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

2 0 2 1
ANNUAL REPORT

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, 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 report.

This report, for which the directors (the "Directors") of Grace Wine Holdings Limited ("Grace Wine" or the "Company", and together with its subsidiaries, the "Group", "we" or "our") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Ms. Judy Chan *(Chairlady and Chief Executive Officer)*
Mr. Lam Wai Kit Ricky

Non-executive Directors
Mr. Chow Christer Ho
Dr. Cheung Chai Hong

Independent non-executive Directors
Mr. Ho Kent Ching-tak
Mr. Lim Leung Yau Edwin
Mr. Alec Peter Tracy

COMPLIANCE OFFICER
Mr. Lam Wai Kit Ricky

COMPANY SECRETARY
Mr. Chiu Ming King

AUTHORISED REPRESENTATIVES
Mr. Lam Wai Kit Ricky
Mr. Chiu Ming King

AUDIT COMMITTEE
Mr. Lim Leung Yau Edwin *(Chairman)*
Mr. Chow Christer Ho
Mr. Ho Kent Ching-tak

REMUNERATION COMMITTEE
Mr. Alec Peter Tracy *(Chairman)*
Dr. Cheung Chai Hong
Mr. Lim Leung Yau Edwin

NOMINATION COMMITTEE
Ms. Judy Chan *(Chairlady)*
Mr. Chow Christer Ho
Mr. Ho Kent Ching-tak
Mr. Lim Leung Yau Edwin
Mr. Alec Peter Tracy

AUDITOR
Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

HONG KONG LEGAL ADVISER
Taylor Wessing
21/F, No. 8 Queen's Road Central
Hong Kong

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit 705, 7/F
Westlands Centre
No. 20 Westlands Road
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China Construction Bank Corporation, Taigu Branch
No. 119 Xihuan Road
Taigu County
Jinzhong City
PRC

China Merchants Bank, Shanghai Branch, Taixing Sub-branch
No. 847 Xinzha Road
Jing'an District
Shanghai
PRC

STOCK CODE

8146

Chairlady's Statement

Dear Shareholders,

On behalf of the board of directors of Grace Wine Holdings Limited ("Grace Wine", and together with its subsidiaries, "we" or "us"), I am pleased to present Grace Wine's 2021 annual report.

Compared to the year of 2020, our revenue in 2021 increased by 40.6% to RMB84.7 million. We recorded a net profit of RMB7.7 million in 2021, compared to a net loss of RMB0.6 million in 2020. The improvement of our financial results in 2021 was mainly due to the expansion of our distribution network in Shanxi Province and the upgrade of our product portfolio. Percentage change in relation to the distribution channels of our products between 2020 and 2021 are set out below:

- total sales in tobacco, sugar & wine stores increased by 99%;
- total sales in convenience stores increased by 25%;
- total sales in wine shops increased by 44.5%; and
- total sales in supermarket increased by 1,175%.

2021 has also proven to be a challenging year. It rained heavily during the harvest season in Shanxi Province and we had lost 40% of our crops. Fortunately, the remaining crops were of good quality. As for the vineyards in Ningxia, the climate was stable throughout the year with good harvest. For details, please refer to our vintage report as set out in our website.

I would like to take this opportunity to thank our teams for their hard work and dedication to implementing our strategy despite the ongoing impact of the COVID-19 pandemic. In the face of continued and unexpected lockdowns due to the pandemic, we face significant challenges in keeping our employees safe as we execute our Plans.

While it is uncertain when the pandemic will end, we believe it is necessary to continue investing in marketing and expanding our business. Our gin and whisky distillery in Fujian will commence production in June and the visitor's centre will be completed by the end of 2022. We are very excited about the new products and the new visitor's centre and, I hope you will come visit us if the circumstances permit. We have also identified several key markets and a new "home market" outside of Shanxi Province as a focus of expansion for the year. Several new products will be launched in the market, including our new gin series, in order to cater to an increasingly fragmented market. Having said that, we remain very cautious about our resource allocation and cash flow. One example is that our cash-on-delivery policy remains unchanged.

Chairlady's Statement

The year 2022 marks the 25th anniversary of Grace Wine. I take this opportunity to reflect on how far we have come and to celebrate our achievements to date. I would also like to thank our customers, partners, employees and, of course, our shareholders for their support. It is our ambition to build Grace Wine into a premium alcohol beverage company in China, and I believe that the steps we are taking now will enable us to achieve long-term growth. Finally, I am excited to announce that we are going to distribute a dividend for the first time since we listed on GEM of the Stock Exchange. Thanks again to our shareholders for their continued support and trust.

Judy Chan
Chairlady

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

According to data released by the National Bureau of Statistics of China, China's gross domestic product ("GDP") reached RMB114.4 trillion[1] for the year of 2021, representing an increase of 8.1% as compared with the previous year. Following the implementation of large-scale and stringent control measures in China, the COVID-19 pandemic began to be brought under control in early 2021, production activities and other economic activities gradually recovered and the economy restored to positive growth, leading to a substantial resurgence in the first half of 2021. However, with the advent of the Delta and Omicron variants, confirmed cases of these variants have begun to emerge across China, and China's economic recovery has once again struggled, with the quarter-on-quarter GDP growth rate gradually declining from 18.3% in the first quarter to 4.0% in the fourth quarter.

In the first half of 2021, the wine market in China recovered significantly due to the control of the pandemic. Data from the China Merchant Industry Research Institute (中商產業研究院) shows that the national wine output was 84,000 kiloliters[2] during in the first quarter of 2021, representing an increase of 44.8% from the corresponding period last year, yet with the emergence of the COVID-19 variants, the production of wine was again significantly affected in the second half of 2021, with the national wine output for the year of 2021 being 268,000 kiloliters, representing a decline of 29.1% from the corresponding period last year. Although the wine market was once again affected by the pandemic in the second half of the year, showing a drop in production and sales. Once the pandemic is brought under control within the borders of China and the lives of residents are gradually returning to normal, we expect the domestic consumption of food and beverages as well as the operation of business venues will gradually recover to pre-pandemic levels, and domestic wine consumption is expected to recover as strongly as it did in the first quarter of 2021. China is currently the fifth largest wine-consuming nation and the largest wine-consuming nation in the Asia. However, due to the per capita consumption of Chinese wine still being significantly lower than the world average consumption, there is room for growth in the consumption of Chinese wine. As the demand for alcohol diversifies and we see changes in its mode of consumption, as well as an increase in health-consciousness, consumers' demand for wine will no longer be restricted to formal occasions such as business gatherings. Consumption of wine in informal settings, such as dining, leisure and entertainment venues will become more common. As wine culture slowly nurtures across the country, there is still room for stable long-term growth in consumption.

1 http://www.stats.gov.cn/tjsj/zxfb/202201/t20220117_1826404.html

2 https://www.askci.com/news/data/chanxiao/20220120/1005041729375.shtml

Management Discussion and Analysis

2021 is the first year of the "14th Five-Year Plan". The Chinese government plans to promote balanced regional development and new-type urbanisation, allowing corporates neighbouring regions with similar products can achieve a competitive strategy and seek cooperation amidst competition and cooperation which is conducive to the differentiation of wine products and improve the core competitiveness. China Alcoholic Drinks Association ("CADA") issued the "14th Five-Year Development Guide for the Chinese Alcohol Beverage Industry", which suggested (i) fostering the blending of wine types and wine-making, (ii) enhancing the financial credits support for the wine industry, (iii) establishing complete agricultural loan risk transferring and compensation mechanism, and (iv) enhancing the loan support for domestic leading wine corporates and promoting the development of the Chinese wine industry. Additionally, in the fourth quarter of 2019, CADA implemented two group standards, "Wine Grapes" and "Oak Barrels", to unify standards in China for wine-making techniques and testing parameters, and provide clear standards for evaluation based on wine quality and the use of raw materials. At the same time, at CADA's Annual National Wine Tasting Convention, the association released "Standard Wine Producing Regions" in an attempt to clearly define standard wine-producing regions in China, and stimulate the healthy development of the Chinese wine industry. Many small and medium-sized businesses have been forced out of the market for failing to meet these standards. "Helan Mountains' Eastern Base Wine Technology Standard System" (《賀蘭山東麓葡萄酒技術標準體系》) local standard was also published in 2020. It was the first technology standard system built in the full industry chain focusing on the protection of regional signature products in the domestic wine field. It leads the industry towards a new direction. In recent years, the wine industry has mainly standardised the deluxe wine market by adopting the "Deluxe Wine" (《年份酒》) group standard, establishing a China Wine Rating System, and commencing investigations on anti-dumping and anti-subsidies against imported wine. It in turn maintains the order of fair trade, unleashes the potential of domestic demand for wine and results in a positive impact on the domestic wine industry. Large-scale businesses, especially the wine grape cultivators, which are committed to providing high-quality wine production, logistics and sales integration, will also benefit from the abovementioned policies and standards, bringing more opportunities to the Group.

In terms of the Group's financial position, the business for the year of 2021 improved significantly compared with last year, and revenue for the year of 2021 increased by 40.6%. This increase in revenue was mainly due to the recovery in sales of the Group's wine products as a result of the enhanced marketing and sales efforts to raise the market awareness following the COVID-19 pandemic. The significant decline in the number of gatherings domestically and wine consumption during the pandemic has negatively affected the short-term business of the Group. As the pandemic is gradually brought under control, wine sales are expected to usher in positive changes. The Group is still actively exploring different ways to expand its market and distribution channels. At the end of 2019, the Group entered into cooperation agreements with several offline distributors to expand its distribution channels. Currently, the Group also continues to actively seek cooperation with offline distributors in Shanxi region to diversify sales risks. In the mid-to long-term, the management plans to continue expanding our market coverage by increasing the number of distribution channels. In response to market changes, the Group will actively expand its sales channels and focus on brand advertisement to enhance our market presence. In the meantime, the Group will adjust the value of products and establish clear market position, thereby allowing us and more consumers to interact better and boost the effort in promoting our products.

Management Discussion and Analysis

The Group completed an acquisition of 100% equity interest in Maxco Asia Limited ("Maxco Asia") on 12 August 2019. Fujian Dexi Wine Company Limited is a direct non-wholly owned subsidiary of Maxco Asia, which was established in China and mainly produces whisky and gin in Fujian Province. Currently, the construction work of the production plant is progressing satisfactorily, with the total work completed approximately 80%, and it is expected to be completed and put into operation in mid-2022 (the "Project"). The management believes that the Group will be able to continue benefiting from its existing sales network and extensive experience in brewing alcoholic beverages. It is expected that the Project will bring synergy to the Group's wine business and lay a foundation for the Group's entering into the spirits industry, leading the wine business into a diversified and sustainable development.

Looking forward to 2022, we believe that with the introduction of the COVID-19 vaccine against the mutated virus, coupled with strong medical testing and effective preventive measures, the pandemic is expected to be gradually subsided, which will return the general economy of the country to its previous level and bring considerable growth in the sales of the Group's products. The Group will continue to focus on improving the product quality and consumer satisfaction of its products, maintaining the positive status of the Group's wine brand. Looking ahead, the Group will strive to build a competitive edge and differentiate itself from its peers by strengthening its sales network and producing distinctive and high quality wine products, as well as diversifying into the spirits industry to diversify its business, so as to diversify its risks and create value for the Group as well as bringing sustainable return to shareholders.

FINANCIAL REVIEW

Revenue

Our revenue increased by RMB24.5 million or 40.6% from RMB60.2 million for the financial year ended 31 December 2020 ("FY2020") to RMB84.7 million for the financial year ended 31 December 2021 ("FY2021") as a result of the increase in total sales volume.

We sold 1,092,000 bottles in FY2021 as compared to 780,000 bottles in FY2020, while our average selling price maintained at RMB77.5 per bottle in FY2021 as compared to RMB77.2 per bottle in FY2020. The table below sets out the analysis of revenue and sales volume by our product mix:

	FY2021		FY2020	
	Revenue	**Sales volume**	Revenue	Sales volume
High-end	**65.5%**	**28.4%**	66.6%	33.0%
Entry-level	**34.5%**	**71.6%**	33.4%	67.0%

Cost of sales

Our cost of sales increased by RMB7.2 million or 22.8% from RMB31.7 million for FY2020 to RMB38.9 million for FY2021 primarily due to the increase in total sales volume. Our average cost of sales per bottle decreased from RMB40.6 for FY2020 to RMB35.6 for FY2021.

Management Discussion and Analysis

Gross profit and gross profit margin

Our overall gross profit increased by RMB17.2 million or 60% from RMB28.5 million for FY2020 to RMB45.8 million for FY2021, primarily due to the increase in total sales. Our overall gross profit margin increased from 47.4% for FY2020 to 54.0% for FY2021.

Other income and gains, net

Other net income and gains slightly decreased by RMB0.2 million or 8.1% from RMB2.4 million to RMB2.2 million. Other income and gains, net mainly comprised income from government grants and bank interest income.

Selling and distribution expenses

Selling and distribution expenses increased by RMB4.5 million or 55.1% from RMB8.1 million for FY2020 to RMB12.5 million for FY2021, mainly due to the strengthened branding and marketing efforts and increased promotion events organized in the Shanxi Province 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 RMB2.7 million or 12.9% from RMB20.7 million for FY2020 to RMB23.4 million for FY2021, 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; and (ii) in relation to our whisky and gin production project.

Finance costs

Our finance costs was RMB87,000, which represented the unwinding of the discounted lease liabilities recognised under HKFRS 16 *Leases* (FY2020: RMB126,000).

Income tax expense

Our income tax expense increased by RMB1.7 million or 70.5% from RMB2.4 million for FY2020 to RMB4.2 million for FY2021 due to the increase in profit before tax in our PRC subsidiaries.

Profit for the year

As a result of the foregoing, a profit for the year of RMB7.7 million was recognised for FY2021 (FY2020: Loss for the year of RMB0.6 million).

Liquidity, financial and capital resources

Our principal liquidity and capital requirements primarily relate to acquisition of raw materials for wine production as well as other costs and expenses related to our business operation, as well as capital investment in new projects. As at 31 December 2021, the carrying amount of the Group's cash and cash equivalents was RMB67.7 million, representing an decrease of 25.5% as compared with that of RMB90.8 million as at 31 December 2020.

As at 31 December 2021, the Group's cash and cash equivalents include RMB60.2 million, USD1.15 million and some insignificant amounts of HKD and EUR (31 December 2020: RMB76.7 million, USD2.1 million, and some insignificant amounts of HKD and EUR).

Gearing ratio

The Group's gearing ratio is measured by total external borrowings divided by total equity. As at 31 December 2021, the Group does not have any external borrowings (31 December 2020: nil).

Management Discussion and Analysis

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies to ensure the liquidity requirements from daily operation as well as capital expenditures are met. The Board closely monitors the Group's liquidity positions, while surplus cash will be invested appropriately with the consideration of the credit risks, liquidity risks and market risks of the financial instruments.

Foreign exchange risk

The business of the Group is primarily conducted in China where most of the transactions are denominated in RMB. Therefore, the individual companies within the Group have minimal exposures of foreign exchange risk to its functional currency. Given that the presentation currency of the Group's consolidated financial positions is also in RMB, the exchange gain or loss arising from currency translation is also insignificant.

For the Group's subsidiaries outside China, transactions, including the Group's financing activities, may be denominated in Hong Kong Dollars or United States Dollars, and therefore are exposed to foreign exchange risks. The Group does not have a foreign currency hedging policy and does not use any financial instruments for hedging purposes. The Board monitors the Group's foreign currency risk exposure closely and may take appropriate measures to minimise the foreign currency risk exposure accordingly.

Contingent liabilities

As at 31 December 2021, the Group had no contingent liabilities.

Pledge of assets

As at 31 December 2021, the Group did not have any assets pledged for credit facilities.

Employee and remuneration policies

As at 31 December 2021, the Group had, including Directors, 147 employees (31 December 2020: 129 employees). Staff costs, including Directors' emoluments, amounted to RMB16.3 million for FY2021 (FY2020: RMB12.6 million). The remuneration policies for our Directors and employees are based on their experience, level of responsibility and general market conditions, and are reviewed and adjusted on an annual basis.

The Company has adopted a share option scheme on 1 June 2019 for the purpose of providing incentives and rewards to eligible members of the scheme.

Events after the reporting period

There were no significant events after the reporting period up to the date of this report.

Significant investments, material acquisition and disposals

During FY2021, Fujian Dexi Wine Company Limited ("Fujian Dexi"), an indirect wholly-owned subsidiary of the Company, has entered into a construction contract with Fujian Tongyuan Construction Project Co. Ltd. (the "Contractor"), an independent third party of the Company and its connected person, pursuant to which the Contractor will undertake construction works in respect of a distillery facility for the production of whisky and gin in Fujian Province (the "Construction Work") for a total contract sum of RMB23,853,211 (exclusive of value-added tax), an exterior decoration contract for a total contract sum of approximately RMB17,974,312 (exclusive of VAT) and an outdoor engineering contract for a total contract sum of RMB8,631,193 (exclusive of VAT). The Contractor is established in the PRC and is principally engaged in, among other things, general contracting work in relation to water resources and hydropower construction, highway engineering construction and general building and construction.

As disclosed in the Company's announcements dated 12 August 2019, 11 October 2019 and 19 November 2021, it is part of the Group's plans to reposition and diversify its existing portfolio of products. Therefore, the Group acquired a whisky and gin plant in Fujian Province, the PRC through acquiring the investment holding company of Fujian Dexi. As at the date of this report, the Construction Work is still in progress. Please refer to the announcement of the Company dated 28 April 2021 for further details. Save as disclosed above, the Group did not have any significant investments, material acquisitions or disposal of assets, subsidiaries, associates or joint ventures.

Future plans for material investments and capital assets

Save as disclosed in the prospectus of the Company dated 12 June 2018 (the "Prospectus") and the investment in the whisky and gin production business as aforementioned, the Group does not have other plans for material investments and capital assets.

Issue of Shares and use of proceeds from initial public offering

The shares of the Company were listed on the GEM of the Stock Exchange on 27 June 2018 (the "Listing Date") with a total of 200,000,000 Shares issued at HK$0.35 each by way of public offer and placing, raising net proceeds (the "Net Proceeds") of an estimated amount of approximately HK$40.6 million (equivalent to RMB33.1 million) after deducting underwriting commissions and all related expenses.

The following table sets forth the status of the use of proceeds from the Listing Date up to 31 December 2021:

	Original allocation of Net proceeds as stated in the Prospectus RMB'000	Actual use of Net Proceeds as at 4 September 2020 RMB'000	Unutilised Net Proceeds as at 4 September 2020 RMB'000	Revised allocation of unutilised Net Proceeds as at 4 September 2020 (Note 1) RMB'000	Actual use of Net Proceeds from 4 September 2020 to 31 December 2020 RMB'000	Unutilised Net Proceeds as at 1 January 2021 RMB'000	Actual use of Net Proceeds from 1 January 2021 to 31 December 2021 RMB'000	Unutilised Net Proceeds as at 31 December 2021 RMB'000	Expected timeline of application of the unutilised Net Proceeds (Note 2)
Issue of Shares and use of proceeds from initial public offering									
Second phase construction of the Ningxia Winery	15,000	–	15,000	–	–	–	–	–	–
Purchase of plants and equipment for the second phase of the Ningxia Winery	6,800	–	6,800	–	–	–	–	–	–
Initial production costs of the first phase of the Ningxia Winery	6,700	5,000	1,700	1,700	1,700	–	–	–	–
Sales and marketing expenses	3,000	2,250	750	750	750	–	–	–	–
General working capital	1,598	1,198	400	400	400	–	–	–	–
Construction of the Distillery Facility (defined in Note (1) below)	–	–	–	21,800	7,545	14,255	14,255	–	–
	33,098	8,448	24,650	24,650	10,395	14,255	14,255	–	

Notes:

(1) In accordance with the announcement regarding the change in use of proceeds dated 4 September 2020 (the "Announcement"), the Board resolved to change the use of the unutilised Net Proceeds and reallocate the part of the unutilised Net Proceeds to the construction of a distillery facility for the production of whisky and gin in Fujian Province (the "Distillery Facility"). For details, please refer to the Announcement.

(2) The expected timeline of application of the unutilised Net Proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of the Group's business and the market conditions.

Impact of COVID-19

Amidst COVID-19, the management has been closely monitoring the Group's cash flow to ensure the sufficiency of its short-term liquidity by focusing on improving the Group's sales performance and optimising its operating expenditures. As at the date of this report, the management does not foresee any material liquidity issues for the Group and considered that the Group has sufficient funds to continue its normal operations in the foreseeable future, but will continue to evaluate various measures to preserve cash and enhance the Group's liquidity position as necessary.

Special final dividend

The Board recommended the declaration of a special final dividend of HK0.62 cents per Share for FY2021 (FY2020: Nil). Such special final dividend is subject to approval of the Shareholders at the annual general meeting of the Company ("AGM") to be held on 28 June 2022. The proposed special final dividend is expected to be paid to the Shareholders on 29 July 2022.

Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. Judy Chan ("Ms. Chan"), formerly known as Judy Leissner, aged 44, was appointed as an executive Director on 14 February 2012 and the Chairlady of the Board and chief executive officer of the Company (the "Chief Executive Officer") on 24 July 2017. She is the Chairlady of the Nomination Committee of the Company. She first joined the Group in June 2002 as a director of Shanxi Grace Vineyard Co. Ltd.* (山西怡園酒莊有限公司) ("Shanxi Grace Vineyard"). She is primarily responsible for overseeing the general management and business development and formulates the business strategies and policies for the business management and operations of the Group.

Ms. Chan has over 19 years of experience in the wine making industry. Prior to joining the Group, from March 2000 to November 2001, Ms. Chan worked as an analyst at Goldman Sachs (Asia) L.L.C., in Hong Kong. Ms. Chan was an independent non-executive director of Sing Tao News Corporation Limited (SEHK: 1105) (principally engaged in media operations) from June 2013 to June 2021. She has been an independent non-executive director and a member of the remuneration committee of Memories Group Limited (SGX: 1H4) (principally engaged in tourism businesses in Myanmar) since December 2017.

Ms. Chan graduated from the University of Michigan in the United States with a bachelor's degree in psychology, women's studies and organisational studies in December 1999. Ms. Chan was named as one of the "2014 Most Innovative Women in Food and Drink" by Fortune magazine and Food & Wine magazine in September 2014. She was also named as one of the "Future Women in the Mix in Asia: 12 to Watch" by Forbes Asia in March 2013. She was named as one of the 50 most important people in "The Decanter Power List 2013" published by the Decanter in July 2013 and a "Young Global Leader" by the World Economic Forum in March 2013. Ms. Chan was also awarded "Asia Wine Personality of the Year 2012" by The Drink Business magazine and the Institute & Masters of Wine in 2012. She was named as one of "China's 25 Most Influential Businesswomen" by Fortune China magazine in November 2012 and one of the "50 Most Influential Women in the Wine Industry" by The Drink Business magazine in December 2012. Ms. Chan was also awarded "Entrepreneur of the Year China 2010" under the category of Hong Kong/Macau Region Emerging Entrepreneur of the Year by Ernst & Young in 2010. Ms. Chan has been a member of the Second Session of the Chinese People's Political Consultative Conference of Jinzhong County (中國人民政治協商會議第二屆晉中市委員會委員), a member of the Chinese People's Political Consultative Conference of Shanxi Province (中國人民政治協商會議山西省委員會委員) and a member of the 11th Session of the Chinese People's Political Consultative Conference of Shanxi Province (中國人民政治協商會議第十一屆山西省委員會委員) since May 2005, February 2008 and January 2013, respectively. She was appointed as a member of the Ninth Session of the Shanxi Qiaolian (山西僑聯第九屆委員) on March 2013 and an executive director of the Fifth Session of the Shanxi Overseas Friendship Association (山西海外聯誼會第五屆常務理事) since December 2012. Ms. Chan has also been a director of the Seventh Session of the board of trustees of Huaqiao University (華僑大學第七屆董事會董事) since November 2014 and an honorary chairlady of the First Session of the Huaqiao University Youth Federation (華僑大學青年聯合會第一屆名譽主席) since October 2013.

Ms. Chan is the daughter of Ms. Wong Shu Ying ("Ms. Wong"), the substantial shareholder of the Company (the "Substantial Shareholder"), and is the sister-in-law of Ms. Hou Tan Tan Danielle, the non-executive Director.

* *for identification purpose only*

Directors and Senior Management

Mr. Lam Wai Kit Ricky ("Mr. Lam"), aged 43, has been serving as the financial controller of the Company since July 2021. Prior to joining the Company, Mr. Lam served as a finance manager in Chevalier International Holdings Limited (HKEx: 0025) from July 2019 to December 2020 where he was responsible for overseeing financial reporting and financial management. From August 2017 to June 2019, he served as a finance manager in K. Wah International Holdings Limited (HKEx: 0173) where he was responsible for managing overseas property investment teams.

Mr. Lam holds a bachelor's degree of arts in accountancy from The Hong Kong Polytechnic University and a master's degree in business administration from Hong Kong University of Science and Technology. He is a member of the Hong Kong Institute of Certified Public Accountants.

NON-EXECUTIVE DIRECTORS

Dr. Cheung Chai Hong ("Dr. Cheung"), aged 35, was appointed as a non-executive Director on 28 May 2021. He is a member of the remuneration committee of the Company. He is primarily responsible for advising the Company on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct.

Dr. Cheung is the executive director of China Financial Services Holdings Limited (SEHK: 605), a company that focuses on providing financial services and solutions to small to medium-sized enterprises in Greater China. He started this position in 2014 and is now responsible for the daily operations and development of the company. Prior to that, he was the managing director of POC Holdings (HK) Limited, a leading authorised automobile dealership for Mercedes Benz and Jaguar Landrover in the southwestern region of China. Dr. Cheung is also a director and leading founder of The Wine Company, a fine wine retail and trading company in Hong Kong founded in 2010. Dr. Cheung previously worked in PAG Capital, focusing on private equity investments in the retail and consumer sector in Greater China. Prior to PAG Capital, he also worked in Barclays Capital and focused on equity research in the retail and consumer sector.

Dr. Cheung holds a bachelor's degree from the University of Warwick in the United Kingdom, a master's degree from the London School of Economics and Political Science in the United Kingdom and a PhD degree from the China University of Political Science and Law in China.

Mr. Chow Christer Ho ("Mr. Chow"), formerly known as Chow Ho, aged 48, was appointed as a non-executive Director on 24 July 2017. He is the members of the Audit Committee and Nomination Committee of the Company. He is responsible for advising the Company on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct.

Mr. Chow has over 19 years of experience in the real estate development and investment industry. Currently, Mr. Chow is a senior managing director of LaSalle Investment Management, a member of the Jones Lang LaSalle Group (principally engaged in real estate investment management), where he is primarily responsible for advising and managing real estate investment portfolios of institutional investors. From 2007 to March 2012, he worked at Jones Lang LaSalle, with his last position as the head of corporate finance, Greater China, where he was primarily responsible for providing real estate investment advisory and consulting services. From January 2003 to 2007, Mr. Chow worked at Hong Kong Disneyland Management Limited with his last position as development manager, where he was primarily responsible for the master planning, infrastructure and development management of the Hong Kong Disneyland Resort.

Directors and Senior Management

Mr. Chow obtained his bachelor's degree in civil engineering and his master's degree in civil engineering from the University of California, Los Angeles (UCLA) in the United States in June 1995 and June 1996, respectively. He then obtained his master's degree in business administration from the Hong Kong University of Science and Technology in August 2002. Mr. Chow also serves on the MBA Alumni Advisory Board of the Hong Kong University of Science and Technology business school since 2011 and has been on the jury board of the MIPIM Asia Awards, an internationally renowned real estate competition, since 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Kent Ching-tak ("Mr. Ho"), aged 41, was appointed as an independent non-executive Director on 1 June 2018. He is the members of the Audit Committee and Nomination Committee of the Company. He is responsible for providing independent judgement on strategy, policy, performance, accountability, resources, key appointments and standard of conduct.

Mr. Ho was a non-executive director from May 2010 to February 2014 and an executive director of Sing Tao News Corporation Limited (SEHK: 1105) from February 2014 to June 2021 where he was primarily responsible for the development of digital media and related business in Hong Kong, North America, Australia, Europe and the PRC.

Mr. Ho has over 10 years of experience in media business development. He is also experienced in wealth management and investments focusing on high-tech industries since 2015. In May 2015, Mr. Ho founded Spectrum 28, a venture capital firm based in Silicon Valley, where he has been a managing partner since June 2015.

Mr. Ho obtained his bachelor's degree in economics and a certificate in the markets and management programme from Duke University in the United States in May 2003. He then obtained a master's degree in business administration from Stanford Graduate School of Business in the United States in June 2009. Mr. Ho has also been a member of the board of directors of the Hong Kong Science and Technology Parks Corporation since July 2017, a member of the Hong Kong Trade Development Council's Innovation and Technology Advisory Committee since April 2017 and was conferred the title of Honorary Trustee of Peking University in December 2016.

Mr. Lim Leung Yau Edwin ("Mr. Lim"), aged 59, was appointed as an independent non-executive Director on 1 June 2018. He is the chairman of the Audit Committee and the member of the Remuneration Committee and the Nomination Committee of the Company. He is responsible for providing independent judgement on strategy, policy, performance, accountability, resources, key appointments and standard of conduct.

Mr. Lim has over 36 years of experience in the finance and banking industry. Currently, he is the Market Head of China and Taiwan at HSBC Private Banking since October 2018. From July 2016 to October 2018, he worked at Credit Suisse AG Hong Kong branch, with his last position as a managing director and the market group head. From June 2011 to July 2016, Mr. Lim worked at J.P. Morgan Private Bank, with his last position as a managing director and the head of private wealth management, Northeast Asia, where he was primarily responsible for leading and supervising his team and delivering investment, wealth and capital advisory services to high net worth clients in the North East Asia region. From August 2006 to June 2011, he worked at DBS Bank (Hong Kong) Limited, with his last position as head of North Asia, private banking and wealth management, where he was primarily responsible for providing wealth management advisory services to high net worth individuals in the region. Prior to that, from 1986 to 2006, Mr. Lim had worked at various banks including Credit Suisse, Citibank, N.A. and Barclays Bank Plc.

Mr. Lim obtained his bachelor's degree in business administration, majoring in finance, from The Chinese University of Hong Kong in July 1986. Mr. Lim has been certified as a private wealth professional by the Private Wealth Management Association Limited since March 2016.

Mr. Alec Peter Tracy ("Mr. Tracy"), aged 56, was appointed as an independent non-executive Director on 1 June 2018. He is the chairman of the Remuneration Committee and the member of the Nomination Committee of the Company. He is responsible for providing independent judgement on strategy, policy, performance, accountability, resources, key appointments and standard of conduct.

Mr. Tracy has over 24 years of experience in the legal industry. Currently, Mr. Tracy is the Chief Operating Officer and General Counsel of Admiralty Harbour Financial Group Limited (principally engaged in asset management, capital markets and advisory and securities trading). Prior to this, Mr. Tracy was a counsel at Ascent Capital Advisors Limited (principally engaged in growth capital, middle market buyout and special situation investments) from January 2017 to December 2017, where he was primarily responsible for advising on legal matters and assisting with the making and monitoring of private equity investments. From September 1994 to June 2016, he practiced law with Skadden, Arps, Slate, Meagher & Flom LLP and its affiliated law practices ("Skadden"), with his last position as a partner in Skadden's Hong Kong office. At Skadden, he advised companies, investment banks, financial sponsors and governmental entities on cross-border mergers and acquisitions, corporate finance transactions and general corporate matters.

Mr. Tracy obtained his bachelor's degree in East Asian studies from Princeton University in the United States in June 1989. He then obtained a juris doctor degree from New York University in the United States in December 1994. Mr. Tracy was admitted to the New York State bar in August 1995 and as a solicitor of Hong Kong in June 2004.

SENIOR MANAGEMENT

Mr. Lee Yean Yean (李衍園) ("Mr. Lee"), aged 40, first joined the Group in September 2006 and has been our production and technical director since November 2009. He is primarily responsible for overseeing the management of the cultivation bases, production and logistics departments of our Group. Mr. Lee has over eleven years of experience in the wine making industry. In September 2006, Mr. Lee first joined Shanxi Grace Vineyard as a winemaker assistant, and he was also a vineyard assistant and cellar hand. Prior to joining the Group, from July 2005 to July 2006, he was a northern region sales executive at Sony (Malaysia) Sdn. Bhd. From July 2004 to June 2005, he served as a northern region sales executive and wine buyer at Harrisons Wine of Harrisons Holdings (Malaysia) BHD, responsible for setting up a branch company in the northern region of Malaysia, sourcing new wine and managing the wine list. From May 2003 to June 2004, he was a sales executive at Denise Wine Shop (Malaysia) Sdn. Bhd.

Mr. Lee obtained a higher diploma in hotel and tourism management and a higher diploma in hotel and catering management from Kolej Damansara Utama in Malaysia in October 2002.

Mr. Wang Tairan (王泰然) ("Mr. Wang"), aged 40, first joined the Group in December 2007, and has been our deputy manager for production and quality control since February 2011. He is primarily responsible for overseeing the daily operation of Shanxi Vineyard.

Mr. Wang was the manager of the production department of Shanxi Grace Vineyard from April 2009 to January 2011, mainly responsible for overseeing the production department and executing the production plannings. He was the vice manager of the same department from January 2009 to March 2009, mainly responsible for assisting the manager in supervising the production staff and production plants. From December 2007 to December 2008, he served as an assistant to the manager of the same department, mainly responsible for sourcing ancillary materials for production of our wine products.

Prior to joining the Group, from August 2006 to May 2007 and from July 2005 to July 2006, Mr. Wang worked as a volunteer in the Bureau of Health of the Shuanghu County of the Tibet Autonomous Region (西藏自治區雙湖特別區衛生局) and in the Bureau of Husbandry of the Nagqu Prefecture of the Tibet Autonomous Region (西藏自治區那曲縣組織部、畜牧局) as part of the College Students to the West Voluntary Scheme (大學生志願服務西部計劃) where he was primarily responsible for assisting in the office staff on the basic operations of the departments.

Mr. Wang obtained his bachelor's degree in rural regional development from Renmin University of China (中國人民大學) in the PRC in July 2005.

COMPLIANCE OFFICER

Mr. Lam is the compliance officer of the Company. His biographical details are set out in section headed "Directors and Senior Management" in this report.

COMPANY SECRETARY

Mr. Chiu Ming King (趙明璟) ("Mr. Chiu"), aged 45, was appointed as the company secretary of the Company (the "Company Secretary") on 24 July 2017. He has worked at Vistra Corporate Services (HK) Limited since June 2012, with his current position as managing director of corporate services. Mr. Chiu has over 17 years of experience in the company secretarial field and has held various positions, including associate director of corporate services, in various corporate secretarial companies.

Mr. Chiu has been an associate member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in United Kingdom and The Hong Kong Chartered Governance Institute ("HKCGI") (formerly known as The Hong Kong Institute of Chartered Secretaries) since 2003 and became a fellow member of the HKCGI since September 2015. He is also a holder of the Practitioner's Endorsement Certificate issued by HKCGI. He has been a vice-chairman of the Membership Committee and chairman of Professional Services Panel of HKCGI and a council member of HKCGI since 2020.

Mr. Chiu obtained a bachelor of arts from University of Toronto in Canada in June 1999 and received a master of arts in professional accounting and information systems from City University of Hong Kong in November 2003.

Corporate Governance Report

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 (version up to 31 December 2021) set out in the CG Code throughout the year ended 31 December 2021 (the "Year").

Chairman and Chief Executive

Under code provision A.2.1 (which has been re-numbered as C.2.1 since 1 January 2022) 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 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.

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 Year.

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.

Corporate Governance Report

THE BOARD

Composition

As at the date of this annual report, the composition of the Board is as follows:

Executive Directors
Ms. Judy Chan *(Chairlady and Chief Executive Officer)*
Mr. Lam Wai Kit Ricky

Non-executive Directors
Dr. Cheung Chai Hong
Mr. Chow Christer Ho

Independent non-executive Directors
Mr. Ho Kent Ching-tak
Mr. Lim Leung Yau Edwin
Mr. Alec Peter Tracy

In compliance with Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with the various guidelines set out in Rule 5.09 of the GEM Listing Rules.

Among members of the Board, Ms. Judy Chan, the executive Director, Chairlady of the Board and Chief Executive Director, is the daughter of Ms. Wong, the Substantial Shareholder. Save as disclosed herein, to the best of knowledge of the Company, there are no financial, business, family or other material or relevant relationships among members of the Board. With the various experience of the Directors and the nature of the Group's business, the Board considers that the Directors have a balance of skills and experience for the business of the Group.

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board Committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference. All Board Committees are provided with sufficient resources to perform their duties.

Corporate Governance Report

All Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability and shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against Directors, officers and senior management of the Company arising out of corporate activities.

Appointment, Re-election and Removal of Directors

Each of the executive Directors, non-executive Directors and independent non-executive Directors of the Company has entered into a service contract or letter of appointment with the Company for a specific term. The non-executive Directors and independent non-executive Directors have been initially appointed for a term of three years and automatically extended for successive term of one year upon the expiry of the current term unless and until it is terminated by either the Company or such Director. The term of appointment of each Director is subject to retirement by rotation and re-election at annual general meeting in accordance with the Articles of Association of the Company (the "Articles") and the GEM Listing Rules.

Pursuant to the Articles, one-third of all Directors (whether executive or non-executive) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation and re-election at each annual general meeting at least once every three years.

The Articles provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting of the Company or as an addition to the existing Board, shall hold office only until the next following annual general meeting of the Company after his/her appointment and shall then be eligible for re-election.

The Company may, in accordance with the Articles, by ordinary resolution remove any Director before the expiration of his/her term of office notwithstanding anything to the contrary in the Articles or in any agreement between the Company and such Director.

Board Diversity Policy

Pursuant to the GEM Listing Rules, the nomination committee (or the board) shall have a policy concerning diversity of board members and shall disclose the policy on diversity or a summary of the policy in the corporate governance report. The policy specifies that in designing the composition the Board, Board diversity shall be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The composition of the Board will be disclosed in the Corporate Governance Report every year and the Nomination Committee will supervise the implementation of this policy. The Nomination Committee will review the effectiveness of this policy, as appropriate, discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on page 13 to page 17 of this annual report.

	Gender	
Name of Director	**Female**	**Male**
Ms. Judy Chan	√	
Mr. Lam Wai Kit Ricky		√
Dr. Cheung Chai Hong		√
Mr. Chow Christer Ho		√
Mr. Ho Kent Ching-tak		√
Mr. Lim Leung Yau Edwin		√
Mr. Alec Peter Tracy		√

	Age Group		
Name of Director	**30 to 39**	**40 to 49**	**50 to 59**
Ms. Judy Chan		√	
Mr. Lam Wai Kit Ricky		√	
Dr. Cheung Chai Hong	√		
Mr. Chow Christer Ho		√	
Mr. Ho Kent Ching-tak		√	
Mr. Lim Leung Yau Edwin			√
Mr. Alec Peter Tracy			√

	Professional Experience			
Name of Director	**Finance/ Accounting**	**Media Industry**	**Law**	**Real Estate**
Ms. Judy Chan	√			
Mr. Lam Wai Kit Ricky	√			
Dr. Cheung Chai Hong	√			
Mr. Chow Christer Ho	√			√
Mr. Ho Kent Ching-tak		√		
Mr. Lim Leung Yau Edwin	√			
Mr. Alec Peter Tracy			√	

Corporate Governance Report

Name of Director	Education Background: Accountancy	Economics and Political Science	Business	Law	Psychology	Others
Ms. Judy Chan					√	
Mr. Lam Wai Kit Ricky	√					
Dr. Cheung Chai Hong		√				
Mr. Chow Christer Ho			√			√
Mr. Ho Kent Ching-tak						√
Mr. Lim Leung Yau Edwin			√			
Mr. Alec Peter Tracy			√	√		√

The Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation.

Continuous Professional Development

According to the code provision A.6.5 (which has been re-numbered as C.1.4 since 1 January 2022) of the CG Code, all Directors shall participate in continuous professional development ("CPD") to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

Pursuant to the code provision A.6.1 (which has been re-numbered as C.1.1 since 1 January 2022) of the CG Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations.

During the Year, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

All Directors, namely Ms. Judy Chan, Mr. Lam Wai Kit Ricky, Mr. Fan Chi Chiu[Note 1], Dr. Cheung Chai Hong, Ms. Hou Tan Tan Danielle[Note 2], Mr. Chow Christer Ho, Mr. Ho Kent Ching-tak, Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy, have been updated with the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

The Directors are asked to submit their training record to the Company on an annual basis.

Notes:

1. Mr. Fan Chi Chiu resigned as executive Director on 30 September 2021.

2. Ms. Hou Tan Tan Danielle resigned as non-executive Director on 28 May 2021.

Corporate Governance Report

BOARD COMMITTEE

The Board has established three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, which are sufficiently resourced to fulfil their roles and their terms of reference have been approved by the Board and are available on the Company's website (www.gracewine.com.hk) and the Stock Exchange's website (www.hkexnews.hk).

Audit Committee

The Audit Committee was established on 1 June 2018 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 (which has been re-numbered as D.3 since 1 January 2022) of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The Audit Committee comprises one non-executive Director, Mr. Chow Christer Ho, and two independent non-executive Directors, namely Mr. Ho Kent Ching-tak and Mr. Lim Leung Yau Edwin. 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.

There were four meetings of the Audit Committee held during the Year, the attendance record of the committee members is set out in the section headed "Attendance Records of Meetings" below. The following is a summary of work performed by the Audit Committee during the Year:

- reviewed the quarterly, interim and annual financial statements, reports and results announcements for presentation to the Board for approval;

- reviewed the findings and recommendations of the external auditor; and

- monitored the Group's financial controls, internal control and risk systems.

Remuneration Committee

The Remuneration Committee was established on 1 June 2018 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and paragraph B.1 (which has been re-numbered as E.1 since 1 January 2022) of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The Remuneration Committee comprises one non-executive Director, Dr. Cheung Chai Hong, and two independent non-executive Directors, namely Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy. Mr. Alec Peter Tracy is the chairman of the Remuneration Committee.

The primary duties of our Remuneration Committee are to review and make recommendation to the Board on the remuneration package of our Directors and members of our senior management.

There was one meeting of the Remuneration Committee held during the Year, the attendance record of the committee members is set out in the section headed "Attendance Records of Meetings" below. The following is a summary of work performed by the Remuneration Committee during the Year:

– review and make recommendation to the Board regarding the fee of the Non-Executive Directors;

– review and make recommendation to the Board regarding the fees of the Independent Non-Executive Directors; and

– review and make recommendation to the Board the remuneration of the new Directors.

Details of the Directors' remuneration for the year are set out in Note 7 to Financial Statements.

The remuneration of the senior management of the Group by band for the year ended 31 December 2021 is set out below:

Remuneration bands	Number of senior management
HK$1 to HK$1,000,000	2

Nomination Committee

The Nomination Committee was established on 1 June 2018 with written terms of reference in compliance with paragraph A.5 (which has been re-numbered as B.3 since 1 January 2022) of the CG code as set out in Appendix 15 to the GEM Listing Rules. The Nomination Committee comprises one executive Director, Ms. Judy Chan, one non-executive Director, Mr. Chow Christer Ho and three independent non-executive Directors, namely Mr. Ho Kent Ching-tak, Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy. Ms. Judy Chan is the chairlady of the Nomination Committee.

The primary duties of the Nomination Committee are to review the structure, size and diversity (including the skills, knowledge and experience) of the Board and make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for Directors.

There was one meeting of the Nomination Committee held during the Year, the attendance record of the committee members is set out in the section headed "Attendance Records of Meetings" below. The following is a summary of work performed by the Nomination Committee during the Year:

– review the Board structure, size, composition and board diversity (including skills, knowledge and experience etc.);

– review the effectiveness of the related Board Diversity Policy and Directors' Nomination Policy;

– review the independence of independent non-executive directors;

– review and consider the retirement and re-nomination of directors for re-election at the forthcoming annual general meeting of the Company (the "AGM"); and

– consider and make recommendation to the Board the appointment of new Directors in accordance with the director nomination policy and board diversity policy of the Company.

Corporate Governance Function

The Board is responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of directors and senior management. The Board reviews the disclosures in the corporate governance report to ensure compliance.

The Board's responsibility in this regard includes:

(a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;

(d) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters; and

(e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

Corporate Governance Report

Attendance Records of Meetings

The attendance of each Director at Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting and general meeting during the Year is set out in the following table:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Number of meetings held during the Year	4	4	1	1	1
Name of Directors	**Number of meetings attended/Number of meetings entitled to attend**				
Executive Directors					
Ms. Judy Chan	4/4	–	–	1/1	1/1
Mr. Lam Wai Kit Ricky (appointed on 1 October 2021)	1/1	–	–	–	–
Mr. Fan Chi Chiu (resigned on 30 September 2021)	3/3	–	–	–	1/1
Non-executive Directors					
Dr. Cheung Chai Hong (appointed on 28 May 2021)	2/2	–	–	–	1/1
Ms. Hou Tan Tan Danielle (resigned on 28 May 2021)	2/2	–	1/1	–	–
Mr. Chow Christer Ho	4/4	4/4	–	1/1	1/1
Independent non-executive Directors					
Mr. Ho Kent Ching-tak	3/4	3/4	–	0/1	1/1
Mr. Lim Leung Yau Edwin	4/4	4/4	1/1	1/1	1/1
Mr. Alec Peter Tracy	4/4	–	1/1	1/1	1/1

NOMINATION POLICY

The Board has adopted a nomination policy which set out the criteria and process in the nomination and appointment of Directors. Below are the nomination procedures and the process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship.

(i) Selection Criteria

The Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorships:

- character, reputation and integrity;
- qualifications, experience and accomplishments, including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;
- requirement for the Board to have independent directors in accordance with the GEM Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the GEM Listing Rules;
- Board diversity policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board;
- any other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning; and
- such other perspectives appropriate to the Company's business.

(ii) Directors Nomination Procedures

The Board has the relevant procedures for Directors Nomination which are pursuant to the GEM Listing Rules and the Articles. The details set out in the sections headed "Appointment, Re-election and Removal of Directors" and "Procedures for a Shareholder of the Company to propose a person for election as a Director" in this annual report.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Group's financial reporting process. In preparing the consolidated financial statements for the year ended 31 December 2021, the Board has selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Auditor's Remuneration

During the year ended 31 December 2021, the remuneration paid or payable to the Company's auditor, Ernst & Young, in respect of their audit and non-audit services was as follows:

	RMB
Audit services	1,285,000
Non-audit services	232,000
Total	1,517,000

The remuneration for non-audit services represents the professional services for the performance of agreed-upon procedures on the interim and quarterly financial reports.

COMPANY SECRETARY

The Company has appointed, externally, Mr. Chiu as the Company Secretary. His biographical details are set out in the section "Directors and Senior Management" of this annual report. During the year ended 31 December 2021, Mr. Chiu has confirmed that he has taken no less than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules. Mr. Chiu's primary contact with the Company is Mr. Lam Wai Kit Ricky, the executive Director.

Corporate Governance Report

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledged its overall responsibility to ensure that sound and effective risk management and internal controls are maintained, while the senior management is charged with the responsibility to design and implement an internal controls system to manage risks. A sound system of risk management and internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has established a risk management and internal control systems. Different functions and procedures of the systems are responsible by the Board of directors, the audit committee, the management of the Group (the "Management") and the internal control review team. The system monitors risks of the Group including, but not limited to, operational, financial, reporting and compliance risks. The system also aims at covering Environmental Social and Governance ("ESG") related risk factors in order to govern the identified ESG risks to the businesses and provide a robust monitoring system in all aspects. We strive to constantly enhance the system and expand the coverage of the risk factors in a feasible way.

BOARD OF DIRECTORS

The Board has a duty to ensure the effectiveness of the risk management and internal control systems of the Group. The Board oversees the risk management and internal control systems, assesses and evaluates the Group's business strategies and risk tolerance. The Board reviews, with the assistance of the Audit Committee, at least annually the effectiveness of the system and monitors it in an on-going manner.

AUDIT COMMITTEE

The Audit Committee has the primary responsibility for risk management and internal control after the Board. It assists the Board in overseeing the Group's risk management and internal control systems by providing support and advice, including on-going monitoring of the execution of risk management processes, reviewing the Group's risk register as well as reviewing and approving the internal control review plan and results.

MANAGEMENT

The Management is responsible for identifying and monitoring the risks relevant to the Group during daily operations, including strategic, operational, financial, reporting and compliance risks. The Management reports to the Board and the Audit Committee on the risks identified and their changes. The Management is also responsible for developing appropriate internal control measures to mitigate the risks, and identify and resolve material internal control defects.

INTERNAL CONTROL

The Group has established the internal audit function and the scope of work includes reviewing the effectiveness of risk management and internal control systems. The scope of the risk management and internal control review is risk-based and is reviewed by the Audit Committee. The internal audit function is able to communicate with the Audit Committee directly regarding the results of its review.

RISK MANAGEMENT PROCESS

The procedures for identifying, assessing, responding and monitoring risks and their changes are defined by the risk management process. Through regular discussions with each operating function, the Group strengthens the understanding of risk management such that all employees can understand and report various risks they have identified in a timely manner. It enhances the Group's ability to identify and manage risks.

To identify and prioritize material risks throughout the Group, the Management communicates with each operating function, collects significant risk factors that affect the Group from bottom to top, including strategic, operational, financial, reporting and compliance risks. After identifying all relevant risks, the Management assesses the potential impact and possibilities of the risks and prioritizes the risks. Appropriate internal control measures are then developed to mitigate the risks identified and the changes of risks are monitored in an on-going manner.

Major risks of the Group

Our risk management process has identified the following as major risks of the Group and their changes.

Risk	Description	Key Risk Mitigation	Changes
The pandemic of COVID-19 may continue to affect the economy and the market in our key sales locations	Our sales are directly impacted by the economy, the social activities and the atmosphere in the key sales locations. In case of any further major outbreaks or worsening of the pandemic, our business activities may be largely impacted and our revenue will decrease.	We monitor the market condition closely and seek opportunities to carry out marketing activities to drive our sales during the time the pandemic improves to catch up with the slowdown in sales volume. On the other hand, we have taken a more prudent cash management strategy to limit the expenses unrelated to sales and marketing activities to ensure we have sufficient liquidity in case the situation worsened again.	Increased Our revenue increased as compared to last year, which was severely affected by the coronavirus outbreak, and before the pandemic outbreak, indicating that the market may have returned to its pre-epidemic state. However, considering the greater transmission capacity variants of the coronavirus, such as Omicron, the outbreak in Asia may become more severe in the future than it is now.

Risk	Description	Key Risk Mitigation	Changes
We relied on Shanxi as our major market	Sales in the Shanxi Province constitute a significant majority of the Group's total sales. Any material decline in the Shanxi market may result in a decline in the sales of our wine products and our revenue significantly, which may be caused by an economic downturn, natural disasters, pandemics as well as other laws and regulation changes.	We have been continuously developing new markets and distribution channels including, but not limited to, online sales and cooperation with new distributors in regions outside the Shanxi Province.	Decreased The Group launched its first wine from Ningxia earlier this year, and the Group believes that Ningxia wines will increase the opportunity to expand to other Chinese provinces. The Group also continued to diversify beyond Shanxi, recording growth in online sales on platforms such as Tmall and JD.com, reflecting the Group's successful market expansion outside Shanxi.
New products and techniques developed may not be successful	Quality control of our products is extremely important to the success of the Group. When we develop new wine or other beverage products, we may incur material expenditure on manpower, production capacity and capital expenditure on plants and equipment investment. Our new product development activities involve formulating new types of wine or other beverage products. The investment may not pay off for good quality output, and the new products may not be accepted by the market as expected, which may affect the financial results and positions of the Group.	Investment in quality control and extensive preparation on feasibility studies, market and technical research on new product development were carried out to mitigate the risks.	Unchanged Regarding the whisky and gin projects, the construction of the distillery is on schedule and is expected to be completed around the second half of 2022. The Group believes that this project will enable the Group's business to expand to Fujian Province, and the Group is also establishing a new sales team for spirits products in Fujian.

Corporate Governance Report

Risk	Description	Key Risk Mitigation	Changes
We faced intense competition in the domestic PRC market and from imported wine	Our sales growth by market expanding and penetration may be affected by the competition from other domestic wine producers given their existing presence in the regions. Our foreign competitors may have greater access to financial resources, be more experienced and have a better capability in product innovation and longer operating histories. Given the increasing western influence over the PRC and the general consumer behaviour in the PRC, our brand equity and advantages may be diluted by the increase of foreign brands in the PRC, which will affect our revenue directly.	Emphasis on quality and brand building is the key strategy in keeping our product outstanding from the competitors. We have also invested extensively in marketing and promotion events to ensure we can sustain a high level of customer satisfaction.	Decreased As China's epidemic is under control, the backlog of consumer demand is quickly released, and because of the imposition of imported wine tariffs on Australia, one of the main sources of imported wine, might cause a rapid rebound in China's local wine market.

INTERNAL CONTROL REVIEW TEAM

During the year ended 31 December 2021, the Group had not established an internal control department internally. Instead, the Group has engaged an external internal control consulting company, Zewada Risk Advisory Limited, to conduct assessment and evaluation on the effectiveness of internal control measures and systems of the Group. Certain internal control enhancement suggestions have been identified and the Management has established action plans for improving the internal control effectiveness accordingly. An internal control review report has been provided to the Audit Committee which has also been reported to the Board about the findings and improvement measures. No material internal control deficiency has been identified during the year ended 31 December 2021 and the Board considers that the risk assessment and internal control function of the Group to be adequate and effective.

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Group strictly follows the requirements of the Securities and Futures Ordinance (the "SFO") and the GEM Listing Rules and ensures that inside information is disclosed to the public as soon as reasonably practicable unless the information falls within any of the safe harbours of the SFO. Before inside information is fully disclose to the public, such information is kept strictly confidential. In addition, the Group adopted the policy of disclosing relevant information only to appropriate staff within the Group.

In addition, as mentioned in the above section headed "Directors' Securities Transactions", the Company has adopted Model Code as its own code of conduct regarding securities transactions, directors and employees who are likely to be in possession of unpublished inside information (in which the matters relating to the sensitive information including both financial and non-financial information (e.g. harvest result of self-cultivated grapes for the year), etc.), shall be prohibited to deal in any of the Company's securities before the publication of such information.

SHAREHOLDERS' RIGHTS

Rights to convene Extraordinary General Meeting

As one of the measures to safeguard Shareholders' interests and rights, the Shareholders are encouraged to participate at the general meetings of the Company and to vote thereat. An annual general meeting of the Company shall be held each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

The annual general meeting of the Company will provide a forum for the Board and the Shareholders to communicate. The Board will answer questions raised by Shareholders at the annual general meeting.

Pursuant to Article 64 of the Articles, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two Months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for a Shareholder of the Company to propose a person for election as a Director

Subject to the Articles and the Companies Law of the Cayman Islands (as amended from time to time), the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy on the Board, or as an addition to the existing Board.

Article 113 of the Articles provides that no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his/her willingness to be elected shall have been lodged at the Head Office (as defined in the Articles) or at the Registration Office (as defined in the Articles). The period for lodgement of the notices required under this Article will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

Accordingly, if a Shareholder wishes to nominate a person to stand for election as a Director, the following documents must be validly served at the Company's principal place of business in Hong Kong at Unit 705, 7/F, Westlands Centre, No. 20 Westlands Road, Hong Kong or at the Company's Hong Kong share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, including (i) a notice signed by the Shareholder for which such notice is given of his/her intention to propose a candidate for election; and (ii) a notice signed by the proposed candidate of the candidate's willingness to be elected together with (a) that candidate's information as required to be disclosed under Rule 17.50(2) of the GEM Listing Rules, and (b) the candidate's written consent to the publication of his/her personal data.

Right to Put Enquires to the Board

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of the Company. Such questions, requests and comments can be addressed to the Company by mail to Unit 705, 7/F, Westlands Centre, No. 20 Westlands Road, Hong Kong or by email to contact@gracewine.com.hk.

INVESTORS RELATIONS

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include (i) the publication of quarterly, interim and annual reports and/or dispatching circulars, notices, and other announcements; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the websites of GEM and the Company; (iv) the Company's website offering communication channel between the Company and its stakeholders; and (v) the Company's share registrars in Hong Kong serving the Shareholders in respect of all share registration matters.

CHANGE IN CONSTITUTIONAL DOCUMENTS

There were no significant changes in the constitutional documents of the Company for the year ended 31 December 2021.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Grace Wine Holdings Limited ("Grace Wine" or the "Company", together with its subsidiaries, collectively referred to as the "Group", "we", "us, or "our") is here to disclose its third Environmental, Social and Governance ("ESG") Report (this "Report") to its stakeholders, aiming to showcase its strategy, approach and achievements in sustainable development during the year.

Reporting Period and Scope

Unless otherwise stated, the reporting scope of this Report covers the Group's major operations from 1 January 2021 to 31 December 2021 (the "Reporting Period") of:

- Hong Kong office;
- Shanxi Vineyard;
- Ningxia Vineyard; and
- Xiamen Sales Offices in the People's Republic of China ("PRC").

Reporting Standards

The Group prepares this Report in accordance with applicable disclosure requirements of the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

Environmental, Social and Governance Report

Reporting Principles

The Group prepared this Report based on the following four reporting principles:

Principles	Definitions	Responses from the Group
Materiality	The issues covered in this Report should reflect the significant impacts of the Group on the economy, environment and society, or the scope of assessments and decisions of stakeholders being influenced.	Through engaging with stakeholders as well as considering the Group's business nature and development, material sustainability issues are identified.
Quantitative	This Report should disclose key performance indicators in a measurable way.	The Group discloses its key environmental and social performance indicators quantitatively where appropriate.
Balance	This Report should present the positive and negative information of the Group in an objective manner, to reflect a comprehensive picture of the sustainability performance of the Group.	The Group has identified and disclosed the environmental, social and governance issues with significant impact on the Group's business, including the results and challenges faced by the Group, in this Report.
Consistency	Preparation of this Report should be based on methods consistent with the one(s) used in previous year(s), or the Report should state the revised reporting methods, or illustrate other relevant factors that might affect meaningful comparison.	The reporting scope and reporting method are substantially consistent with those of the prior year(s), and this Report has also disclosed relevant comparative information.

Data Collection Method

The information cited in this Report originates from the Group's official documents and statistical data. This Report has been approved by the Board of Directors ("the Board") in March 2022.

Feedback

Every stakeholder's opinion is seen as the cornerstone of the Group's sustainable development. Should you have any opinions or suggestions with regards to the Group's sustainable development or this Report, please email us at contact@gracewine.com.hk.

Environmental, Social and Governance Report

ABOUT GRACE WINE

As the largest wine maker in Shanxi of the Mainland, the Group is principally engaged in wine production and sales under the brand "Grace Vineyard" in the market. In 1997, with the aspiration of "introducing a European-style wine chateau to Shanxi and producing the best wine in China", Mr. Chan Chun Keung and Frenchman Sylvain Janvier cofounded Grace Vineyard in Taigu County, Shanxi under the help of Professor Denis Boubals, a French oenologist. Grace Vineyard is dedicated to producing quality value-for-money wine that meets the wide range of tastes and price preferences of customers. Inheriting the philosophy that "only a clan can make long-term plans to produce fine wine from generation to generation", Mr. Chan passed down the vineyard to his daughter Ms. Judy Chan, who studied in the United States in her early years, in 2002.

Our wine product portfolio mainly comprises red wine, and can be broadly categorized into higher-end wine which targets the executive clientele and corporate customers and entry-level wine that caters to the price-conscious mass market at reasonable retail prices. In response to our customers' tastes and preferences, we also from time to time make white and sparkling wine, seasonal series and special blends of red wine, and import an insignificant volume of overseas-made wine.

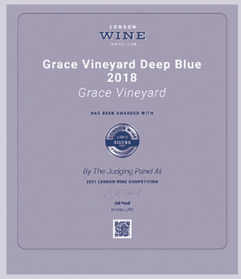
The Group was listed on the Stock Exchange on 27 June 2018, which completed its transition from a family enterprise to a public one. Owning Shanxi Grace Vineyard and Ningxia Grace Vineyard, the Group has established strategic presence in two production areas and laid the foundation for its development in the next three decades.

With over 20 years of development, Grace Vineyard has become a well-recognized boutique winery in China, and a well-known benchmark brand amongst Chinese boutique wineries with extensive acclaim in the international wine community, including renowned wine critics Jancis Robinson and James Halliday as well as international authoritative and professional magazines "Wine Spectator" and "Decanter".

Environmental, Social and Governance Report

AWARDS AND RECOGNITIONS

London Wine Competition 2021 Award
怡園深藍乾紅2018
(Grace Vineyard Deep Blue 2018)
怡園德熙珍藏霞多麗乾白2019
(Grace Vineyard Tasya's Reserve Chardonnay 2019)
怡園精選乾紅2019
(Grace Vineyard Premium Cabernet Merlot 2019)



Gilbert Gaillard International Challenge 2021
怡園深藍乾紅2018
(Grace Vineyard Deep Blue 2018)
怡園德熙珍藏霞多麗乾白2019
(Grace Vineyard Tasya's Reserve Chardonnay 2019)
怡園精選乾紅2019
(Grace Vineyard Premium Cabernet Merlot 2019)
怡園乾紅2020
(Grace Vineyard Vineyard Series Cabernet Merlot 2020)

Bettane Desseauve The Best Cabernet Sauvignon in China 2020

The Top 10 Chinese Premium Wineries of WBO Wine Industry Awards

The Top 10 Influential Persons of WBO Wine Industry Awards

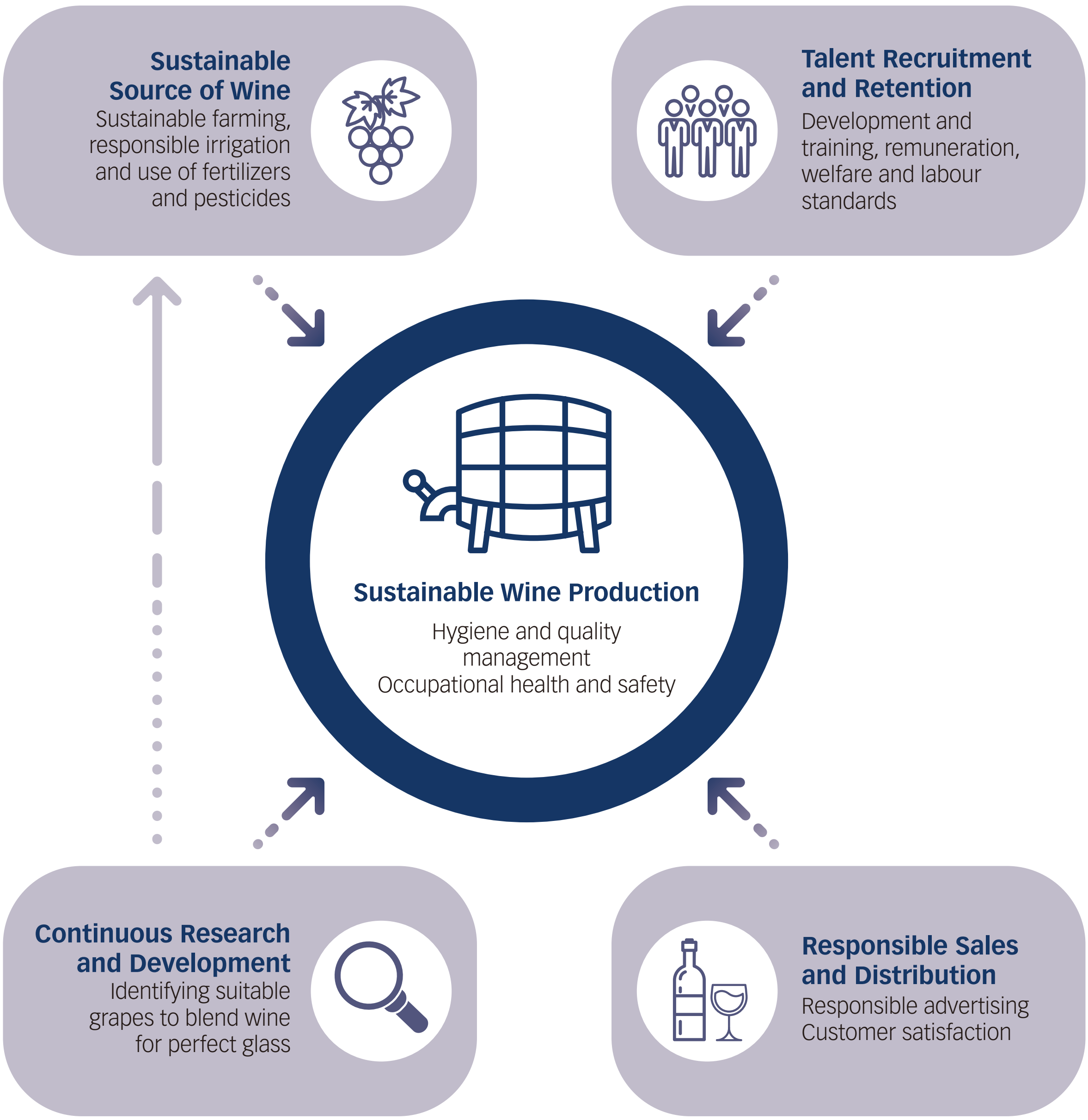
Hong Kong International Wine and Spirit Competition Awards
Decanter World Wine Awards
International Wine & Spirit Competition Awards

Environmental, Social and Governance Report

OUR APPROACH TO SUSTAINABLE DEVELOPMENT

Being a leading wine producer in mainland China and the industry, Grace Wine is dedicated not only to producing the best quality wine, but also to capitalizing on its influence in the industry to promote sustainable development, hoping to bring a sustainable and green future to our next generations. Rooted in Shanxi, Ningxia and Xiamen in the PRC, the Group is highly concerned about the environmental and social matters in the local communities where we operate. We believe that sustainability encompasses not just our environmental performance and contribution to the wider community, but also underpins our core business practices and our relationships with shareholders, employees, customers and suppliers. Our approach is guided by a number of sustainable development policies, including but not limited to green operations, upholding business ethics and integrity, respecting labor rights, responsible production and compliance with applicable laws and regulations. We hope that adopting such policies during our daily operations can realize our wine philosophy of "pathway to a well-lived life" in four dimensions:

Environmental, Social and Governance Report



Environmental, Social and Governance Report

STAKEHOLDER ENGAGEMENT

The Group strives to communicate with stakeholders and incorporate appropriate opinions and suggestions into our continuous improvement process. We have identified employees, customers, suppliers, distributors, business partners, shareholders and investors, government, media, and the wider community as our key stakeholder groups. We would collect their feedback towards the Group's operations and sustainable development performance through several formal and informal communication channels, which can be referred to in the following:

Major Stakeholders	Communication Channels
Employees	• Daily communication and meetings • Training activities • Welfare activities • Regular performance appraisal • Questionnaires
Customers	• Telephone and face-to-face meetings • Social media • Customer activities • Questionnaires
Suppliers, distributors and other business partners[1]	• Meetings • Regular appraisal • Site inspection • Exchanges and visits • Direct communication
Shareholders and investors	• Annual general meetings or extraordinary general meetings • Regular corporate publications (including annual reports) • Circulars and announcements (if necessary) • Group website
Government	• Direct communication • Compliance management • Proactive tax payment • Information disclosure • Written communication (if necessary)
Media and the wider community	• Group website • Press release and announcement • Social media

1 Including seasonal farmers.

MATERIALITY ASSESSMENT

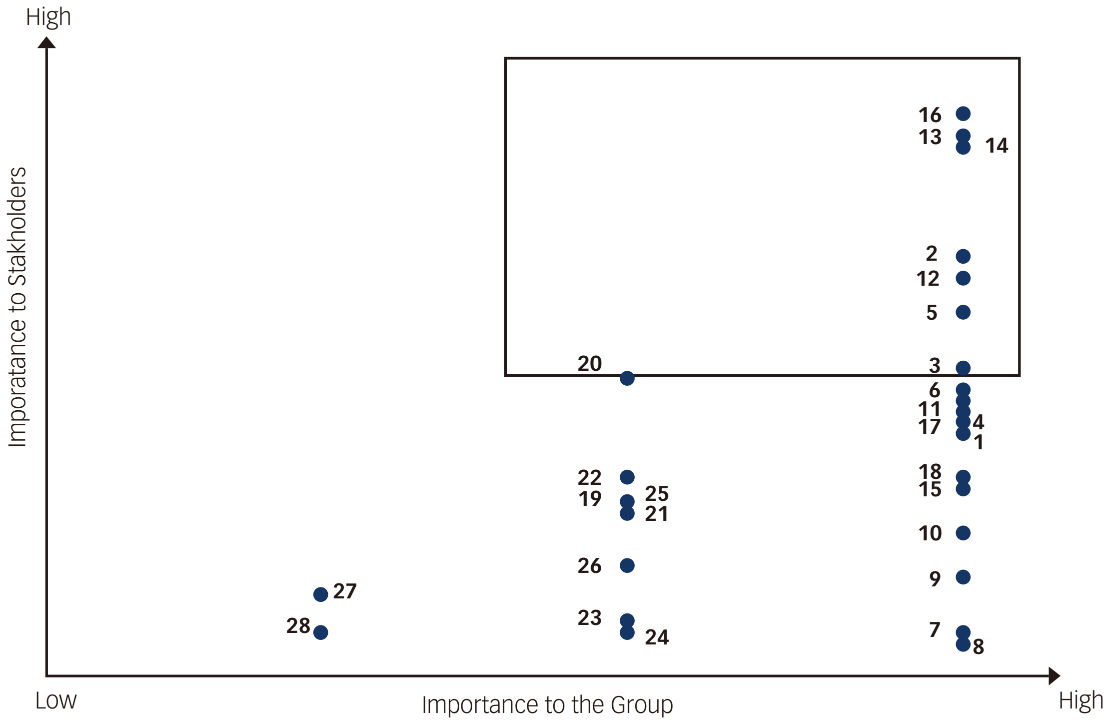
Apart from the above communication channels, we also deployed an individual consultant during the Reporting Period to conduct a stakeholder survey to further understand stakeholders' opinions towards the Group's environmental, social and governance aspects. The materiality assessment can be mainly divided into 3 steps:

1. Analyze our current and previous achievements in stakeholder engagement activities, industry trends and the ESG Reporting Guide of The Stock Exchange of Hong Kong Limited. A total of 28 environmental, social and governance topics applicable to the Group has been considered.

2. Invite key internal and external stakeholders to conduct our stakeholder survey to give ratings on these 28 topics based on their perception on the materiality of these issues to the Group.

3. Gather the ratings, together with the management's opinions, plot a materiality matrix to identify ESG issues that are material to the Group.

Materiality Matrix



Environmental, Social and Governance Report

Based on the aggregated scores given by our internal and external stakeholders through the online questionnaire, we have mapped out and prioritized the 28 sustainability issues, reflecting their relevance to the Group and their perceived overall importance to society and the environment. The 8 issues in the upper right quadrant that are the material issues to be highlighted in this Report. We will disclose the work and progress made in various aspects, and will place emphasis to material issues in our long-term operations by formulating corresponding strategies for effective resources allocation.

Issues considered in the materiality assessment:

Product Responsibility	Corporate Governance	Caring for Employees
1. Quality of Product 2. Product safety and health 3. Customer service and satisfaction 4. Complaint handling 5. Customer data protection and privacy 6. Advertising and labelling management	7. Anti-fraud and corruption 8. Anti-corruption training 9. Supplier environmental and social performance 10. Supplier selection process and tendering management 11. Disaster/emergency response and management	12. Diversification and equal opportunities talents 13. Recruiting and maintaining talents 14. Training and development 15. Labor practices 16. Occupation health and safety

Environmental Protection	Community Contributions	
17. Air emissions management 18. Energy consumption 19. Climate change 20. Discharge quality management 21. Greenhouse Gas Emissions 22. Hazardous and non-hazardous waste management 23. Noise management 24. Resource utilization and mitigation measures 25. Green procurement	26. Participation in volunteer activities 27. Charitable giving 28. Contributions work	

Environmental, Social and Governance Report

Material Issue	Corresponding Section in this Report
2. Product safety and health	Managing Health and Safety of Wine
3. Customer service and satisfaction	Collecting Customer Feedback
5. Customer data protection and privacy	Protecting Privacy and Intellectual Property Rights
12. Diversification and equal opportunities talents	Attracting and Retaining Talents
13. Recruiting and maintaining talents	Attracting and Retaining Talents
14. Training and development	Investing in Continuous Staff Development
16. Occupation health and safety	Caring for Employees' Health and Safety
20. Discharge quality management	Use of Water

ESG Governance

The Board of Directors (the "Board") of the Group oversees environmental, social and governance risk management, while taking into account stakeholders' concerns to determine issues that are material to the Group. The Group has developed its internal strategies and policies with aims to create sustainable values to its stakeholders, thereby to large extent minimising the Group's undue impact on the environment. The Group has established risk management and internal control mechanisms to identify, manage and monitor risks, in which ESG-related risks are covered. In order to carry out the Group's sustainability strategy from top to bottom, the Board has ultimate responsibilities for ensuring the effectiveness of the Group's ESG policies.

Climate change is one the most complicated challenges faced by mankind's in the new century. Global warming gives rise to more frequent extreme weather conditions including changes in precipitation mode, droughts, floods and bushfires. Faced with all sorts of problems, individuals, corporations and governments must take immediate actions to tackle climate change.

Overall rising temperatures, unpredictable weather events such as flooding and rogue frost, which lead to Vineyards is difficult to plan ahead. Vineyards preparation on an annual basis has become a recurring challenge due to climate change. Physical risks or other risks related to climate change have been included as part of the Group's risk assessment and strategies for consideration. To reduce the impact of climate change over the quality of wine production, except using self-cultivated grapes grown in Shanxi and Ningxia Vineyards owned by the Group, accompanied by some Grapes purchased from adjacent farms with demographic, climate and other conditions similar to our vineyards.

The Group has established dedicated teams to responsible for disaster and emergency response and manage ESG issues within each business division of the Group and kept monitoring and overseeing the progress against corporate goals and targets for addressing climate change. Dedicated teams with designated staff for management of ESG issues has been assigned to enforce and supervise the implementation of the relevant ESG policies cascading through the Group.

To contribute to achieving a low carbon economy, the Group is committed to reducing its greenhouse gas emissions through the approaches of mitigation and adaptation. For example, the Group has strived to mitigate the risks brought by climate change through the adoption of a new Environmental, Social and Governance Management Policy and measures; and promoting energy saving measures and habits in office. The Group has also considered potential physical risks of climate change to its daily operation. We engages suppliers to reduce emissions in supply chains, strengthening the resilience of its business and using its voice to advocate for collective action.

With the forward-looking guidance and well-designed plans of action to address underlying ESG matters, the management and responsible teams keep reviewing and adjusting the Group's sustainability policies to satisfy the ever-changing needs of its stakeholders on a regular basis. For instance, through the assignment of the responsibility of progress tracking to different management-level positions, the Group is committed to achieving an excellent performance in ESG management while also remaining competitive compared with its peers. Details of the Group's management approaches in both the environmental and social aspects are elaborated in different sections of this ESG report.

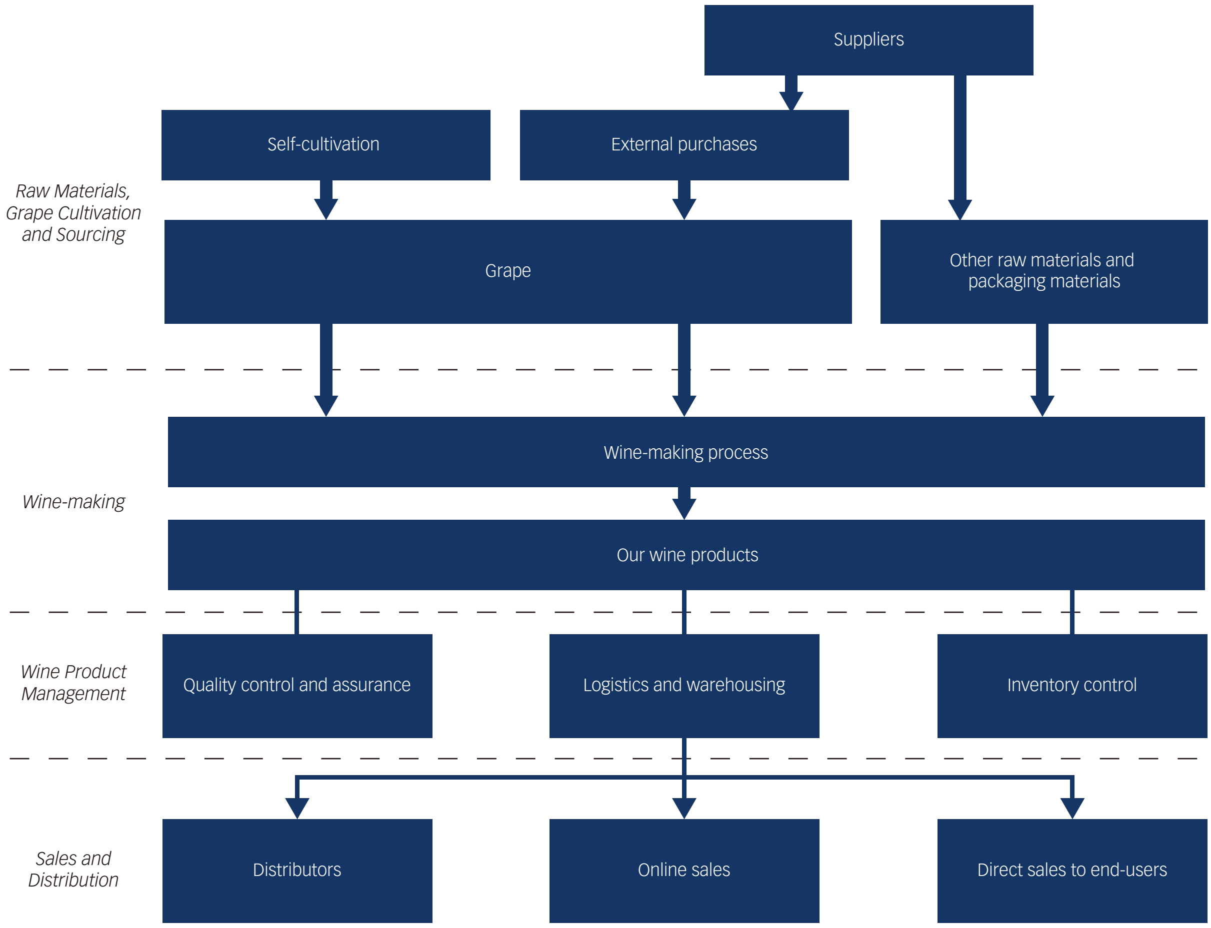
STRIVING FOR QUALITY

Being a wine producer ranked top in the industry, Grace Wine strives to ensure the quality of every bottle of wine is of the best quality. During wine production and daily operation processes, the Group pays every effort to comply with applicable laws, regulations and industry standards in relations to health and safety, advertising, labelling and privacy matters regarding our wine products, including but not limited to the "Agriculture Law of the PRC" (《中華人民共和國農業法》), the "Regulations on Pesticide Management of the PRC" (《中華人民共和國農藥管理條例》), "Regulation on the Implementation of the Food Safety Law of the PRC" (《中華人民共和國食品安全法實施條例》), the "Production Safety Law of the PRC" (《中華人民共和國安全生產法》), the "Law of the PRC on the Protection of Consumer Rights and Interests" (《中華人民共和國消費者權益保護法》), the "Advertising Law of the PRC" (《中華人民共和國廣告法》) and the "Personal Data (Privacy) Ordinance of Hong Kong".

During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations in relations to health and safety, advertising, labelling and privacy matters relating to products and services.

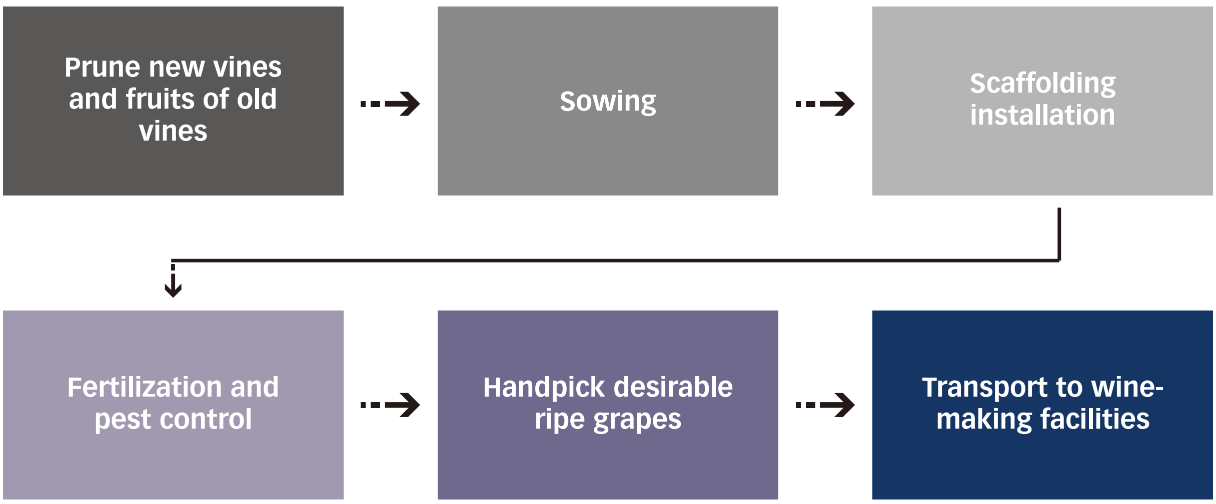
Environmental, Social and Governance Report

Grace Wine's Business Model



Ensuring Quality of Grape Cultivation

To produce the best quality wine, the Group mainly uses self-cultivated grapes grown in Shanxi Vineyards owned by the Group, accompanied by some grapes purchased from adjacent farms with demographic, climate and other conditions similar to our vineyards'. We engage local farmers as casual workers to cultivate grapes. Below diagram shows the major process of our grape growing and harvesting during dormancy in winter and harvest season from late August to early October each year:



Our grape cultivation is regulated by the "Agriculture Law of the PRC" (《中華人民共和國農業法》). We have strictly complied with its requirements by introducing the "Vineyard Management Handbook" (《釀酒葡萄基地管理手冊》) which sets out the following key terms to regulate the process and quality of grapes:

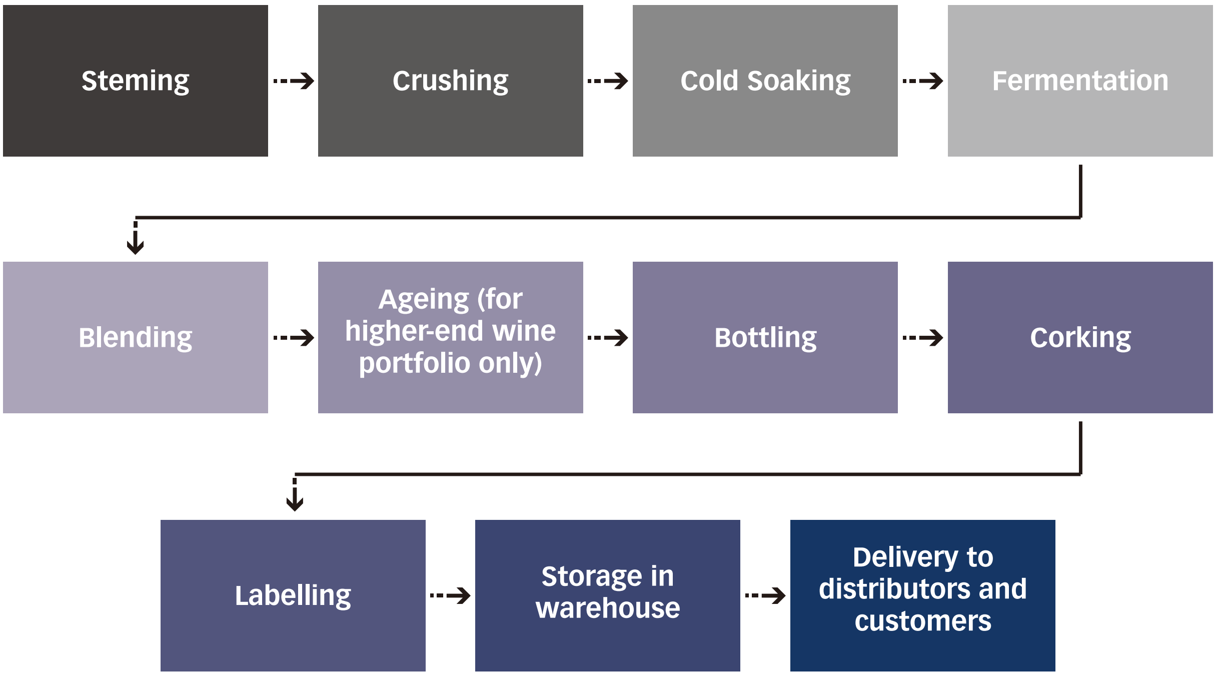
Botany of grapes	Characteristics of different types of grape	Best practice of pruning and positioning grapes
Recommendations on managing grape plants in different seasons	Farmland management	Use of pesticides and fertilizers

Guaranteeing the quality of grape forms the foundation for producing the best wine. Thus, we would conduct multiple tests and inspections on both self-cultivated grapes and purchased grapes. During cultivation, we would conduct regular tests and laboratory analysis on the sugar content, acidity, pH value etc. of grapes. During harvesting, we would also conduct test on the sugar content, proportion of rotten or dried grapes, flavor, ripeness and chemical residuals of grapes. For purchased grapes, we would also conduct test in terms of their sugar content, chemical residues, appearance, hygiene and purity.

Environmental, Social and Governance Report

Ensuring Quality of Wine Making

We are devoted to producing the best quality wine through stringent management. The Group has obtained ISO9001:2015 Quality Management System Certification to guarantee the quality of our wine production process. The major process can be referred to in the below diagram:



We have incorporated standard procedures and measures into the entire wine production process to control the quality of each bottle of wine. Below highlights some of our quality control measures:

Filtration	Conducts germ-free filtration process to remove bacteria and residues in wine before bottling
Testing	Establishes the "Product Sample Check Policy" (《產品檢驗規程》) and conducts quality test in wine. The appearance, scent, taste, volume, alcohol level, sweetness, chemical level, bacterial level, labelling etc. will be inspected to ensure the quality meets our own requirements as well as those set out in the "National Standard of Food Safety – Limits of Pathogen in Food" (《GB29921-2013食品中致病菌限量》), "National Standard of Food Safety – Maximum Residue Limits for Pesticides in Food" (《GB2763-2016食品中農藥最大殘留限量》) and "National Standard of Food Safety – Contamination Limits in Food" (《GB2762-2017-kw 食品中污染物限量》)
Warehouse management	Monitors the temperature and humidity of warehouse by installing thermometers and hygrometers which are checked in the morning and afternoon every day, and introduces anti-fire, theft, leakage and work injury measures in the warehouse to ensure overall safety
Shipping and tracking	Provides logistics tracking service while delivering our products to customers and requires trucks for wine delivery to meet our hygienic standards and to be equipped with rain and dustproof facilities

Managing Health and Safety of Wine

The Group abides by the "Agriculture Law of the PRC" (《中華人民共和國農業法》), "the Food Safety Law of the PRC" (《中華人民共和國食品安全法》) and other applicable laws and regulations to address the health and safety issues of our wine products. Our grape cultivation involves the use of chemicals including pesticides and fertilizers. We have implemented the "Annual Plan for the Use of Pesticide" (《年度噴藥計劃》), guiding farmers to apply pesticides on grapes in accordance with the "Regulations on Pesticide Management of the People's Republic of China" (《中華人民共和國農藥管理條例》).

During wine production process, we apply the "Hygiene Management Policy for the Staff and Environment of Brewing Production Area" (《釀造部人員及環境衛生管理規範》) to manage the safety and hygiene of our workers to avoid contamination of grapes and wine. Workers are required to wear uniform and personal safety equipment in the working area, and to clean their hands and shoes thoroughly before entering the production areas. We also arrange annual health check for workers in the wine production plants. If any worker is found to fail to obtain the health permit, he/she is not allowed to work in the production area. Moreover, we strictly manage the quality of water used for cleaning production equipment. We would perform laboratory test on the water used in accordance with the "Sanitary Standard for Drinking Water" (《GB5749-2006生活飲用水衛生標準》) in relations to the "Standard Procedure of Cleaning the Vessel" (《洗罐操作規程》) and the "Management Policy of Bottling" (《灌裝管理制度》) to avoid our wine being contaminated.

Environmental, Social and Governance Report

Concerning the labels on our wine, we will verify the content printed on the labels before distributing our wine to ensure descriptions required by the "National Standard of Food Safety – General Standard for the Labelling of Pre-Packaged Food" (《食品安全國家標準－預包裝食品標簽通則GB7718-2011》) and the "General Standard for the Labelling of Pre-Packaged Alcoholic Beverages" (《預包裝飲料酒標簽通則GB10344-2005》) are in place. We also print warning notice on the labels stating that "Excessive drinking can damage your health" (過量飲酒有害健康) to remind customers not to drink excessively.

Collecting Customer Feedback

We listen to and adopt customer feedback from time to time wholeheartedly as we regard them as the key to our continuous improvement and development. If customers have any opinions or complaints, they can raise out through our hotline. Our designated personnel will handle and refer to relevant department for follow-up actions in a timely manner to address their concerns. We would also conduct return visit to ensure our customers are satisfied with our follow-up actions. During the reporting period, the Group was not aware of any products sold or shipped subjects to recalls for safety and health reasons and zero material product complaints had been received regarding the products.

Advertising and Labelling

While preparing promotional materials for our wine products, the Group is in stringent compliance with the "Advertising Law of the PRC" (《中華人民共和國廣告法》), the "Law of the PRC on the Protection of Consumer Rights and Interests" (《中華人民共和國消費者權益保護法》) and the "Management Regulations for Alcohol Advertisements" (《酒類廣告管理辦法》) to ensure the authenticity of the content to protect consumer rights and consumers' right-to-know.

Concerning product labelling, apart from the content control, the Group has implemented the "Labelling and Traceability Management System" (「標籤及追溯管理系統」) to enhance the traceability of our wine products. With labels on the wine bottles, in case of any problem concerning quality, the system enables us to trace the batch of products involved.

Protecting Privacy and Intellectual Property Rights

We acknowledge the importance of protecting data privacy and intellectual property rights to uphold business ethics. We require our employees to protect customer data and sensitive business information of the Group at all times. We require our administrators to change passwords of the operating system on a regular basis to minimize the risk of leakage of confidential data.

In terms of intellectual property rights, we have stated relevant terms in the agreement signed with our distributors, stating the rights granted to them for the application of our designated trademarks, trade names and logos when distributing designated products within designated ranges. We also prohibit them from possessing, using, disposing of or making profits from our trademarks, trade names and logos without prior consent from the Group.

Environmental, Social and Governance Report

Managing Suppliers

The Group's suppliers mainly supply us with grapes, raw materials including base wine and grape juice, yeast and additives and packaging materials such as corks, bottles, wine caps and boxes. During the Reporting Period, we have worked with a total of 64 suppliers. We engage all suppliers in the PRC to reduce the greenhouse gas emissions generated from transportation as far as possible. The Group strives to take advantage of its influence to bring positive impact to the entire supply chain. As a result, we would conduct management on the environmental and social risks of our suppliers through regular on-site inspection and process control, expecting our suppliers to uphold sustainability principles while supplying us with products and services.

Besides, we also conduct stringent management on the quality of products and services of our suppliers. We have formulated the "Procurement Management System" (《生產採購管理制度》) to guide our employees the procedures of supplier selection and review. We would put service quality, product quality, reputation, after-sales services and prices etc. into consideration while selecting appropriate suppliers. We would also conduct regular review on existing suppliers to ensure their product and service quality meets our requirements. Criteria include product quality, timeliness of delivery, completeness of goods delivered, after-sales support, price etc.

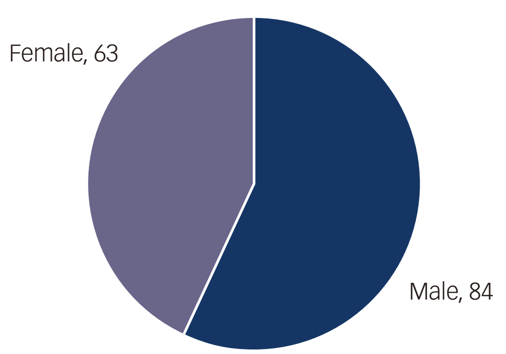
CARING FOR EMPLOYEES

People serve as the foundation for our product and service quality service as well as the success of our business. We pledge to be an employer of choice to attract and retain our talents by creating a harmonious and safe workplace to attract, retain and develop talents. We also endeavor to offer attractive career development, learning opportunities and rewarding remuneration to our staff. The Group strictly adheres to applicable labor laws and regulations, including but not limited to the "Labor Law of the PRC" (《中華人民共和國勞動法》), the "Labor Contract Law of the PRC" (《中華人民共和國勞動合同法》), "Provisions on the Prohibition of Using Child Labor" (《禁止使用童工規定》) and the "Employment Ordinance" of Hong Kong. During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations concerning compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

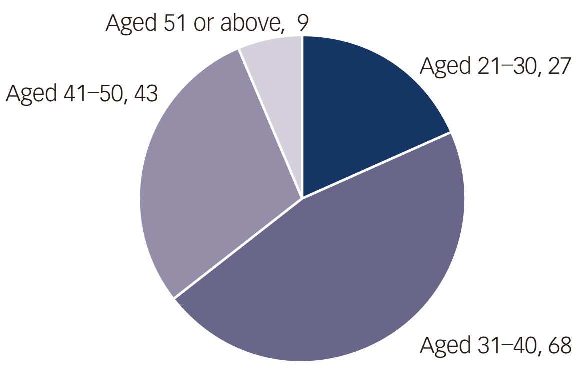
Employee Overview

As of 31 December 2021, the Group had a total of 147 full-time employees in the PRC and Hong Kong.

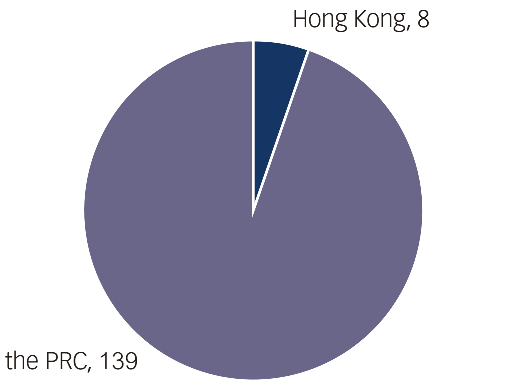
Total Number of Employees by Gender



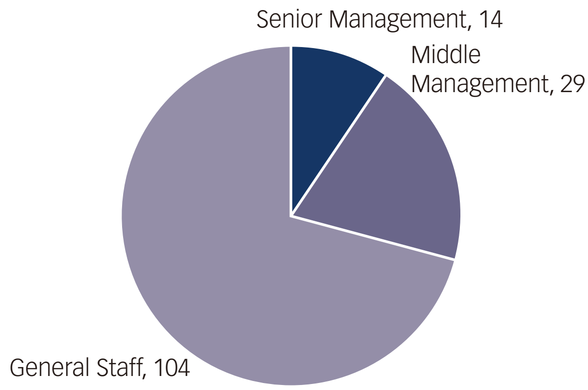
Total Number of Employees by Age Group



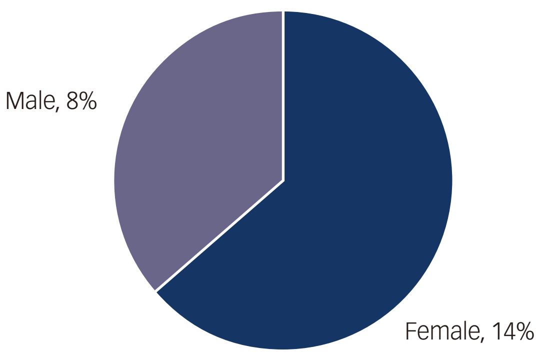
Total Number of Employees by Region



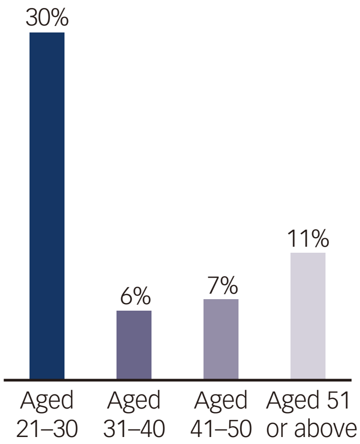
Total Number of Employees by Employment Type



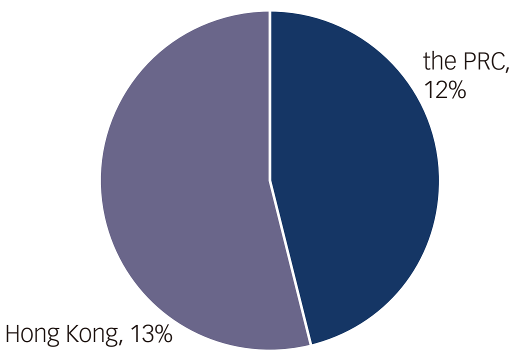
Employee Turnover Rate by Gender



Employee Turnover Rate by Age Group



Employee Turnover Rate by Region



Attracting and Retaining Talents

The Group is dedicated to attracting and retaining talents to join and grow with us. We recruit internally and externally based on manpower needs raised by different departments. Recruitment channels include department recommendation, on-site recruitment, online recruitment, campus recruitment and the Company's talent pool etc. We select suitable candidates by upholding the principle of diversity, equality and anti-discrimination regardless of race, gender, marital status, age and disability during the selection process. Such principle is also adopted during determination of remuneration, promotion, training and other labor-related processes.

To attract and retain talents, we offer a competitive remuneration and welfare package to our employees to pay back their unceasing efforts to promote the Group's development. They are offered with basic salary, position salary, performance salary, full-attendance bonus, allowance, educational qualification salary, and length-of-service salary subject to various conditions. We contribute to social insurance and housing provident fund for employees in the PRC, as well as Mandatory Provident Fund for employees in Hong Kong. Apart from the above, employees can also enjoy a number of welfare and benefits including but not limited to the following:

Holidays and Leaves	• Public holidays • Statutory holidays • Sick leave • Marriage leave	• Maternity leave • Breastfeeding leave • Work injury leave
Bonuses	• Travel allowance • Festival bonus • Marriage and family planning bonus	• Attendance bonus • Performance bonus
Other benefits	• Free shuttle buses • Medical expense subsidies for critical illness	• Annual physical examinations

We extend our care to employees' well-being and work-life balance by initiating and supporting various employee activities including annual dinners, team building activities, hikes, celebration events and birthday parties etc. By bringing our staff and management together, the cohesion and sense of belongings of our employees are enhanced.

Caring for Employees’ Health and Safety

Health and safety of each employee is undoubtedly our top priority. Due to the spread of COVID-19 during the Reporting Period, the Group has formulated a series of policies and measures to enhance our occupational health and safety system, ensuring that all our employees can be taken care of to prevent the spread of virus. During the Reporting Period, we have complied with relevant laws and regulations, including but not limited to the “Law of the PRC on the Prevention and Control of Occupational Diseases” (《中華人民共和國職業病防治法》) and the “Production Safety Law of the PRC” (《中華人民共和國安全生產法》), and the rate of accidents and injuries was extremely low with zero fatal accident among our employees. During the past three years including the reporting year, there is no work-related fatalities occurred and there were 91 lost days due to work injury during the reporting year.

To ensure that we are in line with the pandemic prevention plans announced by the government and to minimize the risk of infection among our employees, the Group has implemented a number of control policies, including but not limited to:

- Regularly disinfecting the office and factory
- Setting up pandemic prevention working group to oversee our pandemic prevention measures
- Having necessary pandemic prevention supplies in place, such as thermometer, disinfectants, hand wash etc.
- Requiring employees to have their meals individually
- Checking employees’ temperature on a daily basis
- Requiring all employees to wear facial masks at work

Other occupational health and safety measures include:

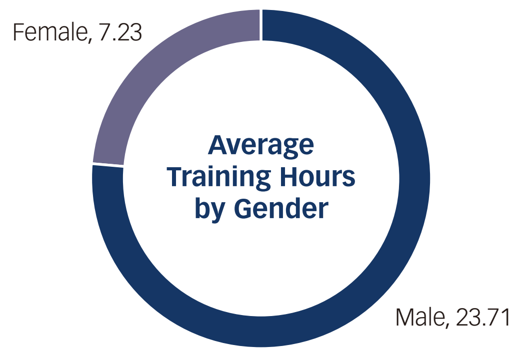
- Arranging safety education training for production employees and require them to undergo safety training assessment to ensure they are equipped with necessary safety production knowledge
- Rewarding employees with excellent performance in safety production
- Arranging regular plant-wide safety inspection to check our production equipment, safety equipment, fire protection facilities, protective gears and first-aid equipment, and arrange timely repair for malfunctioning ones to ensure they are in good condition at all times
- Establishing plant-wide duty system and arrange personnel to ensure safety of the plant 24-7
- Establishing emergency plans and arrange regular accident drills

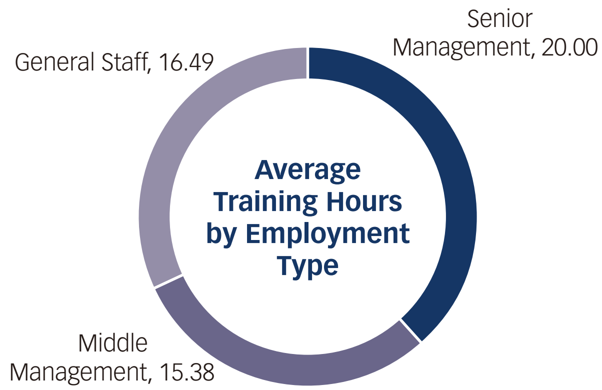
Investing in Continuous Staff Development

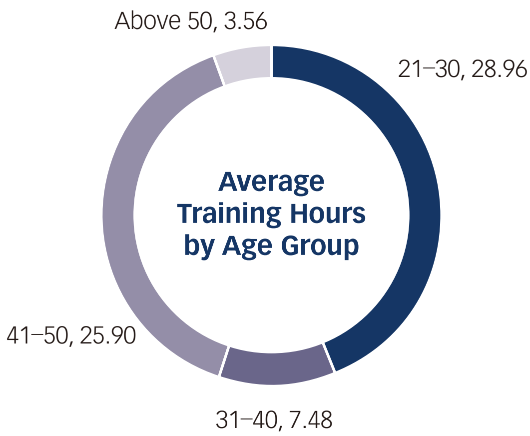
We believe that investing in staff promotion and training is crucial to the Group's continuous and sustainable development. As such, we have established a comprehensive staff performance appraisal system to evaluate employees' work ability and performance on a regular basis. The appraisal results will form the basis for promotion and salary increment. Besides, we also establish and maintain an all-rounded training platform which arranges internal and external training, including public courses and specialized skills training from time to time to enhance employees' professional and personal skills, such as corporate culture, behavioral standards, professional knowledge on purchasing, planting, brewing, quality, finance, reception and safety education. During the Reporting Period, training topics we have covered include but not limited to:

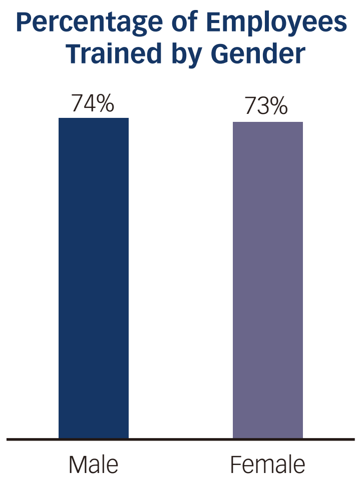
Tax compliance	Food quality and safety	Occupational health and safety
High-voltage electricity handling	Production and inventory	Special working permit training
Wine production skills	Grape planting knowledge	Financial knowledge

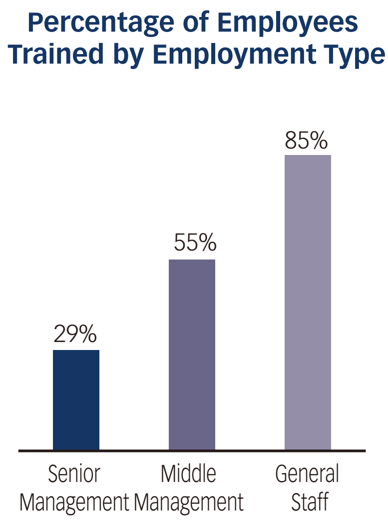
During the Reporting Period, the Group has organized more than 2,000 hours of training. Average training hour per employee is 16.64 hours. The average training hours by gender and employment category are outlined below:











Environmental, Social and Governance Report

Complying with Labor Standards

Being a responsible employer, the Group strives its best to ensure stringent compliance with relevant labor standards to protect the interest of our employees. We have clearly set out our terms and conditions in terms of remuneration, working hours, rest periods, compensations, dismissal procedures etc. in our employee handbook and relevant human resources policies. We require our staff to work 8 hours a day and 5 days a week in general. During peak seasons for harvesting, pressing and production, emergency repair or equipment maintenance, special arrangement of working hours will be applied. As for dismissal, the Group may dismiss employee who cannot assume his/her post or fails to perform according to regulations during normal working hours due to various reasons. In general conditions, our Human Resources and Administration Department would issue a "Notice of Termination of Labor Contract" (《解除勞動合同通知書》) 30 days in advance which clearly states the reasons for termination of contract. We would provide adequate compensation to the employees according to statutory requirements.

In addition, the Group adopts a "zero" tolerance approach towards the recruitment of child and forced labor. During the recruitment process, we would verify the identity documents of candidates to ensure they have met legal working age. If child labor is identified within the Group, we would bring them away from the workplace immediately, report the case to local labor bureau, arrange health check for the child labor and send them back to their original place of residence. Also, we strictly prohibit the occurrence of forced labor through our standard working hour system. If employees have to work overtime, they are required to get prior approval from the management. We would provide sufficient compensation for employees who work overtime. During the Reporting Period, the Group was not aware of any child or forced labor within the Group.

Maintaining Business Ethics and Integrity

The Group strictly abides by the "Law of the PRC on Anti-Unfair Competition" (《中華人民共和國反不正當競爭法》), the "Criminal Law of the PRC" (《中華人民共和國刑法》), Hong Kong's "Prevention of Bribery Ordinance" and other relevant laws and regulations to prohibit the occurrence of corruption, bribery, extortion, fraud and money laundering within the Group. We provide training for directors and employees to raise their awareness and equip them with relevant knowledge and require them to uphold business ethics and integrity during daily operations at all times. We have also maintained a whistleblowing system in which employees, business partners and other third parties can report suspicious cases or other misconducts to us with their identities kept confidential. We will conduct investigation and take corresponding follow-up actions in a serious and timely manner to protect the rights of the Group and our stakeholders properly.

During the Reporting Period, we were not aware of any material non-compliance with the laws and regulations relating to corruption, bribery, extortion, fraud and money laundering.

Environmental, Social and Governance Report

PROTECTING OUR ENVIRONMENT

The Group is committed to minimizing its environmental impact and fighting the problem of climate change for the sake of a greener future. It has complied with applicable laws and regulations and environmental standards in the jurisdictions where its businesses locate, including but not limited to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (《固體廢物污染環境防治法》), the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), the Law of the PRC on Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), the Law of the PRC on Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》), "Water Quality Standards for Farmland Irrigation GB5084-2005" (《農田灌溉水質標準》) and Shanxi "Emission Standard of Air Pollutants for Boiler" (《鍋爐大氣污染物排放標準》) through implementing a comprehensive environmental management system which upholds the principle of emission reduction and good use of resources at all times in daily operations and production, aiming at lowering the Group's carbon footprint to the largest extent. During the Reporting Period, the Group was not aware of any material non-compliance with environmental laws and regulations.

Energy, Air and Greenhouse Gas Emissions

The Group's energy consumption, air and greenhouse gas ("GHG") emissions can mainly be attributed to the daily use of purchased electricity and fuel for the fertilizers, boilers, vehicles, machinery and stoves. The following outlines the air and GHG emissions, as well as energy consumption data during the Reporting Period and 2020:

Indicator	Unit	2021	2020
Total GHG Emissions	Tonnes of CO_2e	1,641.48	5,643.75
GHG Emissions (Scope 1)	Tonnes of CO_2e	384.95	4,472.31
GHG Emissions (Scope 2)	Tonnes of CO_2e	1,266.74	1,174.57
GHG Removal from Planted Trees	Tonnes of CO_2e	10.21	3.13
GHG Emission Intensity (Scopes 1 & 2)[2]	kg of CO_2e/sales (liter)	2.02	10.04
Nitrogen Oxides (NO_x)	kg	125.63	583.58
Sulphur Oxides (SO_x)	kg	1.13	76.19
Particulate Matters (PM)	kg	1.46	5.56
Total Energy Consumption	MWh	3,156.08	3,590.65
Purchased Electricity	MWh	1,330.43	1,232.92
Diesel	MWh	104.16	114.02
Liquefied Petroleum Gas	MWh	75.18	57.29
Natural Gas	MWh	1,494.37	2,040.19
Unleaded Petrol	MWh	151.95	146.23
Energy Consumption Intensity	kWh/sales (liter)	3.88	6.39

To help create a greener future, the Group would continue the work to become a greener wine producer and target to remain a low level of total energy consumption and the total GHG emissions in the following years. In order to commit the targets set, we advocate the concept of optimizing energy consumption in the Group by requiring employees to turn off all electrical equipment when being idled and when leaving the working area to save energy. Also, we adopt natural lighting as much as possible to reduce the reliance on electricity. We have also installed motion sensors in corridors which can turn lights on or off automatically when people walk across the corridors. During the year, the use of refrigeration has been reduced and lead to a significant reduction of GHG emissions.

2 In accordance with "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" is issued by HKEx, Scope 1 direct emissions are resulted from operations that are owned or controlled by the Group, while Scope 2 indirect emissions are resulted from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the Group.

Waste Emissions and Use of Packaging Materials

Due to the business nature, the Group's operations do not directly generate hazardous waste. Our waste emissions mainly come from our wine production which generates stems, seeds, skins and other solid residual wastes from grapes as well as other general refuse, papers, plastics and the packaging of fertilizers. We ensure that we handle such waste properly to lower the burden imposed on the surrounding environment through separating the collection and storage of hazardous waste, non-recyclable and recyclable non-hazardous waste, as well as deploying certified third parties to collect and handle such waste in a timely and appropriate manner. The Group will keep on performing current works and target to remain the intensity at a low level in the following years. Considering wine production as our core business, we consume a number of packaging materials including paper, plastic, glass and wood etc. The following table indicates the waste emissions as well as use of packaging materials data during the Reporting Period and 2020:

Indicator	Unit	2021	2020
Total Generation of Non-Hazardous Waste	Tonnes	234.41	206.46
Total Disposal of Non-Hazardous Waste	Tonnes	19.02	24.51
Paper	Tonnes	0.37	0.19
General refuse	Tonnes	9.05	17.08
Food Waste	Tonnes	9.66	7.24
Total Collection of Non-Hazardous Waste for Recycling	Tonnes	214.99	181.95
Paper	Tonnes	1.64	7.76
Plastic	Tonnes	1.03	0.54
Organic Waste	Tonnes	212.32	173.60
Electronic Waste	Tonnes	0.00	0.06
Total Generation of Non-Hazardous Waste in Intensity	kg/sales (liter)	0.29	0.37
Packaging Materials in Total	Tonnes	890.55	501.22
Paper	Tonnes	73.34	46.73
Plastic	Tonnes	0.32	0.57
Glass	Tonnes	811.91	450.53
Wood	Tonnes	4.46	2.36
Metal	Tonnes	0.52	1.03
Packaging Materials in Intensity	kg/sales (liter)	1.10	0.89

Use of Water

The Group consumes domestic water supplied by local water companies and underground wells for its wine production and office operations. During the Reporting Period, we did not encounter any problem in water sourcing. The following shows the water consumption data during the Reporting Period and 2020:

Indicator	Unit	2021	2020
Total Water Consumption	m^3	14,467.35	14,759.64
Water Consumption Intensity	m^3/sales (liter)	0.02	0.03

The Group closely monitors its water consumption and advocates our employees to use water wisely in order to save water resources. We would conduct inspection and maintenance of our water consumption equipment and pipes from time to time to ensure there is no water leakage. The Group will keep on performing current works and target to remain the intensity at a low level in the following years.

Green Wine Production

Being involved in wine production, the Group generates a certain amount of emissions including air pollutants from boilers, kitchen and wastewater treatment facilities, wastewater from cleaning containers and production equipment, washing bottles, cooling and boiler blowdown, green waste from grapes as well as noise from equipment during the wine production process in our Shanxi vineyards. We are devoted to monitoring such emissions and adopt appropriate measures to better manage and reduce these emissions, aiming to minimize our impact on the environment and natural resources. The measures we have adopted can be outlined in the following four aspects:

Air Pollutants

- Conduct dust removal process for air emissions from boilers
- Install electrostatic fume treatment system to treat kitchen exhaust before discharge
- Use natural gas boilers instead of coal boilers to reduce GHG emissions
- Use low-sulphur boiler to reduce air emissions
- Plant more trees during the Reporting Period to absorb GHG emissions
- Plant in the surroundings of the vineyards to absorb odor generated from wastewater treatment facilities such as H_2S and NH_3

Wastewater

- Build wastewater treatment facilities with filtration, anaerobic, aerobic and sedimentation processes in vineyards to treat wastewater before discharge
- Use treated wastewater for irrigation

Green Waste

- Upcycle stems, seeds, skins and other solid residual wastes from grapes to organic fertilizers used for grape plantation

Noise

- Prefer the use of low-noise equipment
- Adopt noise elimination and shock absorption measures to reduce noise

To ensure the above emissions meet relevant national and local environmental standards including but not limited to the "Emission Standard of Air Pollutants for Boilers" (《鍋爐大氣污染物排放標準GB13271-2001》), the "Integrated Wastewater Discharge Standard" (《污水綜合排放標準GB8979-2002》), "Water Quality Standards for Farmland Irrigation GB5084-2005" (《農田灌溉水質標準》) and Level 2 of the "Emission Standard for Industrial Enterprises Noise at Boundary" (GB12348-2008) (《工業企業廠界環境噪聲排放標準》), we engage qualified third parties to conduct inspection of the wastewater, air emissions and noise generated on a regular basis. Inspection criteria include temperature, pH, chemical oxygen demand (COD), biological oxygen demand (BOD), metals, phosphorous etc. of treated wastewater, PM, sulphur oxides and odor etc. of air emissions as well as noise level. Government authorities would also conduct regular inspections to ensure the emissions meet relevant standards.

GIVING BACK TO THE COMMUNITY

The Group is committed to giving back to society to fulfil our corporate responsibility through understanding the needs of our community and allocating resources to address these needs. We hope that through the Group's influence and the voluntary contributions of our employees, we could help create a better and more sustainable society.

In view of the spread of COVID-19, we are highly concerned about the health and safety not only of our employees, but also of the people in the community where our business locates. As a result, during the Reporting Period, our Shanxi vineyard and Ningxia vineyard donated pandemic prevention supplies, such as facial masks, food and disinfectant to local villages, giving a hand to the villagers to fight against the virus.

Environmental, Social and Governance Report

HKEX ESG GUIDE INDEX

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/Declaration	Page Number
A. Environmental			
Aspect A1: Emissions			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		Protecting our Environment	P. 58–62
KPI A1.1	The types of emissions and respective emission data.	Protecting our Environment	P. 59
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	Protecting our Environment	P. 59
KPI A1.3	Total hazardous waste produced and intensity.	Protecting our Environment	P. 60
KPI A1.4	Total non-hazardous waste produced and intensity.	Protecting our Environment	P. 60
KPI A1.5	Description of emission target(s) measures to mitigate emissions set and results achieved steps taken to achieve them.	Protecting our Environment	P. 59
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Protecting our Environment	P. 60

Environmental, Social and Governance Report

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/Declaration	Page Number
Aspect A2: Use of Resources			
General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.		Protecting our Environment	P. 58–62
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Protecting our Environment	P. 59
KPI A2.2	Water consumption in total and intensity.	Protecting our Environment	P. 60–61
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Protecting our Environment	P. 59
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Protecting our Environment	P. 60–61
KPI A2.5	Total packaging material used for finished products and with reference to per unit produced.	Protecting our Environment	P. 60
Aspect A3: Environmental and Natural Resources			
General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources.		Green Wine Production	P. 61–62
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Wine Production	P. 61–62

Environmental, Social and Governance Report

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/Declaration	Page Number
Aspect A4: Climate Change			
General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		ESG Governance	P. 44–45
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	ESG Governance	P. 44–45
B. Social			
Employment and Labor Standards			
Aspect B1: Employment			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Caring for Employees	P. 51–57
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employee Overview	P. 51–52
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employee Overview	P. 51–52

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/Declaration	Page Number
Aspect B2: Health and Safety			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		Caring for Employees' Health and Safety	P. 54–55
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Caring for Employees' Health and Safety	P. 54
KPI B2.2	Lost days due to work injury.	Caring for Employees' Health and Safety	P. 54
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Caring for Employees' Health and Safety	P. 54–55

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/Declaration	Page Number
Aspect B3: Development and Training			
General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Investing in Continuous Staff Development	P. 55–56
KPI B3.1	The percentage of employees trained by gender and employee category.	Investing in Continuous Staff Development	P. 56
KPI B3.2	The average training hours completed per employee by gender and employee category.	Investing in Continuous Staff Development	P. 56
Aspect B4: Labor Standards			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.		Complying with Labor Standards	P. 57
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	Complying with Labor Standards	P. 57
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Complying with Labor Standards	P. 57

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/Declaration	Page Number
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure Policies on managing environmental and social risks of the supply chain.		Managing Suppliers	P. 51
KPI B5.1	Number of suppliers by geographical region.	Managing Suppliers	P. 51
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Managing Suppliers	P. 51
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Managing Suppliers	P. 51
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Managing Suppliers	P. 51

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/Declaration	Page Number
Aspect B6: Product Responsibility			
General Disclosure Information on: ((a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Striving for Quality	P. 45–51
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Collecting Customer Feedback	P. 50
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Collecting Customer Feedback	P. 50
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Protecting Privacy and Intellectual Property Rights	P. 50
KPI B6.4	Description of quality assurance process and recall procedures.	Ensuring Quality of Wine Making	P. 48–49
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Protecting Privacy and Intellectual Property Rights	P. 50

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/Declaration	Page Number
Aspect B7: Anti-Corruption			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		Maintaining Business Ethics and Integrity	P. 57
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Maintaining Business Ethics and Integrity	P. 57
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Maintaining Business Ethics and Integrity	P. 57
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Maintaining Business Ethics and Integrity	P. 57

Subject areas, aspects, general disclosure and key performance indicators ("KPIs")		Section/Declaration	Page Number
Community			
Aspect B8: Community Investment			
General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		Giving back to the Community	P. 62
KPI B8.1	Focus areas of contribution.	Giving Back to the Community	P. 62
KPI B8.2	Resources contributed to the focus area.	Giving Back to the Community	P. 62

Report of Directors

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

LISTING ON GEM OF THE STOCK EXCHANGE AND REORGANISATION

The Company was incorporated in the Cayman Islands on 14 February 2012 as an exempted company with limited liability. Pursuant to the corporate reorganisation of the Group to rationalise the group structure in preparation for the Listing, the Company became the holding company of the Group in September 2017. Further details are set in the paragraph "Reorganisation" in the section headed "History, Reorganisation and Corporation Structure" to the Prospectus.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the Company's principal subsidiaries are set out in Note 1 to Financial Statements.

BUSINESS REVIEW

A fair review of the Group's business during the year and description of principal risks and uncertainties that the Group may be facing can be found in the "Management Discussion and Analysis" section on pages 6 to 12 and "Corporate Governance Report" section on pages 30 to 32 of this annual report. Also, the financial risks are covered in Note 32 to Financial Statements in this annual report.

In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are all contained in the "Environmental, Social and Governance Report" section on pages 35 to 71. The potential future business development of the Group is set out in the Chairlady's Statement on pages 4 to 5 and Business Review and Outlook section of the "Management Discussion and Analysis" on pages 6 to 8 of this annual report. Such discussion form part of this Report of Directors.

PRINCIPAL RISK AND UNCERTAINTIES

Details of principal risks and uncertainties are set out in the sections headed "Management Discussion and Analysis" and "Corporate Governance Report" of this annual report on page 10 and pages 30 to 32 respectively.

CHARITABLE DONATIONS

The Group did not make any charitable donations.

DIVIDEND POLICY

The Company has adopted a dividend policy that, in recommending or declaring dividends, the Company shall maintain adequate and sufficient cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Board has the full discretion to declare and distribute dividends to the shareholders of the Company, and any final dividend for a financial year will be subject to shareholders' approval. In proposing any dividend payout, the Board shall also take into account, among other things, the Group's financial results, cash flow situation, business conditions and strategies, expected future operations and earnings, capital requirements and expenditure plans, interests of shareholders, any restrictions on payment of dividends and any other factors the Board may consider relevant. Any payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands, the Articles and the Shareholders.

RESULTS AND DIVIDEND

The consolidated results of the Group for the year ended 31 December 2021 are set out on pages 93 to 99 of this annual report.

The Board recommended the declaration of a special final dividend of HK0.62 cents per Share for FY2021 (FY2020: Nil). Such special final dividend is subject to approval of the Shareholders at the AGM.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 23 June 2022 to Tuesday, 28 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 22 June 2022.

For determining the entitlement to the proposed special final dividend, the register of members of the Company will be closed from Thursday, 7 July 2022 to Friday, 8 July 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed special final dividend, all transfer of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 6 July 2022.

DEED OF NON-COMPETITION

On 1 June 2018, the Deed of Non-Competition (as defined in the Prospectus) was entered into by Ms. Judy Chan and Macmillan Equity Limited ("Macmillan Equity") in favour of the Company (for the Company and for the benefit of its subsidiaries) regarding non-competition undertakings, pursuant to which the controlling shareholders of the Company ("Controlling Shareholder(s)") unconditionally and irrevocably agrees, undertakes to and covenants with the Company (for itself and for the benefits of each other member of the Group) that they would not, and would procure that their close associates (other than any members of our Group) would not, directly or indirectly, either on their own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any activity or business which competes or is likely to compete, directly or indirectly, with the business operated by the Group as described in the Prospectus. Further 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".

Our Company has received from each of the Controlling Shareholders an annual written declaration as to the compliance with the terms of the Deed of Non-Competition during the year ended 31 December 2021. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the abovementioned Deed of Non-Competition have been complied with by the Controlling Shareholders up to the date of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year ended 31 December 2021 are set out in Note 12 to the consolidated financial statements.

SHARES ISSUED IN THE YEAR

There was no change in the Company's share capital during FY2021. As at 31 December 2021, the total number of issued Shares is 800,000,000.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2021, the Company's reserves available for distribution to the Shareholders amounted to approximately RMB109.0 million (2020: RMB112.2 million).

BANK LOANS AND OTHER BORROWINGS

The Group did not have any bank loans or other borrowings as at 31 December 2021 (2020: nil).

LOAN AND GUARANTEE

During the year ended 31 December 2021, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the Controlling Shareholders or their respective associates (as defined in the GEM Listing Rules).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles or the Companies Law of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer contributed 24% (2020: 27.7%) of the total revenue for the year while the Group's five largest customers accounted for 59.9% (2020: 64.4%) of the total revenue for the year. The Group's largest supplier contributed 19.7% (2020: 19.0%) of the aggregation of cost of materials for the year while the Group's five largest suppliers accounted for 62.3% (2020: 64.0%) of the aggregation of cost of materials for the year. To the best of the knowledge of the Directors, none of the Directors, their respective close associates (as defined in the GEM Listing Rules) or any Shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued shares) had any beneficial interest in any of the Group's five largest customers or suppliers referred to above.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders of the Company by reason of their respective holding of the Company's securities.

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 under section "Appendix V – Statutory and General Information – F. Share Option Scheme".

The Share Option Scheme will be valid and effective for a period of 10 years, commencing from 1 June 2018. The remaining life of the Share Option Scheme is approximately six years.

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 31 December 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 31 December 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 31 December 2021.

Details of the share options movement during the year ended 31 December 2021 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 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2021	Exercise price of share options HK$	Validity period of share options (both dates inclusive)	Vesting period
Employees (in aggregate)	17 May 2021	–	2,000,000	–	–	–	2,000,000	0.186	17/5/2021 to 16/5/2031	Note 1
Director Judy Chan	17 May 2021	–	8,000,000	–	–	–	8,000,000	0.186	17/5/2021 to 16/5/2031	Note 1

Note:

1. 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

The closing price of the Shares immediately before the date of grant of share options under the Share Option Scheme on 17 May 2021 was HK$0.185.

Report of Directors

DIRECTORS

The Directors during the year ended 31 December 2021 and up to the date of this report were:

Executive Directors
Ms. Judy Chan *(Chairlady and Chief Executive Officer)*
Mr. Lam Wai Kit Ricky (appointed on 1 October 2021)
Mr. Fan Chi Chiu (resigned on 30 September 2021)

Non-executive Directors
Dr. Cheung Chai Hong (appointed on 28 May 2021)
Ms. Hou Tan Tan Danielle (resigned on 28 May 2021)
Mr. Chow Christer Ho

Independent non-executive Directors
Mr. Ho Kent Ching-tak
Mr. Lim Leung Yau Edwin
Mr. Alec Peter Tracy

Pursuant to the Articles, one-third of the Directors (whether executive or non-executive) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

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. Ms. Hou Tan Tan Danielle has resigned as a non-executive Director with effect from 28 May 2021. For more details, please refer to the announcement of the Company dated 28 May 2021.

2. Dr. Cheung Chai Hong has been appointed as a non-executive Director with effect from 28 May 2021. For more details, please refer to the announcement of the Company dated 28 May 2021.

3. 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.

4. Mr. Lam Wal 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.

5. The salary and director's fee of Ms. Judy Chan has been revised to HK$64,000 per month and HK$30,000 per month respectively with effect from 1 January 2022.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has signed a service agreement with the Company for a term of three years (subject to automatic renewal upon its expiry and termination in certain circumstances as stipulated in the service agreement). Each of our non-executive Directors and independent non-executive Directors has signed a letter of appointment with us for a term of three years (subject to automatic renewal upon its expiry and termination in certain circumstances as stipulated in the relevant letters of appointment). None of the Directors (including those proposed for re-election at the AGM) has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence. The Nomination Committee has assessed the independence of the independent non-executive Directors and affirmed that all independent non-executive Directors remained independent.

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 31 December 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 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[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%

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 31 December 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 31 December 2021, other than the Directors and Chief Executives, 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	173,180,000 (L)	0.56%
	Interest in controlled corporation[3]	4,460,000 (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 31 December 2021, the Directors were not aware of any person or corporation (other than the Directors and the Chief Executives) 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.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during the Year, 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 Year 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).

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme, no equity-linked agreements were entered into during the Year or subsisted at the end of the Year.

COMPETING INTERESTS

During the Year, 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.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

During the year ended 31 December 2021, there had been no contract of significance between the Company or any of its subsidiaries and a Controlling Shareholder (as defined in the GEM Listing Rules) or any of its subsidiaries, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

Report of Directors

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 29 to Financial Statements in this annual report, none of the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of our Group, to which our Company or any of its subsidiaries was a party during the year ended 31 December 2021.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2021 are set out in Note 29 to Financial Statements.

Such related party transactions did not fall under the definition of "connected transaction" or "continuing connected transaction" (as defined under Chapter 20 of the GEM Listing Rules) or are fully exempt continuing connected transactions under Rule 20.74(1) or Rule 20.96 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

During the year ended 31 December 2021, the Group has not conducted any "one-off connected transaction" or "continuing connected transaction" (as defined under Chapter 20 of the GEM Listing Rules) which is subject to reporting and annual review requirements under the GEM Listing Rules. The transactions disclosed in note 29 to the Financial Statements in this annual report as related party transactions did not fall under the definition of "connected transaction" or "continuing connected transaction" (as defined under Chapter 20 of the GEM Listing Rules) or are fully exempt continuing connected transactions under Rule 20.74(1) or Rule 20.96 of the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company has complied with all applicable principles and the code provisions of the CG Code contained in Appendix 15 to the GEM Listing Rules during the Year (except for the deviation from CG code provision A.2.1). Details of the Company's corporate governance practices are set out in the section "Corporate Governance Report" of this annual report.

Besides, to maintain high standards of corporate governance, the Company regularly reviews and maintains a sensitivity list identifying factors or developments which are likely to give rise to the emergence of inside information or development of a false market for its securities. Where applicable, the Company will publish relevant announcement relating to the Company's operation, including the information on harvest results of self-cultivated grapes, on a timely manner.

Report of Directors

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group is committed to support environmental protection to ensure business development and sustainability. The Group has implemented green office practices to reduce the consumption of energy and natural resources. These practices include the use of recycled paper, reduce energy consumption by switching off idle lightings, computers and electrical appliances and the use of environmentally friendly products whenever possible. The Environmental, Social and Governance Report are set out in the section headed as the same in this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS AND RELATIONSHIPS WITH KEY SHAREHOLDERS

The Company has complied with all applicable laws and regulations in all material respects and maintained good relationship with its customers, suppliers, employees and investors. During the year ended 31 December 2021, there were no material and significant dispute between the Group and its employees, customers and/or suppliers.

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.

PERMITTED INDEMNITY PROVISIONS

The Articles provide that every Director shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses, whatsoever which they or any of them may incur as a result of any act or failure to act in carrying out their functions other than such liability (if any) that they may incur by reason of their own actual fraud or willful defaults. The Company has arranged for appropriate insurance coverage in respect of potential legal actions against its Directors and senior management.

EMOLUMENT POLICY

The remuneration policy of the Group is to reward its employees and executives based on, among other things, the Group's operating results, individual performance and comparable market statistics. Remuneration package typically comprises of salaries, contribution to pension schemes and discretionary bonuses.

The Remuneration Committee will review annually the remuneration of all the Directors to ensure that it is attractive enough to attract and retain a competent team of executive members. The Director's fee for each of the Directors is subject to the Board's review from time to time in its discretion after taking into account the recommendation of the Remuneration Committee. The remuneration package of each of the Directors is determined by reference to market terms, seniority, experiences, duties and responsibilities of that Director within the Group.

RETIREMENT BENEFITS PLAN

Details of retirement benefits plan of the Group for the year ended 31 December 2021 are set out in "Employee benefits" section of Note 2.4 to Financial Statements.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the Directors' remuneration and the five highest paid individuals for the year ended 31 December 2021 are set out in Note 7 and 8 to Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of at least 25% of the issued Shares as at the latest practicable date prior to the issue of this annual report as required under the GEM Listing Rules.

EVENT AFTER THE REPORTING PERIOD

The Group has no significant events subsequent to 31 December 2021 and up to the date of this report.

AUDITOR

Ernst & Young will retire, and being eligible, offer themselves for re-appointment at the AGM. A resolution for their re-appointment as auditor of the Company will be proposed at the AGM. There has been no change of auditor of the Company since the Listing Date.

By order of the Board
Grace Wine Holdings Limited
Judy Chan
Chairlady, Chief Executive Officer and Executive Director

Hong Kong, 18 March 2022

Independent Auditor's Report

EY 安永

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel **電話**: +852 2846 9888
Fax **傳真**: +852 2868 4432
ey.com

To the shareholders of Grace Wine Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Grace Wine Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 93 to 171, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

To the shareholders of Grace Wine Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of biological assets	
As disclosed in note 16 to the consolidated financial statements, the Group had biological assets during the year comprising of grapes growing on bearer plants, and accounted for at fair value less costs to sell through to the point of harvest. At the point of harvest, the valuation of the grapes was approximately RMB2.3 million. The estimation of the fair value less costs to sell of the biological assets requires significant management judgements and estimates. Independent external valuations were obtained to assist management with their estimate of the fair value of the biological assets. Key assumptions adopted included the estimated market prices and growing costs. Related disclosures are included in notes 2.4, 3 and 16 to the consolidated financial statements.	Our audit procedures included the following: • We evaluated the independent external valuer's competence, capability and objectivity; • We evaluated the appropriateness of the methodologies used in valuing the biological assets by involving our internal valuation specialists; • We evaluated the appropriateness of the key assumptions and inputs, including the estimated market prices and growing costs, based on market available data and the historical performance of the Group; and • We assessed the adequacy of the fair value disclosures in relation to the biological assets.

To the shareholders of Grace Wine Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment assessment of goodwill allocated to the production of spirits business</td></tr>
<tr><td>As at 31 December 2021, the Group had goodwill of approximately RMB2.7 million allocated to the production of spirits cash-generating unit (the "CGU") which was acquired by the Group in 2019. The estimation of the value in use of the production of spirits CGU requires significant management judgement given this will be a new revenue stream of the Group in the future with no sales recorded during the year ended 31 December 2021.

In accordance with HKAS 36 Impairment of Assets, the Group is required to test goodwill for impairment at least annually, based on the recoverable amount of the cash-generating unit to which the goodwill is allocated.

An independent external professionally qualified valuer was engaged by the Group to assist management to estimate the value-in-use of the CGU, which was used to determine the recoverable amount of the CGU and whether the goodwill was impaired.

Determining the value-in-use of the CGU required significant management judgements and estimates, including those with respect to the pre-tax discounted cash flow projections based on financial budgets approved by management.

Related disclosures are included in notes 2.4, 3 and 14 to the consolidated financial statements.</td><td>Our audit procedures included the following:

• We evaluated the independent external valuer's competence, capability and objectivity;

• We obtained and reviewed the value-in-use calculation for arithmetical accuracy and reasonableness of the assumptions used based on market available data for similar products;

• We involved our internal valuation specialists to assist us to assess the methodologies applied and the key assumptions made, including the discount rate and terminal growth rate;

• We performed a sensitivity analysis for the recoverable amount of the CGU; and

• We assessed the adequacy of the goodwill disclosures in relation to the CGU.</td></tr>
</table>

Independent Auditor's Report

To the shareholders of Grace Wine Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent Auditor's Report

To the shareholders of Grace Wine Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

To the shareholders of Grace Wine Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHIU, Caroline Su Yuen.

Ernst & Young
Certified Public Accountants
Hong Kong
18 March 2022

Consolidated Statement of Profit or Loss

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	**84,693**	60,224
Cost of sales		**(38,920)**	(31,686)
Gross profit		**45,773**	28,538
Other income and gains, net	5	**2,214**	2,409
Selling and distribution expenses		**(12,535)**	(8,084)
Administrative expenses		**(23,357)**	(20,683)
Other expenses		**(113)**	(179)
Finance costs	13(c)	**(87)**	(126)
PROFIT BEFORE TAX	6	**11,895**	1,875
Income tax expense	9	**(4,155)**	(2,437)
PROFIT/(LOSS) FOR THE YEAR AND PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY		**7,740**	(562)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted (RMB cents)	11	**0.97**	(0.07)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
PROFIT/(LOSS) FOR THE YEAR	**7,740**	(562)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial information	**(370)**	(1,048)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(370)**	(1,048)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	**7,370**	(1,610)

Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**127,318**	84,728
Right-of-use assets	13(a)	**19,546**	21,420
Deferred tax assets	22	**3,704**	955
Prepayments for acquisition of plant and equipment	18	**3,766**	4,238
Goodwill	14	**4,087**	4,087
Total non-current assets		**158,421**	115,428
CURRENT ASSETS			
Inventories	15	**67,222**	66,991
Biological assets	16	**–**	–
Trade receivables	17	**1,539**	1,240
Prepayments and other receivables	18	**14,466**	4,399
Cash and cash equivalents	19	**67,678**	90,840
Total current assets		**150,905**	163,470
CURRENT LIABILITIES			
Trade payables	20	**6,681**	5,449
Other payables and accruals	21	**34,779**	15,179
Tax payable		**4,069**	1,423
Lease liabilities	13(b)	**738**	873
Total current liabilities		**46,267**	22,924
NET CURRENT ASSETS		**104,638**	140,546
TOTAL ASSETS LESS CURRENT LIABILITIES		**263,059**	255,974

Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	22	**2,726**	2,125
Deferred income		**–**	304
Lease liabilities	13(b)	**229**	1,080
Total non-current liabilities		**2,955**	3,509
Net assets		**260,104**	252,465
EQUITY			
Equity attributable to owners of the Company			
Issued capital	23	**674**	674
Reserves	24	**259,430**	251,791
Total equity		**260,104**	252,465

Judy Chan
Director

Lam Wai Kit Ricky
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to owners of the Company							
	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (note 24(i))	Share option reserve RMB'000 (note 25)	Statutory reserve funds RMB'000 (note 24(ii))	Exchange fluctuation reserve RMB'000 (note 24(iii))	Retained profits RMB'000	Total RMB'000
At 1 January 2020	674	141,579	2,765	–	14,197	(4,831)	99,691	254,075
Loss for the year	–	–	–	–	–	–	(562)	(562)
Other comprehensive loss for the year:								
Exchange differences on translation of financial information	–	–	–	–	–	(1,048)	–	(1,048)
Total comprehensive loss for the year	–	–	–	–	–	(1,048)	(562)	(1,610)
Transfer from retained profits	–	–	–	–	677	–	(677)	–
At 31 December 2020 and 1 January 2021	**674**	**141,579***	**2,765***	**–**	**14,874***	**(5,879)***	**98,452***	**252,465**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**7,740**	**7,740**
Other comprehensive loss for the year:								
Exchange differences on translation of financial information	**–**	**–**	**–**	**–**	**–**	**(370)**	**–**	**(370)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(370)**	**7,740**	**7,370**
Equity-settled share option arrangements (note 25)	**–**	**–**	**–**	**269**	**–**	**–**	**–**	**269**
Transfer from retained profits	**–**	**–**	**–**	**–**	**829**	**–**	**(829)**	**–**
At 31 December 2021	**674**	**141,579***	**2,765***	**269***	**15,703***	**(6,249)***	**105,363***	**260,104**

* These reserve accounts comprise the consolidated reserves of RMB259,430,000 (2020: RMB251,791,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**11,895**	1,875
Adjustments for:			
Finance costs	13(c)	**87**	126
Bank interest income	5	**(873)**	(595)
Depreciation of property, plant and equipment	6	**9,591**	9,860
Depreciation of right-of-use assets	6	**1,784**	1,630
Gains on disposal of items of plant and equipment, net	5	**(283)**	(212)
Gain on disposal of a property	5	**(252)**	–
Loss on disposal of items of leasehold land	13(a)	**–**	108
Losses/(gains) arising from changes in fair value of agricultural produce at the date of harvest	6	**(475)**	331
Government grants income	5	**(608)**	(1,401)
Write-off of inventories	6	**4**	95
COVID-19-related rent concessions from lessors	13(c)	**–**	(107)
Recognition of equity-settled share-based payments	25	**269**	–
Gains on lease modification	13(c)	**(141)**	–
		20,998	11,710
Decrease in inventories		**2,363**	2,410
Additions to biological assets		**(1,546)**	(2,630)
Decrease/(increase) in trade receivables		**(299)**	933
Decrease/(increase) in prepayments and other receivables		**(6,089)**	1,201
Increase/(decrease) in trade payables		**1,232**	(182)
Decrease in other payables and accruals		**(3,173)**	(705)
Receipt of government grants		**608**	1,401
Cash generated from operations		**14,094**	14,138
Interest received		**873**	595
Interest paid		**(87)**	(126)
PRC income tax paid		**(3,657)**	(5,024)
Net cash flows from operating activities		**11,223**	9,583

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Net cash flows from operating activities		**11,223**	9,583
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(2,824)**	(3,798)
Increase in construction in progress		**(30,420)**	(7,105)
Proceeds from disposal of items of property, plant and equipment		**325**	493
Prepayment of property, plant and equipment		**–**	(110)
Net cash flows used in investing activities		**(32,919)**	(10,520)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of advances from related parties		**(25)**	(2)
Principal portion of lease payments		**(1,075)**	(906)
Net cash flows used in financing activities		**(1,100)**	(908)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(22,796)**	(1,845)
Cash and cash equivalents at beginning of year		**90,840**	93,719
Effect of foreign exchange rate changes, net		**(366)**	(1,034)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**67,678**	90,840
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	**61,306**	84,840
Non-pledged time deposits with original maturity of less than three months when acquired		**6,372**	6,000
		67,678	90,840

Notes to Financial Statements

Year ended 31 December 2021

1. CORPORATE INFORMATION

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 ("BVI"). The entire issued capital of Macmillan Equity Limited is held by Ms. Judy Chan.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Dragonet Limited	Hong Kong 3 September 1997	HK$100	–	100	Investment holding and distribution of wine products
Shanxi Grace Vineyard Co., Limited*# (山西怡園酒莊有限公司) ("Shanxi Grace Vineyard")	People's Republic of China (the "PRC")/ Mainland China 7 August 1998	RMB46,800,000	–	100	Production and distribution of wine products
Shanxi Ziyuan Agricultural Development Co., Limited*# (山西紫源農業開發有限公司) ("Shanxi Ziyuan")	PRC/Mainland China 21 November 2013	HK$1,300,000	–	100	Planting of vines and sale of wine grapes
Deep Blue Wine Trading (Shanghai) Limited*# (創平酒業貿易（上海）有限公司)	PRC/Mainland China 14 July 2010	US$200,000	–	100	Distribution of wine products

1. CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Ningxia Grace Vineyard Co., Limited*# (寧夏怡園酒莊有限公司) ("Ningxia Grace Vineyard")	PRC/Mainland China 12 September 2012	RMB50,000,000	–	100	Production of wine products
Xiamen Taofu Trading Co., Limited*# (廈門萄福貿易有限公司) ("Xiamen Taofu")	PRC/Mainland China 29 September 2012	US$165,000	–	100	Distribution of wine products
Taiyuanshi Taofu Trading Co., Limited*# (太原市萄福貿易有限公司) ("Taiyuanshi Taofu")	PRC/Mainland China 9 July 2019	RMB100,000	–	100	Distribution of wine products
Fujian Dexi Wine Co., Limited (福建德熙酒業有限公司)*# ("Fujian Dexi")	PRC/Mainland China 4 December 2017	RMB50,000,000	–	100	Production of spirits
Fujian Yiyuan Lanzheng Ltd*# (福建怡園蘭正酒業有限公司) ("Yiyuan Lanzheng")	PRC/Mainland China 6 January 2021	RMB100,000,000	–	100	Distribution of wine products

* Registered as wholly-foreign-owned enterprises under the law of the PRC.

Official name of these entities are in Chinese. The English translations of the names are for identification purposes only.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for biological assets, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PRESENTATION (CONTINUED)

Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any significant impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received COVID-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below. Whilst management has performed an assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash – generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5% to 20%
Leasehold improvements	5% to 10%
Plant and machinery	9% to 48%
Furniture and fixtures	10% to 48%
Motor vehicles	20% to 33.3%
Vineyard infrastructure	10%
Bearer plants	Over the shorter of the lease terms and 5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction and bearer plants before they reach maturity, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction/plantation during the period of construction/plantation. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Biological assets

Biological assets comprise grapes before harvest in leased farms and are classified as current assets due to the short development period, prior to harvest.

Biological assets are stated at fair value less costs to sell from initial recognition up to the point of harvest, except where fair value cannot be measured reliably due to unavailability of quoted market prices and for which alternative fair value measurements are determined to be unreliable, in which case the assets are held at growing costs incurred less any accumulated impairment losses.

Once the fair value becomes reliably measurable, the biological assets are measured at fair value less costs to sell and changes in fair value are recognised in the consolidated statement of profit or loss for the period in which they arise.

Biological assets that meet the definition of bearer plants (i.e., grapevines) are within the scope of HKAS 16 *Property, Plant and Equipment*. Bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by management. After initial recognition, bearer plants are measured at cost less any impairment before maturity. Subsequently when the bearer plants are mature, they are measured at cost, less any accumulated depreciation and impairment, with changes recognised in profit or loss.

The grapevines are presented and accounted for as bearer plants. Please refer to "property, plant and equipment" above. However, the fresh fruit bunches growing on the grapevines are accounted for as biological assets up to the point of harvest. Harvested grapes are transferred to inventories at fair value less costs to sell at the point of harvest. Fair value at the point of harvest is based on the selling prices for similar fruits prevailing in the market as at or close to the harvest dates.

Costs to sell include the incremental selling costs, including auctioneers' fees, commission paid to brokers and dealers and estimated costs of transport to the market but exclude finance costs and income taxes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land	5–50 years
Buildings	2–5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related companies/parties and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost or the deemed cost for agricultural produce harvested from biological assets and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in the profit or loss on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

The Group is mainly involved in the sale of wine and other alcoholic products. Revenue is measured based on the fair value of consideration received or receivable specified in the contracts with customers.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and the payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Tourism and servicing income

Tourism and servicing income represents income earned from the provision of services to customers staying overnight in the vineyard. Revenue is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract liabilities

A contract liability is recognised when a payment is receive or a payment is due (whichever is earlier). from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

Share-based payments

Share options granted to employees and service providers

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 25 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (Continued)

Share options granted to employees and service providers (Continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Company's functional currency is Hong Kong Dollar ("HK$"). Because most of the subsidiaries' functional currencies are RMB, the financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of operations with functional currencies other than RMB are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions, that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set out below:

Fair value measurements and valuation processes of biological assets

The biological assets of the Group are measured at fair value less costs to sell for financial reporting purposes. The directors of the Company have engaged a qualified external valuer to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of biological assets, the Group uses market-observable data to the extent that they are available. Where Level 1 inputs are not available, the Group engages an independent qualified valuer to perform the valuation. Management works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model. Management reports the external valuer's findings to the board of directors of the Company.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2021 was RMB4,087,000 (2020: RMB4,087,000). Further details are included in note 14.

4. SEGMENT INFORMATION

Operating segments

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. For management purposes, the resources are allocated to two reporting segments, namely (i) production of wines; and (ii) production of spirits.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the reportable segment's profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income and corporate income/(expenses) are excluded from such measurement.

Segment assets exclude deferred tax assets, cash and cash equivalents and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payables, deferred tax liabilities, an amount due to a related party and other unallocated corporate liabilities as these liabilities are managed on a group basis.

4. SEGMENT INFORMATION (CONTINUED)

Operating segments (Continued)

	Production of wines		Production of spirits		Total	
	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:						
Sales to external customers	**84,693**	60,224	**–**	–	**84,693**	60,224
Other revenue	**1,331**	1,148	**–**	571	**1,331**	1,719
	86,024	61,372	**–**	571	**86,024**	61,943
Segment results	**18,699**	8,250	**(2,085)**	(1,245)	**16,614**	7,005
Reconciliation:						
Other unallocated income					**10**	95
Interest income					**873**	595
Corporate and other unallocated expenses					**(5,602)**	(5,820)
Profit before tax					**11,895**	1,875
Segment assets	**159,867**	158,152	**77,443**	28,053	**237,310**	186,205
Reconciliation:						
Corporate and other unallocated assets					**72,016**	92,693
Total assets					**309,326**	278,898
Segment liabilities	**(18,528)**	(14,259)	**(23,251)**	(7,983)	**(41,779)**	(22,242)
Reconciliation:						
Corporate and other unallocated liabilities					**(7,443)**	(4,191)
Total liabilities					**(49,222)**	(26,433)

4. SEGMENT INFORMATION (CONTINUED)

Operating segments (Continued)

	Production of wines		Production of spirits		Total	
	2021	2020	**2021**	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Other segment information						
Depreciation of property, plant and equipment	**(9,506)**	(9,834)	**(85)**	(26)	**(9,591)**	(9,860)
Depreciation of right-of-use assets	**(1,256)**	(1,229)	**(179)**	(199)	**(1,435)**	(1,428)
Corporate and other unallocated depreciation	**–**	–	**–**	–	**(349)**	(202)
Gains/(losses) arising from changes in fair value of agricultural produce at the point of harvest	**475**	(331)	**–**	–	**475**	(331)
Write-off of inventories	**(4)**	(95)	**–**	–	**(4)**	(95)
Other non-cash income/ (expenses)	**141**	(108)	**–**	–	**141**	(108)
Capital expenditures#	**2,650**	3,308	**50,104**	15,716	**52,754**	19,024

Capital expenditure consists of additions to property, plant and equipment.

Geographical information

	2021	2020
	RMB'000	RMB'000
Revenue from external customers		
Mainland China	**84,171**	59,800
Other jurisdictions	**522**	424
	84,693	60,224

Over 90% of the Group's non-current assets were based in Mainland China.

4. SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenue from major customers of the Group which individually accounted for 10% or more of the Group's revenue was derived from the production of wines segment. The respective revenue generated from the customers for each reporting period is set out below:

	2021	2020
	RMB'000	RMB'000
Customer 1	**16,992**	16,683
Customer 2	**20,361**	12,616

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers		
Sales of goods	**84,693**	60,224

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

The performance obligation for sales of goods is satisfied within one year upon delivery of wine products. No transaction prices were allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and 2020.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2021	2020
	RMB'000	RMB'000
Sales of goods	**3,189**	2,383

5. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

Other income and gains

	2021 RMB'000	2020 RMB'000
Other income		
Bank interest income	**873**	595
Government grants*	**608**	1,401
COVID-19-related rent concessions from lessors	**–**	107
Others	**57**	94
	1,538	2,197
Gains		
Gains on disposal of items of plant and equipment, net	**283**	212
Gain on disposal of a property	**252**	–
Gains on lease modification	**141**	–
	676	212
	2,214	2,409

* The Group received various government grants for promoting the wine industry, supporting agricultural development and improving environmental infrastructure. 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.

6. PROFIT BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000
Cost of inventories sold		**22,543**	16,394
Employee benefit expense (including directors' remuneration (note 7))			
Wages and salaries		**13,528**	11,570
Pension scheme contributions (defined contribution schemes)*		**2,533**	1,057
Equity-settled share-based payment expense		**269**	–
		16,330	12,627
Depreciation of property, plant and equipment	12	**9,848**	10,152
Less: government grants released		**–**	(22)
Less: amount capitalised into inventories		**(257)**	(270)
		9,591	9,860
Depreciation of right-of-use assets	13(a)	**2,104**	1,949
Less: amount capitalised into biological assets		**(320)**	(319)
		1,784	1,630
Lease payments not included in the measurement of lease liabilities	13(c)	**250**	163
Auditor's remuneration		**1,285**	1,277
Write-off of inventories**		**4**	95
Losses/(gains) arising from changes in fair value of agricultural produce at the point of harvest**	16	**(475)**	331
Loss on disposal of items of leasehold land		**–**	108
Foreign exchange differences, net		**41**	22

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

** The above items are included in "Cost of sales" in the consolidated statement of profit or loss for the year.

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the GEM Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021	2020
	RMB'000	RMB'000
Fees	**966**	1,143
Other emoluments:		
Salaries, allowances and benefits in kind	**539**	477
Pension scheme contributions	**18**	16
Equity-settled share-based payment expense	**215**	–
	1,738	1,636

During the year, an executive director was granted share options, in respect of her services to the Group, under the share option scheme of the Company, further details of which are set out in note 25 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

7. DIRECTORS' REMUNERATION (CONTINUED)

(a) Executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share-based payment expense RMB'000	Total remuneration RMB'000
Year ended 31 December 2021					
Judy Chan	**269**	**539**	**15**	**215**	**1,038**
Fan Chi Chiu@	**224**	**–**	**–**	**–**	**224**
Lam Wai Kit Ricky#	**58**	**–**	**3**	**–**	**61**
	551	**539**	**18**	**215**	**1,323**
Year ended 31 December 2020					
Judy Chan	377	477	16	–	870
Fan Chi Chiu	321	–	–	–	321
	698	477	16	–	1,191

@ Resigned as an executive director on 30 September 2021.

\# Appointed as an executive director on 1 October 2021.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2020: Nil).

7. DIRECTORS' REMUNERATION (CONTINUED)

(b) Non-executive directors

	2021 RMB'000	2020 RMB'000
Fees		
Hou Tan Tan Danielle*	**33**	89
Chow Christer Ho	**83**	89
Cheung Chai Hong^	**50**	–
	166	178

* Resigned as a non-executive director on 28 May 2021.

^ Appointed as a non-executive director on 28 May 2021.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2020: Nil).

(c) Independent non-executive directors

	2021 RMB'000	2020 RMB'000
Fees		
Ho Kent Ching-tak	**83**	89
Lim Leung Yau Edwin	**83**	89
Alec Peter Tracy	**83**	89
	249	267

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2020: Nil).

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2020: two directors). The details of directors' remuneration are set out in note 7 above. Details of the remuneration of the remaining four (2020: three) highest paid employees who are non-directors during the year are as follows:

	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,104**	882
Performance related bonuses	**120**	107
Pension scheme contributions	**81**	69
	1,305	1,058

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021	2020
Nil to HK$1,000,000	**4**	3

During the year, no remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil).

9. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong during the year (2020: Nil).

Under the Law of the PRC on Enterprises Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for the PRC subsidiaries is 25% (2020: 25%).

According to relevant EIT Law and Implementation Regulation of the EIT Law, a wholly-owned subsidiary in agricultural operation in the PRC was exempted from Enterprise Income Tax ("EIT") on profits derived from fruit cultivation for the years ended 31 December 2021 and 2020, subject to annual review by the local PRC tax authority and any future changes in the relevant tax exemption policies or regulations.

	Note	**2021** **RMB'000**	2020 RMB'000
Current – Mainland China			
Charge for the year		**6,303**	3,382
Over-provision in prior years		**–**	(20)
Deferred tax	22	**(2,148)**	(925)
Total tax charge for the year		**4,155**	2,437

9. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the subsidiaries are domiciled to the tax expenses at the effective tax rates is as follows:

2021

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	18,641		(6,746)		11,895	
Tax at the weighted average applicable	4,660	25.0	(1,113)	16.5	3,547	29.8
Lower tax rate for specific provinces or enacted by local authority	(1,535)		–		(1,535)	
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	95		–		95	
Income not subject to tax	–		(2)		(2)	
Temporary difference not recognised	152		–		152	
Expenses not deductible for tax	569		238		807	
Tax losses utilised from previous periods	–		(12)		(12)	
Tax losses not recognised	214		889		1,103	
Tax charge for the year	4,155	22.3	–	–	4,155	34.9

9. INCOME TAX (CONTINUED)

2020

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	7,990		(6,115)		1,875	
Tax at the weighted average applicable	1,998	25.0	(1,009)	16.5	989	52.7
Lower tax rate for specific provinces or enacted by local authority	(441)		–		(441)	
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	113		–		113	
Adjustments in respect of current tax of previous periods	(20)		–		(20)	
Income not subject to tax	(38)		(3)		(41)	
Temporary difference not recognised	111		–		111	
Expenses not deductible for tax	423		96		519	
Tax losses utilised from previous periods	(194)		–		(194)	
Tax losses not recognised	485		916		1,401	
Tax charge for the year	2,437	30.5	–	–	2,437	130.0

10. DIVIDEND

	2021	2020
	RMB'000	RMB'000
Proposed special final – HK0.62 cents (2020: Nil) per ordinary share	**4,000**	–

The proposed special final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of basic earnings/(loss) per share is based on the profit for the year attributable to owners of the Company of RMB7,740,000 (2020: loss of RMB562,000), and the weighted average number of ordinary shares of 800,000,000 (2020: 800,000,000) in issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2021 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during that year.

Notes to Financial Statements

Year ended 31 December 2021

12. PROPERTY, PLANT AND EQUIPMENT

	Note	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Vineyard infrastructure RMB'000	Bearer plants RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2021										
At 31 December 2020 and 1 January 2021:										
Cost		**91,886**	**6,627**	**47,690**	**22,398**	**2,526**	**500**	**3,720**	**15,244**	**190,591**
Accumulated depreciation		**(37,567)**	**(4,697)**	**(41,206)**	**(17,347)**	**(2,278)**	**(345)**	**(2,423)**	**–**	**(105,863)**
Net carrying amount		**54,319**	**1,930**	**6,484**	**5,051**	**248**	**155**	**1,297**	**15,244**	**84,728**
At 1 January 2021, net of accumulated depreciation		**54,319**	**1,930**	**6,484**	**5,051**	**248**	**155**	**1,297**	**15,244**	**84,728**
Additions		**111**	**–**	**193**	**1,976**	**544**	**–**	**–**	**49,930**	**52,754**
Disposals and write-off		**(316)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(316)**
Depreciation provided during the year	6	**(4,906)**	**(665)**	**(1,860)**	**(1,777)**	**(158)**	**(50)**	**(432)**	**–**	**(9,848)**
At 31 December 2021, net of accumulated depreciation		**49,208**	**1,265**	**4,817**	**5,250**	**634**	**105**	**865**	**65,174**	**127,318**
At 31 December 2021:										
Cost		**91,546**	**6,627**	**47,883**	**22,193**	**2,746**	**500**	**3,720**	**65,174**	**240,389**
Accumulated depreciation		**(42,338)**	**(5,362)**	**(43,066)**	**(16,943)**	**(2,112)**	**(395)**	**(2,855)**	**–**	**(113,071)**
Net carrying amount		**49,208**	**1,265**	**4,817**	**5,250**	**634**	**105**	**865**	**65,174**	**127,318**
31 December 2020										
At 1 January 2020:										
Cost		91,786	6,627	46,410	20,198	2,526	700	3,720	89	172,056
Accumulated depreciation		(33,706)	(4,026)	(37,806)	(15,779)	(2,194)	(413)	(1,995)	–	(95,919)
Net carrying amount		58,080	2,601	8,604	4,419	332	287	1,725	89	76,137
At 1 January 2020, net of accumulated depreciation		58,080	2,601	8,604	4,419	332	287	1,725	89	76,137
Additions		29	–	890	2,879	–	–	–	15,226	19,024
Disposals and write-off		–	–	(28)	(206)	–	(47)	–	–	(281)
Depreciation provided during the year	6	(3,861)	(671)	(2,982)	(2,041)	(84)	(85)	(428)	–	(10,152)
Transfers		71	–	–	–	–	–	–	(71)	–
At 31 December 2020, net of accumulated depreciation		54,319	1,930	6,484	5,051	248	155	1,297	15,244	84,728
At 31 December 2020:										
Cost		91,886	6,627	47,690	22,398	2,526	500	3,720	15,244	190,591
Accumulated depreciation		(37,567)	(4,697)	(41,206)	(17,347)	(2,278)	(345)	(2,423)	–	(105,863)
Net carrying amount		54,319	1,930	6,484	5,051	248	155	1,297	15,244	84,728

13. LEASES

The Group as a lessee

The Group has lease contracts for certain of its offices, staff quarters and warehouses used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 5 years, while farmland generally has lease terms of 5 years. Other buildings generally have lease terms of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Note	Leasehold land RMB'000	Buildings RMB'000	Farmland RMB'000	Total RMB'000
As at 1 January 2020		20,598	2,039	5	22,642
Additions		–	835	–	835
Disposal		(108)	–	–	(108)
Depreciation charge	6	(981)	(965)	(3)	(1,949)
As at 31 December 2020 and 1 January 2021		**19,509**	**1,909**	**2**	**21,420**
Lease modification		**–**	**230**	**–**	**230**
Depreciation charge	6	**(998)**	**(1,104)**	**(2)**	**(2,104)**
As at 31 December 2021		**18,511**	**1,035**	**–**	**19,546**

13. LEASES (CONTINUED)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**1,953**	2,131
New leases	**–**	835
Accretion of interest recognised during the year	**87**	126
COVID-19-related rent concessions from lessors	**–**	(107)
Payments	**(1,162)**	(1,032)
Lease modification	**89**	–
Carrying amount at 31 December	**967**	1,953
Analysed into:		
Current portion	**738**	873
Non-current portion	**229**	1,080

The maturity analysis of lease liabilities is disclosed in note 32 to the financial statements.

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of office buildings during the year.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Note	**2021 RMB'000**	2020 RMB'000
Interest on lease liabilities		**87**	126
Depreciation charge of right-of-use assets		**2,104**	1,949
Expense relating to short-term leases (included in administrative expenses)	6	**250**	163
COVID-19-related rent concessions from lessors		**–**	(107)
Loss on disposal of items of leasehold land		**–**	108
Gains on lease modification		**(141)**	–
Total amount recognised in profit or loss		**2,300**	2,239

14. GOODWILL

	2021 RMB'000	2020 RMB'000
At the beginning of the year:		
Cost	**4,087**	4,087
Accumulated impairment	**–**	–
Net carrying amount	**4,087**	4,087
Carrying amount at the beginning of the year, net of accumulated impairment	**4,087**	4,087
Net carrying amount at the end of the year	**4,087**	4,087
At the end of the year:		
Cost	**4,087**	4,087
Accumulated impairment	**–**	–
Net carrying amount	**4,087**	4,087

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Online sales cash-generating unit; and
- Production of spirits cash-generating unit

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Online sales		Production of spirits		Total	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Carrying amount of goodwill	**1,361**	1,361	**2,726**	2,726	**4,087**	4,087

14. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

Online sales cash-generating unit

The recoverable amount of the online sales cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 22.4% (2020: 22.1%). The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2020: 3%).

Assumptions were used in the value-in-use calculation of the online sales cash-generating unit for 31 December 2021 and 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, and expected market development.

Discount rate – the discount rate used is before tax and reflects specific risks relating to the relevant unit.

Growth rate – the growth rate is based on management expectation of the long-term forecast growth rate of the product.

Production of spirits cash-generating unit

The recoverable amount of the production of spirits cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 22.5% (2020: 21.7%). The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2020: 3%).

Assumptions were used in the value in use calculation of the production of spirits cash-generating unit for 31 December 2021 and 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted selling price – the basis used to determine the value assigned to the budgeted selling price is based on industry comparison.

Discount rate – the discount rate used is before tax and reflects specific risks relating to the relevant unit.

Growth rate – the growth rate is based on management expectation of the long-term forecast growth rate of the product.

14. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

Production of spirits cash-generating unit (Continued)

The determination of the recoverable amount of the production of spirits cash-generating unit was particularly sensitive to changes in the discount rate for the year ended 31 December 2021. In the opinion of the Company's directors, an increase in the pre-tax discount rate by 0.4% to 22.9% would cause the headroom of RMB1,931,000 to be zero.

15. INVENTORIES

	2021	2020
	RMB'000	RMB'000
Raw materials	**3,816**	3,922
Work in progress	**53,446**	53,152
Finished goods	**9,960**	9,917
	67,222	66,991

16. BIOLOGICAL ASSETS

Movements of biological assets, representing grapes growing on bearer plants, are summarised as follows:

		2021	2020
	Note	**RMB'000**	RMB'000
At the beginning of the year		**–**	–
Increase due to cultivation		**1,866**	2,017
Gains/(losses) arising from changes in fair value of agricultural produce at the point of harvest	6	**475**	(331)
Transfer of harvested grapes to inventories		**(2,341)**	(1,686)
At the end of the year		**–**	–

During the year, the Group harvested 241.1 tonnes (2020: 187.0 tonnes) of grapes. The directors measured the fair value less costs to sell of grapes at harvest based on market prices as at or close to the harvest dates.

16. BIOLOGICAL ASSETS (CONTINUED)

Cultivation costs incurred are accounted for as additions to the biological assets. All grapes are harvested annually from late August to October of each year. After the harvest, plantation works commence again on the farmland. The directors consider that there was no active market for the grapes before harvest. The market approach is adopted to value the harvested grapes (the "Agricultural Produce") and the cost approach is adopted to value the immature grapes (the "Immature Grapes") during the growing period. The costs of direct raw materials, direct labour, labour service, cultivation cost incurred during the growing period, including fertilisers, water, pesticides and other direct costs including rentals of the farmland, have been considered in the determination of the fair values during the growing period and these costs approximate to their fair values. During the harvesting period, the market approach is adopted whereby the fair values of the Agricultural Produce are calculated to be the product of the market price and estimated quantities of the Agricultural Produce after deducting reasonable costs related to selling.

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

During the year, no transfers occurred between levels in the hierarchy.

The fair values were determined by an independent professionally qualified valuer, Avista Valuation Advisory Limited, with reference to market-determined prices, cultivation areas, species, growing conditions, and costs incurred. Avista Valuation Advisory Limited is located at 23rd Floor, Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong.

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

16. BIOLOGICAL ASSETS (CONTINUED)

Biological assets	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Range
Immature Grapes	Level 3	Replacement cost approach The key input is: Various costs for replacing	Various costs for replacing	The higher the costs incurred, the higher the fair value	Not applicable
Agricultural Produce	Level 3	Market approach The key input is: Market price per kilogram ("kg") of grapes	Market price of grapes	The higher the market price, the higher the fair value	2021: RMB9.5 per kg to RMB11.5 per kg; (2020: RMB9.0 per kg to RMB11.0 per kg); varies for different types of grapes

17. TRADE RECEIVABLES

	Notes	2021 RMB'000	2020 RMB'000
Trade receivables from third parties		**1,548**	1,226
Due from a related party	(ii)	**–**	14
Impairment		**(9)**	–*
Trade receivables	(i)	**1,539**	1,240

* Less than RMB1,000

The Group's trading terms with its customers are normally payment in advance, except for the online sales customers, and customers with long trading history which are on credit. The credit period is generally for a period from one to six months. The Group seeks to apply strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

17. TRADE RECEIVABLES (CONTINUED)

Notes:

(i) Trade receivables

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

	2021 RMB'000	2020 RMB'000
Within 60 days	1,379	1,240
61 to 90 days	13	–
91 to 180 days	62	–
181 to 365 days	85	–
	1,539	1,240

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	–*	–*
Impairment losses, net	9	–*
At end of year	9	–*

* Less than RMB1,000

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and credit rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

17. TRADE RECEIVABLES (CONTINUED)

Notes: (Continued)

(i) Trade receivables (Continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

		Past due				
	Current	**Less than 1 month**	**1 to 3 months**	**4 to 6 months**	**Over 6 months**	**Total**
Expected credit loss rate	**0.01%**	**0.50%**	**5.00%**	**5.00%**	**5.00%**	**0.58%**
Gross carrying amount (RMB'000)	**1,353**	**26**	**13**	**66**	**90**	**1,548**
Expected credit losses (RMB'000)	**–***	**–***	**–***	**4**	**5**	**9**

* Less than RMB1,000

As at 31 December 2020

		Past due				
	Current	Less than 1 month	1 to 3 months	4 to 6 months	Over 6 months	Total
Expected credit loss rate	0.01%	0.50%	–	–	–	0.02%
Gross carrying amount (RMB'000)	1,211	29	–	–	–	1,240
Expected credit losses (RMB'000)	–*	–*	–	–	–	–*

* Less than RMB1,000

17. TRADE RECEIVABLES (CONTINUED)

Notes: (Continued)

(ii) Due from a related party

	Note	**2021 RMB'000**	2020 RMB'000
Chan Chun Keung	(a)	**–**	14

Note:

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

The balances are unsecured, non-interest-bearing and have repayment terms of 90 days, which are on credit terms similar to those offered to other customers.

18. PREPAYMENTS AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
NON-CURRENT		
Prepayments for acquisition of plant and equipment	**3,766**	4,238
CURRENT		
Prepayments	**2,334**	3,146
Deposits and other receivables	**770**	770
VAT recoverable	**11,362**	483
	14,466	4,399

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Where applicable, an impairment analysis is performed on deposits and other receivables at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forward-looking information, as appropriate.

18. PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2021 and 2020, the Group has concluded that the probability of default and loss rate are low and the financial impact of expected credit losses for deposits and other receivables under HKFRS 9 was insignificant for the years ended 31 December 2021 and 2020. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

19. CASH AND CASH EQUIVALENTS

	2021	2020
	RMB'000	RMB'000
Cash and bank balances	**61,306**	84,840
Time deposits	**6,372**	6,000
	67,678	90,840

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to RMB60,150,000 (2020: RMB76,662,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. TRADE PAYABLES

As at the end of the reporting period, an ageing analysis of the trade payables, based on the invoice date, is as follows:

	2021	2020
	RMB'000	RMB'000
Within 30 days	**518**	800
31 to 90 days	**6,163**	4,649
	6,681	5,449

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

21. OTHER PAYABLES AND ACCRUALS

	Notes	2021 RMB'000	2020 RMB'000
Accruals		**1,601**	1,429
Other payables	(i)	**28,326**	10,049
Contract liabilities	(ii)	**4,852**	3,654
Deferred revenue		**–**	22
Due to a related party	(iii)	**–**	25
		34,779	15,179

Notes:

(i) Other payables are non-interest-bearing and have an average term of 30 to 90 days.

(ii) Contract liabilities mainly represent short-term advances received to deliver wine products. The contract liabilities balance as at 1 January 2020 was RMB2,583,000. The increase in contract liabilities in 2021 and 2020 was mainly due to an increase in the short-term advances received from customers in relation to the delivery of goods at the end of the year.

(iii) Due to a related party:

	2021 RMB'000	2020 RMB'000
Sanlion International Investment Limited (note)	**–**	25

Note:

Each of Chan Chun Keung, Judy Chan, Wong Shu Ying, Chan Kwan and Chan Pak Lim Brian (brother of Judy Chan) effectively holds 60%, 10%, 10%, 10% and 10% equity interests in this company, respectively.

The outstanding balances with related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

22. DEFERRED TAX

The movements in deferred tax assets/(liabilities) during the year are as follows:

	Fair value of agricultural produce at the point of harvest RMB'000	Withholding taxes RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Deferred income RMB'000	Depreciation in excess of related depreciation allowance RMB'000	Right-of-use assets RMB'000	Unrealised profits from intra-group transactions RMB'000	Impairment of financial assets RMB'000	Total RMB'000
At 1 January 2020	213	(2,574)	(28)	89	183	22	–	–	(2,095)
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 9)	64	(113)	1	(5)	–	(12)	990	–	925
At 31 December 2020 and 1 January 2021	**277**	**(2,687)**	**(27)**	**84**	**183**	**10**	**990**	**–**	**(1,170)**
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 9)	**(180)**	**(95)**	**1**	**(84)**	**–**	**(28)**	**2,532**	**2**	**2,148**
At 31 December 2021	**97**	**(2,782)**	**(26)**	**–**	**183**	**(18)**	**3,522**	**2**	**978**

22. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**3,704**	955
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(2,726)**	(2,125)
Net deferred tax assets/(liabilities)	**978**	(1,170)

The Group had tax losses arising in Hong Kong of RMB58,602,000 (2020: RMB53,287,000) which are subject to the confirmation from the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group had tax loss arising in Mainland China of RMB3,046,000 (2020: RMB2,191,000) as at 31 December 2021, that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. Deferred tax liabilities have been provided based on the foreseeable dividend distributions in the coming years by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

23. SHARE CAPITAL

	2021			2020		
	Number of shares	**HK$'000**	**RMB'000 equivalent**	Number of shares	HK$'000	RMB'000 equivalent
Authorised: Ordinary shares of HK$0.001 each	**8,000,000,000**	**8,000**		8,000,000,000	8,000	
Issued and fully paid: Ordinary shares of HK$0.001 each	**800,000,000**	**800**	**674**	800,000,000	800	674

24. RESERVES

The amounts of the Group's reserves and movements therein for the reporting period are presented in the consolidated statement of changes in equity.

(i) Capital reserve

The capital reserve represents the excess of capital contribution over the registered capital upon the capital injection of subsidiaries of the Group established in the PRC and capital contribution from shareholders on share-based payment expenses.

(ii) Statutory reserve funds

In accordance with the Law of the PRC for Enterprises with Foreign Investments and the articles of association of subsidiaries of the Group established in the PRC, appropriations from net profits, after offsetting accumulated losses brought forward from prior years, should be made to the reserve funds before distributions are made to the owners. The percentage of net profits to be appropriated to the reserve funds should not be less than 10% of the net profits. When the balance of the reserve funds reaches 50% of the paid-up capital, no further appropriations are required to be made.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements.

25. SHARE-BASED PAYMENT

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 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 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 GEM 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.

25. SHARE-BASED PAYMENT (CONTINUED)

Share option scheme (Continued)

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 the director and the employee 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 is 10,000,000. The Scheme lapses on the tenth anniversary of the grant date.

(i) The fair value of equity-settled share options granted during the year 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 Assumptions	Inputs
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.

25. SHARE-BASED PAYMENT (CONTINUED)

Share option scheme (Continued)

(ii) The following share options was outstanding under the Scheme during the year:

	Weighted average exercise price per share HK$	Number of options
At 1 January 2021	–	–
Granted during the year	**0.186**	**10,000,000**
At 31 December 2021	**0.186**	**10,000,000**

(iii) 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 31 December 2021	10,000,000	

* 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 fair values of the share options granted under the Scheme during the year ended 31 December 2021 was RMB739,000 (equivalent to approximately HK$892,000), of which the Group recognised a share-based payment expense of RMB269,000 (equivalent to approximately HK$325,000) for the year ended 31 December 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 approximately HK$10,000) and share premium of RMB1,541,000 (equivalent to approximately HK$1,850,000) (before issue expenses), respectively.

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash transactions to right-of-use assets and lease liabilities of RMB230,000 (2020: RMB835,000) and RMB89,000 (2020: RMB835,000), respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

The table below details the cash flows and non-cash changes in the Group's liabilities arising from financing activities. Except as disclosed below, there were no non-cash changes in the Group's liabilities arising from financing activities.

	Lease liabilities RMB'000	Due to a related party RMB'000	Total RMB'000
At 1 January 2020	2,131	27	2,158
New leases	835	–	835
Interest expense	126	–	126
Interest paid classified as operating cash flows	(126)	–	(126)
Financing cash flows	(906)	(2)	(908)
COVID-19-related rent concessions from lessors	(107)	–	(107)
At 31 December 2020 and 1 January 2021	**1,953**	**25**	**1,978**
Interest expense	**87**	**–**	**87**
Interest paid classified as operating cash flows	**(87)**	**–**	**(87)**
Financing cash flows	**(1,075)**	**(25)**	**(1,100)**
Lease modification	**89**	**–**	**89**
At 31 December 2021	**967**	**–**	**967**

27. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had no significant contingent liabilities (2020: Nil).

28. COMMITMENTS

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

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Plant and machinery	6,817	1,228
Construction in progress	33,160	2,014
	39,977	3,242

(b) The Group has no lease contracts for offices that have not yet commenced as at 31 December 2021 (2020: Nil).

(c) The Group's lease commitments for short-term leases amounted to RMB191,000 (2020: RMB78,000) as at 31 December 2021.

29. RELATED PARTY TRANSACTIONS

(a) In addition to those transactions and balances disclosed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

	2021 RMB'000	2020 RMB'000
Sales of products		
– Chan Kwan	11	25
– Chan Chun Keung	200	137
– Judy Chan	48	52

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

The above transactions also constitute connected transactions as defined in Chapter 20 of the GEM Listing Rules.

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The Group has paid Dragonfield Management Limited amounting to RMB298,000 (2020: RMB219,000) for leases of commercial premises for use as offices during the year. Dragonfield Management Limited is held by Chan Chun Keung, Judy Chan, Wong Shu Ying, Chan Kwan and Chan Pak Lim Brian (brother of Judy Chan) with effective equity interests of 60%, 10%, 10%, 10% and 10%, respectively. The payment in respect of other administrative services provided by Dragonfield Management Limited during the year on behalf of the Group was RMB1,451,000 (2020: RMB956,000).

(c) On 17 May 2021, the Group granted 8,000,000 options to Judy Chan. Further details are included in note 25.

(d) Details of the Group's balances with the related parties are included in notes 17 and 21 to the financial statements.

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

	2021 **RMB'000**	2020 RMB'000
Fees	**717**	876
Salaries, allowances and benefits in kind	**1,643**	1,359
Performance related bonuses	**120**	107
Pension scheme contributions	**99**	85
Equity-settled share option expense	**215**	–
	2,794	2,427

Further details of directors' emoluments are included in note 7 to the financial statements.

30. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group as at the end of the reporting period were loans and receivables, and financial liabilities stated at amortised cost, respectively.

31. FAIR VALUE HIERARCHY

At the end of the reporting period, the Group did not have any financial assets or financial liabilities measured at fair value.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk refers to the risk on the fluctuation of fair value or future cash flows of financial instruments which arose from changes in exchange rates.

The Group's businesses are mainly located in Mainland China and are mainly transacted and settled in RMB. Accordingly, the directors considered that the Group's foreign currency exchange risk is insignificant. Certain sales and purchases were settled in other currencies including Hong Kong dollars, United States dollars, Euro and British Pounds. The fluctuation of the exchange rates of such currencies against RMB will affect the Group's results of operations. In addition, the RMB is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of the currency out of China. Shortages in the availability of foreign currencies may restrict the ability of the Group's PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Group.

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange by complying with certain procedural requirements. However, approval from appropriate PRC Government authorities is required where RMB is to be converted into foreign currencies and remitted out of Mainland China to pay for capital account items, such as the repayment of bank loans denominated in foreign currencies.

32. FINANCIAL RISK OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

Currently, the Group's PRC subsidiaries may purchase foreign exchange for settlement of current account transactions, including payment of dividends to the shareholders of the PRC subsidiaries, with the prior approval of the State Administration for Foreign Exchange. The Group's PRC subsidiaries may also retain foreign exchange in their current accounts to satisfy foreign exchange liabilities or to pay dividends. Since foreign exchange transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange, this could affect the Group's subsidiaries' ability to obtain the required foreign currency amounts through debt or equity financing, including by means of loans or capital contributions from the Company. There are limited hedging instruments available in the PRC to reduce the Group's exposure to exchange rate fluctuations between RMB and other currencies. To date, the Group has not entered into any hedging transactions in an effort to reduce the Group's exposure to foreign currency exchange risks. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and the Group may not be able to hedge the Group's exposure successfully, or at all. A reasonably possible change of 5% in the exchange rate between the Hong Kong dollar and RMB would have no material impact on the Group's profit during the year and there would be no material impact on the Group's equity.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, trade receivables, and prepayments and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group has no significant concentration of credit risk on prepayments and other receivables, with exposure spread over a large number of counterparties and customers.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

32. FINANCIAL RISK OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	1,548	1,548
Financial assets included in prepayments and other receivables					
– Normal**	770	–	–	–	770
Cash and cash equivalents					
– Not yet past due	67,678	–	–	–	67,678
	68,448	–	–	1,548	69,996

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	1,240	1,240
Financial assets included in prepayments and other receivables					
– Normal**	770	–	–	–	770
Cash and cash equivalents					
– Not yet past due	90,840	–	–	–	90,840
	91,610	–	–	1,240	92,850

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the financial statements.

** The credit quality of the financial assets included in prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the financial statements.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

Liquidity risk refers to the risk that an enterprise may encounter difficulties to obtain adequate finance to repay the debt related to financial instruments. Liquidity risk may arise from the inability to dispose of financial assets promptly, counterparties being unable to repay their contracted debt obligations, the repayment of debts before the maturity dates of debt obligations, or the inability to generate the expected cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of cash deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's objective is to maintain a balance between continuity of funding and flexibility through the funding from related parties. In the opinion of the directors of the Company, the Group expects to have adequate sources of funding to finance the Group and manage the liquidity position.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

As at 31 December 2021

	Within 1 year or on demand RMB'000	**Between 1–5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Trade payables	**6,681**	**–**	**–**	**6,681**
Other payables and accruals	**29,927**	**–**	**–**	**29,927**
Lease liabilities	**776**	**242**	**–**	**1,018**
	37,384	**242**	**–**	**37,626**

As at 31 December 2020

	Within 1 year or on demand RMB'000	Between 1–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	5,449	–	–	5,449
Other payables and accruals	11,478	–	–	11,478
Due to a related party	25	–	–	25
Lease liabilities	919	1,135	–	2,054
	17,871	1,135	–	19,006

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, and to maintain healthy capital ratios in order to support its business.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group's gearing ratio is measured by total external borrowings divided by total equity. As at 31 December 2021, the Group does not have any external borrowings (31 December 2020: nil).

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**13,532**	13,532
CURRENT ASSETS		
Due from subsidiaries	**136,474**	140,036
Cash and bank balances	**7,315**	14,040
Total current assets	**143,789**	154,076
CURRENT LIABILITIES		
Other payables and accruals	**214**	111
Due to subsidiaries	**44,909**	49,293
Total current liabilities	**45,123**	49,404
NET CURRENT ASSETS	**98,666**	104,672
Net assets	**112,198**	118,204
EQUITY		
Issued capital	**674**	674
Reserves (note)	**111,524**	117,530
Total equity	**112,198**	118,204

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	141,579	2,672	–	9,463	(26,001)	127,713
Loss for the year	–	–	–	–	(3,422)	(3,422)
Other comprehensive loss for the year:						
Exchange differences on translation of financial information	–	–	–	(6,761)	–	(6,761)
Total comprehensive loss for the year	–	–	–	(6,761)	(3,422)	(10,183)
At 31 December 2020 and 1 January 2021	**141,579**	**2,672**	**–**	**2,702**	**(29,423)**	**117,530**
Loss for the year	**–**	**–**	**–**	**–**	**(3,197)**	**(3,197)**
Other comprehensive loss for the year:						
Exchange differences on translation of financial information	**–**	**–**	**–**	**(3,078)**	**–**	**(3,078)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(3,078)**	**(3,197)**	**(6,275)**
Equity-settled share option arrangements	**–**	**–**	**269**	**–**	**–**	**269**
At 31 December 2021	**141,579**	**2,672**	**269**	**(376)**	**(32,620)**	**111,524**

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 March 2022.

Financial Summary

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the Company's audited consolidated financial statements and the Prospectus, is set out below:

RESULTS

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**84,693**	60,224	72,709	72,556	70,384
Profit before tax	**11,895**	1,875	4,413	3,711	8,659
Income tax credit/(expense)	**(4,155)**	(2,437)	(4,383)	2,454	(7,545)
Profit for the year	**7,740**	(562)	30	6,165	1,114

ASSETS AND LIABILITIES

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**309,326**	278,898	275,127	264,473	228,819
Total liabilities	**49,222**	26,433	21,052	13,831	24,759
Total equity	**260,104**	252,465	254,075	250,642	204,060