cost of sales

Our cost of sales increased by RMB8.3 million or 40% from RMB20.5 million for 3Q2020 to RMB28.8 million for 3Q2021 primarily due to the increase in total sales volume. Our average cost of sales per bottle decreased from RMB41.6 for 3Q2020 to RMB35.2 for 3Q2021.

Gross profit and gross profit margin

Our overall gross profit increased by RMB18.4 million or 96% from RMB19.1 million for 3Q2020 to RMB37.5 million for 3Q2021, due to the increase in total sales. Our overall gross profit margin increased from 48.2% for 3Q2020 to 56.6% for 3Q2021.

Other income and gains, net

Other net income and gains remained at RMB1.4 million for both 3Q2020 and 3Q2021, which mainly comprised income from government grants.

Selling and distribution expenses

Selling and distribution expenses increased by RMB7.3 million or 170% from RMB4.3 million for 3Q2020 to RMB11.6 million for 3Q2021, mainly due to the strengthened branding and marketing efforts and increased promotion events organized in the Shanxi Province, China and other sales regions. In addition, the Group has entered into cooperation agreements with several offline distributors to increase distribution channels.

Administrative expenses

Administrative expenses increased by RMB1.7 million or 12% from RMB14.3 million for 3Q2020 to RMB16.0 million for 3Q2021, which was mainly attributable to (i) the increase in staff costs due to the share-based payments made as remuneration to certain management personnel, insurance and other general administrative expenses of RMB1.1 million; and (ii) in relation to our whisky and gin production project of RMB0.6 million.

Finance costs, net

Our finance costs was RMB74,000, which represented the unwinding of the discounted lease liabilities recognised under HKFRS 16 Leases (3Q2020: RMB96,000).

Income tax expenses

Our income tax expenses increased by RMB2.4 million or 120% from RMB2.0 million for 3Q2020 to RMB4.4 million for 3Q2021 due the increase in profit before tax in our PRC subsidiaries.

Profit for the period

As a result of the foregoing, a profit for the period of RMB6.6 million was recognised for 3Q2021 (3Q2020: loss for the period of RMB0.3 million).

Dividend

The Board does not recommend the payment of any dividend for 3Q2021 (3Q2020: 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 2021, 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 ⁽²⁾	411,350,000 (L)	51.42%
	Beneficial owner ⁽³⁾	8,000,000 (L)	1.00%
Mr. Fan Chi Chiu (resigned as an executive Director on 30 September 2021)	Beneficial owner	600,000 (L)	0.075%

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**

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 2021, 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 2021, 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	411,350,000 (L)	51.42%
Palgrave Enterprises Limited (“Palgrave Enterprises”) ⁽³⁾	Beneficial owner	173,180,000 (L)	21.65%
Ms. Wong Shu Ying	Beneficial owner	4,460,000 (L)	0.56%
	Interest in controlled corporation ⁽³⁾	173,180,000 (L)	21.65%
Mr. Chan Chun Keung ⁽⁴⁾	Interest of spouse	177,640,000 (L)	22.21%
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 2021, 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 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 10 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 27 June 2018 (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 for 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 2021, the number of shares in respect of which options under the Share Option Scheme had been granted and remained outstanding was 10,000,000 Shares and 10,000,000 Shares respectively, representing approximately 1.25% and 1.25%, respectively, of the Shares in issue as at 30 September 2021.

Total number of Shares available for issue under the Share Option Scheme was 70,000,000 Shares, representing approximately 8.75% of the Shares in issue as at 30 September 2021.

Details of the share options movement during the six months ended 30 September 2021 under the Share Option Scheme are set out in the table below.

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

Note:

- 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

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during the nine months ended 30 September 2021 and up to the date of this results 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 2021 and up to the date of this results 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 (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 2021.

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 2021 and up to the date of this results announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

As at 30 September 2021, 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.

COMPLIANCE ADVISER'S INTERESTS

As notified by Southwest Securities (HK) Capital Limited (the “**Southwest**”), the compliance adviser of the Company, except for the compliance adviser’s agreement (the “**Compliance Agreement**”) entered into between the Company and Southwest on 27 June 2018 which expired on 30 March 2021, neither Southwest 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 or prior to the expiry of the Compliance Agreement.

CHANGE IN THE DIRECTOR’S INFORMATION PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES

The change in the Director’s information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules is set out below:

1. Mr. Fan Chi Chiu has resigned as an executive Director with effect from 30 September 2021. For more details, please refer to the announcement of the Company dated 30 September 2021.
2. Mr. Lam Wai Kit Ricky has been appointed as an executive Director with effect from 1 October 2021. For more details, please refer to the announcement of the Company dated 30 September 2021.

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 2021.

Chairman and Chief Executive

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 of the Company (the “**Audit Committee**”) was established with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The Audit Committee comprises two independent non-executive Directors and one non-executive Director, namely Mr. Lim Leung Yau Edwin, Mr. Ho Kent Ching-tak and Mr. Chow Christer Ho. Mr. Lim Leung Yau Edwin is the chairman of the Audit Committee. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information, provide advice in respect of financial reporting and oversee the risk management and internal control procedures of the Company.

The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Group for the nine months ended 30 September 2021 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 2021

As at the date of this announcement, the Board comprises Ms. Judy Chan and Mr. Lam Wai Kit Ricky as the executive Directors, 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 “Latest Listed Company Information” 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>.