

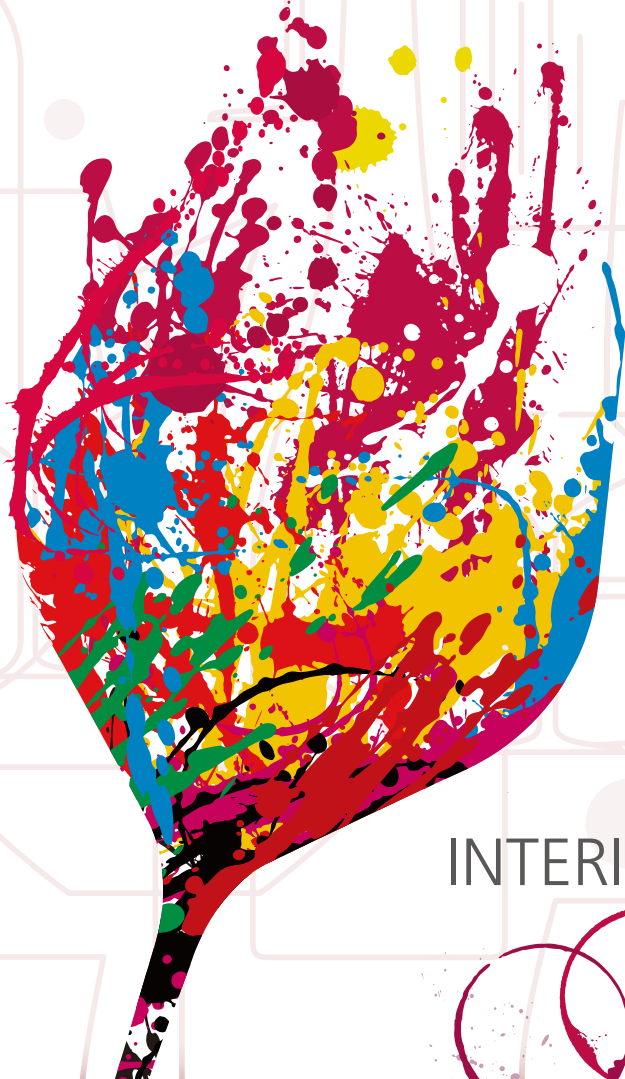
GRACE
VINEYARD

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



2023
INTERIM REPORT

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*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 of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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.*

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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

INVESTMENT COMMITTEE

Ms. Judy Chan *(Chairlady)*
Mr. Lam Wai Kit Ricky
Mr. Chow Christer Ho
Dr. Cheung Chai Hong
Mr. Lim Leung Yau Edwin

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
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Hong Kong

REGISTERED OFFICE

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Hutchins Drive
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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
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 ("**Board**") of directors ("**Director**") of Grace Wine Holdings Limited (the "**Company**"), I am pleased to present the Company's interim report for the six months ended 30 June 2023.

Throughout the first half of 2023, we have seen remarkable progress in our revenue, which reached RMB36.5 million, representing a substantial 29% increase as compared with that of the corresponding period in 2022. Additionally, revenue and sales volume from our high-end wine experienced impressive growth, surging by 81% and 88% respectively as compared with that of the corresponding period in 2022. However, it is important to note that the period-on-period improvement is primarily driven by our first quarter results, as our second quarter results were weaker than those of 2022. We are aware of the decrease in our overall sales volume, signalling the need to devise better strategies for consumer outreach. As part of our efforts, we have initiated a short video channel, complementing our newsletters, to showcase the work in our vineyard, cellar, and events.

Considering the current wine consumption trends in China, which have seen a decline over the past 12 years, we eagerly anticipate the economic results of China in the third quarter as a reflection of the level of consumer confidence. The performance of our sales in the third quarter will offer valuable insights into our overall sales prospects for the remainder of the year.

On the distillery front, we achieved a significant milestone by successfully distilling our whisky in April 2023, and the first batch is now maturing in barrels. Currently focused on single malt whisky production, our team is working diligently to ensure seamless operations, with plans to experiment with other grains in the near future. We anticipate launching our first whisky in 2026. Additionally, we are thrilled to announce that our gin is ready for launch pending the acquisition of the production license in September 2023 after which we eagerly anticipate opening the distillery to the public in October 2023.

I am delighted to share that Grace Vineyard has earned yet another prestigious accolade by being named as one of the best 100 vineyards in the world. This esteemed recognition is organized by William Reed media, a provider of business media in the food and beverage sectors, the same organization that is responsible for the ranking of the World's 50 Best Restaurants. Furthermore, our gins have been awarded gold and silver medals at the International Wine & Spirit Competition in London, as well as silver and bronze medals at the San Francisco World Spirits Competition.

As we navigate the dynamic and competitive market, we remain steadfast in our commitment to excellence, innovation, and sustainability. To foster stronger consumer engagement, we are actively exploring partnerships with influencers and conducting thorough market research to understand evolving preferences.

Looking forward, we are filled with enthusiasm about the opportunities that lie ahead and the potential for further growth. We aim to strive for continuous improvement and product innovation through our continued investments in branding, development, and talent acquisition.

In closing, I extend my sincere gratitude, on behalf of the Board and the entire team, to the shareholders of the Company (the "**Shareholders**") and our clients for your unwavering support. Our journey towards excellence and sustainable growth would not have been possible without your trust and dedication to the Company.

Judy Chan
Chairlady

Unaudited Interim Results

The Board of the Company presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three and six months ended 30 June 2023, together with the comparative unaudited figures of the corresponding period in 2022.

Unaudited Condensed Consolidated Statement of Profit or Loss

For the three months and six months ended 30 June 2023

	Notes	For the six months ended 30 June		For the three months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
REVENUE	5	36,471	28,184	11,102	12,448
Cost of sales		(10,250)	(11,102)	(2,671)	(4,615)
Gross profit		26,221	17,082	8,431	7,833
Other income and gains, net	6	936	728	601	265
Selling and distribution expenses		(5,927)	(5,632)	(3,038)	(3,343)
Administrative expenses		(12,422)	(10,247)	(6,948)	(5,313)
Other expenses, net		(18)	(209)	11	(195)
Finance costs		(611)	(32)	(317)	(20)
PROFIT/(LOSS) BEFORE TAX	7	8,179	1,690	(1,260)	(773)
Income tax expense	8	(2,779)	(854)	(103)	(180)
PROFIT/(LOSS) FOR THE PERIOD		5,400	836	(1,363)	(953)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Basic and diluted (RMB cent)	10	0.67	0.10	(0.17)	(0.12)

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2023

	For the six months ended 30 June		For the three months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
PROFIT/(LOSS) FOR THE PERIOD	5,400	836	(1,363)	(953)
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	(4,662)	(4,341)	(5,545)	(3,665)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of the Company's financial statements	4,839	4,823	5,762	4,276
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	177	482	217	611
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	5,577	1,318	(1,146)	(342)

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	137,526	135,987
Right-of-use assets		22,394	23,395
Goodwill		4,087	4,087
Prepayments for acquisition of plant and equipment		299	1,655
Deferred tax assets		4,589	5,242
Total non-current assets		168,895	170,366
CURRENT ASSETS			
Inventories		72,394	71,132
Biological assets	12	2,651	–
Trade receivables	13	1,264	1,592
Prepayments, deposits and other receivables		11,300	14,378
Cash and cash equivalents		57,590	73,367
Total current assets		145,199	160,469
CURRENT LIABILITIES			
Trade payables	14	184	174
Other payables and accruals		17,307	41,096
Interest-bearing bank borrowings		10,000	8,000
Lease liabilities		67	259
Tax payable		1,824	2,250
Total current liabilities		29,382	51,779
NET CURRENT ASSETS		115,817	108,690
TOTAL ASSETS LESS CURRENT LIABILITIES		284,712	279,056

Unaudited Condensed Consolidated Statement of Financial Position
As at 30 June 2023

	Notes	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		17,320	17,320
Lease liabilities		2,279	2,349
Deferred tax liabilities		3,112	3,116
Total non-current liabilities		22,711	22,785
Net assets		262,001	256,271
EQUITY			
Issued capital		675	675
Reserves		261,326	255,596
Total equity		262,001	256,271

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Statutory reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2023	675	137,720*	2,765*	605*	16,799*	(5,962)*	103,669*	256,271
Profit for the period	-	-	-	-	-	-	5,400	5,400
Other comprehensive income/ (loss) for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	-	(4,662)	-	(4,662)
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	4,839	-	4,839
Total comprehensive income for the period	-	-	-	-	-	177	5,400	5,577
Equity-settled share option arrangements	-	-	-	153	-	-	-	153
Transfer from retained profits	-	-	-	-	(4)	-	4	-
At 30 June 2023 (unaudited)	675	137,720*	2,765*	758*	16,795*	(5,785)*	109,073*	262,001
At 1 January 2022	674	141,579	2,765	269	15,703	(6,249)	105,363	260,104
Profit for the period	-	-	-	-	-	-	836	836
Other comprehensive income/ (loss) for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	-	(4,341)	-	(4,341)
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	4,823	-	4,823
Total comprehensive income for the period	-	-	-	-	-	482	836	1,318
Issue of shares upon exercise of share options	1	141	-	(45)	-	-	-	97
Equity-settled share option arrangements	-	-	-	201	-	-	-	201
Transfer from retained profits	-	-	-	-	(14)	-	14	-
Special final 2021 dividend	-	(4,000)	-	-	-	-	-	(4,000)
At 30 June 2022 (unaudited)	675	137,720	2,765	425	15,689	(5,767)	106,213	257,720

* These reserve accounts comprise the consolidated reserves of RMB261,326,000 (31 December 2022: RMB255,596,000) in the unaudited condensed consolidated statement of financial position as at 30 June 2023.

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	For the six months ended 30 June 2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows used in operating activities	(13,598)	(1,235)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(828)	(3,136)
Increase in construction in progress	(2,696)	(18,050)
Proceeds from disposal of items of property, plant and equipment	47	3
Prepayment of property, plant and equipment	(299)	–
Net cash flows used in investing activities	(3,776)	(21,183)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	–	97
New bank loans	11,000	25,320
Repayment of bank loans	(9,000)	–
Principal portion of lease payments	(262)	(378)
Net cash flows from financing activities	1,738	25,039
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	(15,636)	2,621
Effect of foreign exchange rate changes, net	73,367	67,678
	(141)	476
CASH AND CASH EQUIVALENTS AT END OF PERIOD	57,590	70,775
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	57,590	70,775

Notes to Unaudited Condensed Consolidated Interim Financial Information

30 June 2023

1. GENERAL

Grace Wine Holdings Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of Group has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM (the “**GEM Listing Rules**”) of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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

The unaudited condensed consolidated interim financial information of the Group has been prepared in accordance with the same accounting policies adopted in the Group’s annual financial statements for the year ended 31 December 2022, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) as disclosed in note 3 below.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the accounting period beginning from 1 January 2023, the Group has adopted, for the first time, the following new and revised HKFRSs issued by the HKICPA that are applicable to the Group and are adopted for the current period's financial information:

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

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

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 reportable operating 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 payable, amounts due to related parties, deferred tax liabilities, interest-bearing bank borrowings and other unallocated corporate liabilities as these liabilities are managed on a group basis.

4. SEGMENT INFORMATION (CONTINUED)

Operating segments (continued)

	Production of wines For the six months ended 30 June		Production of spirits For the six months ended 30 June		Total For the six months ended 30 June	
	2023	2022	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:						
Sales to external customers	36,471	28,184	-	-	36,471	28,184
Other revenue	148	259	462	201	610	460
	36,619	28,443	462	201	37,081	28,644
Segment results	12,714	3,931	(2,139)	(380)	10,575	3,551
Reconciliation:						
Other unallocated income					7	14
Interest income					319	254
Corporate and other unallocated expenses					(2,130)	(2,120)
Finance costs (other than interest on lease liabilities)					(592)	(9)
Profit before tax					8,179	1,690

4. SEGMENT INFORMATION (CONTINUED)

Operating segments (continued)

	Production of wines		Production of spirits		Total	
	As at	As at	As at	As at	As at	As at
	30 June	31 December	30 June	31 December	30 June	31 December
	2023	2022	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	156,933	160,645	93,725	90,300	250,658	250,945
Reconciliation:						
Corporate and other unallocated assets					63,436	79,890
Total assets					314,094	330,835
Segment liabilities	(4,897)	(25,319)	(3,617)	(7,179)	(8,514)	(32,498)
Reconciliation:						
Corporate and other unallocated liabilities					(43,579)	(42,066)
Total liabilities					(52,093)	(74,564)

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

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June		For the three months ended 30 June	
	2023	2022	2023	2022
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Revenue from contracts with customers				
Sales of goods	36,471	28,184	11,102	12,448

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

	For the six months ended 30 June		For the three months ended 30 June	
	2023	2022	2023	2022
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
<i>Geographical markets</i>				
Mainland China	35,842	27,747	10,530	12,407
Other jurisdictions	629	437	572	41
Total revenue from contracts with customers	36,471	28,184	11,102	12,448

6. OTHER INCOME AND GAINS, NET

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

	For the six months ended 30 June		For the three months ended 30 June	
	2023	2022	2023	2022
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Bank interest income	319	254	158	128
Government grants*	480	357	385	26
COVID-19 related rent concessions from lessors	-	62	-	62
Gain on disposal of items of property, plant and equipment, net	45	3	5	3
Others	92	52	53	46
	936	728	601	265

* The Group received various government grants for promoting the wine industry and supporting agricultural development. There are no unfulfilled conditions or contingencies relating to these grants.

7. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June		For the three months ended 30 June	
	2023	2022	2023	2022
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Cost of inventories sold	5,970	7,441	1,604	3,281
Depreciation of property, plant and equipment	4,660	3,861	2,106	1,830
Depreciation of right-of-use assets	1,001	939	501	720
Less: amount capitalised into biological assets	(200)	(159)	(200)	(159)
	801	780	301	561
(Reversal)/provision of trade receivables, net	(2)	16	–	–

8. INCOME TAX

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

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

	For the six months ended 30 June		For the three months ended 30 June	
	2023	2022	2023	2022
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Current – Mainland China				
Charge/(credit) for the period	2,005	625	(438)	(68)
Under-provision/ (over-provision) in prior periods	25	(160)	25	(30)
Deferred	749	389	516	278
Total tax charge for the period	2,779	854	103	180

8. INCOME TAX (CONTINUED)

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

For the six months ended 30 June 2023

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	10,319		(2,140)		8,179	
Tax at the weighted average applicable tax rate	2,580	25.0	(353)	16.5	2,227	27.2
Lower tax rate for specific provinces or enacted by local authorities	(370)		–		(370)	
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	76		–		76	
Adjustments in respect of current tax of previous periods	25		–		25	
Income not subject to tax	(86)		–		(86)	
Expenses not deductible for tax	28		9		37	
Tax losses utilised from previous periods	–		(20)		(20)	
Tax losses not recognised	526		364		890	
Tax charge for the period	2,779	26.9	–	–	2,779	34.0

8. INCOME TAX (CONTINUED)

For the six months ended 30 June 2022

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	3,724		(2,034)		1,690	
Tax at the weighted average applicable tax rate	931	25.0	(336)	16.5	595	35.2
Lower tax rate for specific provinces or enacted by local authorities	(158)		–		(158)	
Adjustments in respect of current tax of previous periods	(160)		–		(160)	
Income not subject to tax	(63)		–		(63)	
Expenses not deductible for tax	10		6		16	
Tax losses utilised from previous periods	–		(16)		(16)	
Tax losses not recognised	294		346		640	
Tax charge for the period	854	22.9	–	–	854	50.5

9. DIVIDENDS

	For the six months ended 30 June 2023 (Unaudited) RMB'000		2022 (Unaudited) RMB'000
Special final 2021 dividend – HK0.62 cents per ordinary share		–	4,000

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

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

The calculation of basic earnings per share for the six months ended 30 June 2023 is based on the profit for the period attributable to owners of the Company of RMB5,400,000 (for the six months ended 30 June 2022: profit of RMB836,000), and the weighted average number of ordinary shares of 800,600,000 (for the six months ended 30 June 2022: 800,146,000) in issue during the period.

The calculation of basic loss per share for the three months ended 30 June 2023 is based on the loss for the period attributable to owners of the Company of RMB1,363,000 (for the three months ended 30 June 2022: loss of RMB953,000), and the weighted average number of ordinary shares of 800,600,000 (for the three months ended 30 June 2022: 800,290,000) in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2023 and 2022.

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

11. PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group acquired items of plant and machinery with a cost of approximately RMB2,483,000 (for the six months ended 30 June 2022: RMB3,136,000) and additions of construction in progress of approximately RMB4,099,000 (for the six months ended 30 June 2022: RMB19,392,000). Items of plant and machinery with a net book value of RMB2,000 (for the six months ended 30 June 2022: Nil) were disposed of during the six months ended 30 June 2023, resulting in a gain on disposal of approximately RMB45,000 (for the six months ended 30 June 2022: RMB3,000).

12. BIOLOGICAL ASSETS

All grapes are harvested annually from late August to October 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 at the end of the reporting periods and therefore the replacement cost approach is adopted to value the immature grapes during the growing period as at the end of the reporting periods.

Cultivation costs incurred are accounted for as additions to the biological assets and have been considered in the determination of the fair values during the growing period and these costs approximate to their fair values. During the six months ended 30 June 2023, the Group incurred RMB2,651,000 (for the six months ended 30 June 2022: RMB1,196,000) on the plantation of biological assets.

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 immature grapes and the market price for harvested grapes.

During each of the reporting periods, no transfers occurred between levels in the fair value hierarchy.

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.

Biological assets	Fair value hierarchy	Valuation technique	Significant unobservable input	Relationship of unobservable input to fair value
Immature grapes	Level 3	Replacement cost approach	Various costs for replacing	The higher the costs incurred, the higher the fair value

13. TRADE RECEIVABLES

	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
Trade receivables from third parties	966	931
Due from a related party	303	668
Impairment	(5)	(7)
Trade receivables	1,264	1,592

The Group's trading terms with its customers are normally payment in advance, except for 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 maintain 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.

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

	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
Within 60 days	971	1,449
61 to 90 days	293	143
	1,264	1,592

14. TRADE PAYABLES

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

	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
Within 30 days	184	157
31 to 90 days	–	17
	184	174

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

15. SHARE OPTION SCHEME

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

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

15. SHARE OPTION SCHEME (CONTINUED)

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

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

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

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

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

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

15. SHARE OPTION SCHEME (CONTINUED)

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

The following table lists the inputs to the model used:

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

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

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

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

15. SHARE OPTION SCHEME (CONTINUED)

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

30 June 2023

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

30 June 2022

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

- * 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.

15. SHARE OPTION SCHEME (CONTINUED)

(c) (continued)

The Group recognised a share option expense of RMB153,000 (equivalent to HK\$172,000) (for the six months ended 30 June 2022: RMB201,000 (equivalent to HK\$242,000)) for the six months ended 30 June 2023.

At the end of the reporting period, the Company had 12,400,000 share options outstanding. If the outstanding share options were exercised in full, an additional 12,400,000 ordinary shares of the Company will be issued, resulting in additional share capital of RMB11,000 (equivalent to HK\$12,000) and share premium of RMB2,085,000 (equivalent to HK\$2,246,000) (before issue expenses), respectively.

16. COMMITMENTS

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

	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
Contracted, but not provided for:		
Plant and machinery	157	2,143
Construction in progress	4,857	2,278
	5,014	4,421

17. RELATED PARTY DISCLOSURES

- (a) In addition to those transactions and balances disclosed elsewhere in the unaudited condensed consolidated interim financial information, the Group had the following material transactions with related parties during the period:

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Sales of products		
– Chan Kwan (note (i))	8	–
– Chan Chun Keung (note (ii))	35	–
– Judy Chan (note (iii))	18	–
– Haian Hengfa Wastewater Treatment Company Limited (“ Haian Hengfa ”) (note (iv))	47	–
Purchases of wines		
– Intervine Capital Cienega Valley LLC (“ Intervine ”) (note (v))	1,772	–

Notes:

- (i) Chan Kwan is a brother of Judy Chan.
- (ii) Chan Chun Keung is the father of Judy Chan and the spouse of Wong Shu Ying.
- (iii) Judy Chan is an executive director.
- (iv) Haian Hengfa is a subsidiary of ELL Environmental Holdings Limited. Chan Kwan serves as an executive director of ELL Environmental Holdings Limited.
- (v) 50% of the interest of Intervine is held by Judy Chan.

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

17. RELATED PARTY DISCLOSURES (CONTINUED)

- (b) The Group has paid Dragonfield Management Limited amounting to RMB82,000 (for the six months ended 30 June 2022: RMB162,000) for the leasing of commercial premises for use as offices during the six months ended 30 June 2023. Dragonfield Management Limited is held by Chan Chun Keung, Judy Chan, Wong Shu Yin, 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 six months ended 30 June 2023 on behalf of the Group was RMB732,000 (for the six months ended 30 June 2022: RMB746,000).
- (c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Fees	330	307
Salaries, allowances and benefits in kind	587	375
Pension scheme contributions	45	40
Equity-settled share option expense	78	149
	1,040	871

18. FAIR VALUE HIERARCHY

Other than biological assets, as disclosed in note 12, the Group did not have any financial assets or financial liabilities measured at fair value at the end of the reporting period.

19. EVENTS AFTER THE REPORTING PERIOD

On 24 July 2023, Fujian Dexi Wine Company Limited (“**Fujian Dexi**”), an indirect wholly-owned subsidiary of the Company, entered into the Restaurant (2nd Floor) Interior Fitting Contract and Master Building Interior Fitting Contract with Fuzhou Chengyu Architectural Decoration Engineering Co., Ltd. (the “**Contractor**”), pursuant to which the Contractor agreed to undertake certain interior fitting works in respect of the second floor of the restaurant and master building of the gin and whisky distillery in Fujian (the “**Distillery**”) for a total contract sum of approximately RMB4,053,000 (inclusive of VAT).

On 26 July 2023, Fujian Dexi entered into the Restaurant (1st Floor) Interior Fitting Contract and Tour Passage and Warehouse Interior Fitting Contract with the Contractor, pursuant to which the Contractor will undertake certain interior fitting works in respect of the first floor of the restaurant, tour passage and warehouse of the Distillery for a total contract sum of approximately RMB6,144,000 (inclusive of VAT).

BUSINESS REVIEW AND OUTLOOK

According to data released by the National Bureau of Statistics of China, China's gross domestic product reached RMB59.3 trillion in the first half of 2023, representing an increase of 5.5% as compared with the same period in the previous year¹. As the number of confirmed cases of COVID-19 continued to drop, economic activities which were adversely affected by the pandemic had gradually recovered and has been slowly stabilizing, entering the post-pandemic era. In the first half of 2023, the per capita disposable income was RMB26,357, representing a year-on-year increase of 5.4%², which indicated that people's income was rising along with economic activities.

According to the National Health Commission, despite the growth in GDP and disposable income, it is still not possible to drop our guard down against the COVID-19 pandemic. The World Health Organization had announced that the COVID-19 pandemic no longer constitutes a Public Health Emergency of International Concern on 5 May 2023³. However, such announcement does not mean that the COVID-19 pandemic is completely over, it has only illuminated that the pandemic is now under control, but the related prevention work still needs to be continued⁴. Meanwhile, as the COVID-19 is still in a state of mutation and sporadic cases of COVID-19 continue to occur in China, the recovery of economic activities and catering industry is limited. However, the per capita spending on food, tobacco and alcohol amounted to RMB3,907 in the first half of 2023, representing a 6.0% year-on-year growth and accounting for 30.7% of per capita consumption expenditure², which has indicated that even though the economic activities and the catering industry have yet to fully recover, the consumption of alcohol is still able to grow. According to published statistics, China can still maintain its position as the eighth largest wine consumer nation globally and the largest wine consumer nation in Asia⁵. In terms of external factors, the Russo-Ukrainian War in 2022 has led to an increase in the production cost and international trade cost of wine⁶, which has affected the recovery of the wine market. Data from the China Merchant Industry Research Institute (中商產業研究院) shows that the national wine output was 51,000 kiloliters from January 2023 to May 2023, representing a decrease of 22.7% from the corresponding period last year⁷. Although there has not been a significant increase in wine production and demand due to both internal and external factors, with the slowdown of COVID-19 outbreak, restriction on cross-boundary transportation and personnel exchanges will gradually reduce and be lifted, thereby facilitating international exchanges and trade. With the overall quality of Chinese wines improving, it is expected that the wine market will return to its growth momentum in the future.

¹ http://news.china.com.cn/2023-07/17/content_92707835.shtml

² http://www.stats.gov.cn/sj/zxfb/202307/t20230715_1941274.html

³ http://www.news.cn/world/2023-05/05/c_1129592852.htm

⁴ http://ynswsjkw.yn.gov.cn/html/2023/fangongdongtai_0508/17030.html

⁵ https://www.oiv.int/sites/default/files/documents/OIV_State_of_the_world_Vine_and_Wine_sector_in_2022_2.pdf

⁶ https://www.sohu.com/a/669872692_121124458

⁷ <https://s.askci.com/data/industry/a02090b/>

In addition, the Chinese government has promoted various international wine events, which is also conducive to the recovery and development of the China wine market. Xinjiang is one of the major wine producing regions in China. On 21 May 2023, the Belt and Road Initiative wine contest was held at Xinjiang for the first time⁸ and attracted wine experts from 14 different countries to visit wine bases and research laboratories in China. Such event could promote communication between China and the international community and also deepen the understanding of other countries about Chinese wine, thus serving to promote Chinese wine. Apart from Xinjiang, different regions in China have also launched various measures to support their wine industries. In December 2020, the government of Yantai has released the “Implementation Opinions on Promoting the High-Quality Development of the Yantai Wine Industry (《關於促進煙台葡萄酒產業高質量發展的實施意見》)”⁹, stating that financial support would be provided to the local wine industry. The government of Yantai has also formally set up a special development fund for the wine industry in 2021 to provide comprehensive support from infrastructure to marketing. The government of Yantai commenced the vetting of projects for financial support in 2022 and started disbursing the fund. In April 2023, it was announced that up to RMB30 million has been earmarked for the development of the wine industry. The support from regional governments could improve the efficiency of wine production and also enhance its quality and visibility, while contributing to the sustainable development of the industry.

In terms of the Group’s financial position, the sales volume of wines in China did not reach a rebound in the first quarter of 2023 as it took time for the food and beverage market to recover to the pre-pandemic level and downstream manufacturers were more passive in their purchasing approach. At the end of the first half of 2023, the market was still concerned about the variability and instability of COVID-19 pandemic, and the Group followed the industry’s lead in the first half of the year with a moderate recovery in overall results. We will remain cautiously optimistic and focus on expanding our business in the second half of the year during the peak sales season to further enhance revenue growth. At the same time, the Group will continue to promote its wine brands and increase different sales channels to increase market share and build up customer reputation, while paying close attention to the latest status of the COVID-19 pandemic in China and around the world as well as the policies implemented by the government in the China wine market in order to grasp the latest information in the first instance, so as to cope with the changes in the market and make timely adjustments.

In terms of business development, the Group completed an acquisition of 100% equity interest in Maxco Asia Limited (“**Maxco Asia**”) on 12 August 2019. Maxco Asia owns Fujian Dexi Wine Company Limited, which was established in China and mainly produces whisky and gin in Fujian Province, China. Currently, the construction of the gin and whisky distillery has been successfully completed. It is expected the commencement of operation of the distillery will take place in the second half of the year. We will also begin to sell a new gin series and certain new products, thereby expanding the Group’s business into the liquor business. From the previous focus on the wine business to the current liquor business, the Group expects the two could bring synergy to each other, steering the Group towards diversified and sustainable development.

⁸ <https://finance.sina.com.cn/jjxw/2023-05-23/doc-imyutwrc2462289.shtml>

⁹ <https://baijiahao.baidu.com/s?id=1764154771439347955&wfr=spider&for=pc>

Looking forward to the second half of 2023, we believe that the impact of the COVID-19 variants and the sporadic cases in individual regions of China on domestic economic activities will not last long. We are confident that our government will lead us toward the post-pandemic era and that the economy will quickly return to the pre-pandemic level, or even grow at a higher rate than the level before outbreak. At the same time, with the full recovery of economic activities, it is believed that the food and beverage industry will also be driven. With the Group's strategy as in the past of making adjustments in response to changes in the market and continuing to strengthen the reputation of the existing brands among consumers, it is believed that both the established wine industry and newly-entered liquor business will be able to successfully and steadily develop so as to stand out from the competition and continue to bring satisfactory returns to our shareholders.

FINANCIAL REVIEW

Revenue

Our revenue increased by RMB8.3 million or 29.4% from RMB28.2 million for the six months ended 30 June 2022 ("**1H2022**") to RMB36.5 million for the six months ended 30 June 2023 ("**1H2023**") as a result of the increase in total sales volume of high-end wine.

We sold 360,000 bottles in 1H2023 as compared to 421,000 bottles in 1H2022, the average selling price increased from RMB66.9 per bottle in 1H2022 to RMB101.4 per bottle in 1H2023. The table below sets out the analysis of revenue and sales volume by our product mix:

	For the six months ended 30 June 2023		For the six months ended 30 June 2022	
	Revenue	Sales volume	Revenue	Sales volume
High-end	70.0%	35.9%	49.9%	16.3%
Entry-level	30.0%	64.1%	50.1%	83.7%

Cost of sales

Our cost of sales decreased by RMB0.9 million or 7.7% from RMB11.1 million for 1H2022 to RMB10.3 million for 1H2023 primarily due to the decrease in total sales volume. Our average cost of sales per bottle increased from RMB26.4 for 1H2022 to RMB28.5 for 1H2023.

Gross profit and gross profit margin

Our overall gross profit increased by RMB9.1 million or 53.5% from RMB17.1 million for 1H2022 to RMB26.2 million for 1H2023, primarily due to the increase in total sales of high-end wine. Our overall gross profit margin increased from 60.6% for 1H2022 to 71.9% for 1H2023.

Other income and gains, net

Other net income and gains slightly increased by RMB0.2 million or 28.6% from RMB0.7 million for 1H2022 to RMB0.9 million for 1H2023, which mainly comprised income from government grants and bank interest income.

Selling and distribution expenses

Selling and distribution expenses increased by RMB0.3 million or 5.2% from RMB5.6 million for 1H2022 to RMB5.9 million for 1H2023, which mainly comprised marketing event and promotion fee, packaging fee and salary.

Administrative expenses

Administrative expenses increased by RMB2.2 million or 21.2% from RMB10.2 million for 1H2022 to RMB12.4 million for 1H2023, which is mainly due to the increase in general administrative expenses in relation to the construction of the gin and whisky distillery such as depreciation expenses and research and development expenses.

Finance costs

Our finance costs was RMB0.6 million, which represented the interest on bank loans of RMB0.6 million (1H2022: RMB10,000) and unwinding of the discounted lease liabilities recognized under HKFRS 16 *Leases* of RMB19,000 (1H2022: RMB22,000).

Income tax expense

Our income tax expense increased by RMB2.0 million or 225.4% from RMB0.8 million for 1H2022 to RMB2.8 million for 1H2023 due to the increase in profit before tax in our PRC subsidiaries.

Profit for the period

As a result of the foregoing, a profit for the period of RMB5.4 million was recognised for 1H2023 (1H2022: RMB0.8 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 30 June 2023, the carrying amount of the Group's cash and cash equivalents was RMB57.6 million, representing a decrease of 21.5% as compared with that of RMB73.4 million as at 31 December 2022.

As at 30 June 2023, the Group's cash and cash equivalents include RMB56.9 million, HK\$0.5 million, and some insignificant amounts of USD and EUR (31 December 2022: RMB72.6 million, HK\$0.5 million, and some insignificant amounts of USD and EUR).

During the reporting period, the Group's cash and cash equivalents decreased by approximately RMB15.8 million, which mainly comprised the net cash used in operating activities with the amount of approximately RMB13.6 million, net cash used in investing activities with the amount of approximately RMB3.8 million, net cash generated from financing activities with the amount of approximately RMB1.7 million, and the negative effect of foreign exchange rate changes of approximately RMB0.1 million. The cash flow details of the Group are set out in page 10 under Unaudited Condensed Consolidated Statement of Cash Flows in this report.

Borrowings

As at 30 June 2023, the total amount of our utilized bank borrowings was RMB27.3 million, of which RMB10 million was repayable within one year and RMB17.3 million was repayable more than one year. The outstanding bank borrowings were denominated in RMB. Out of the RMB27.3 million, RMB17.3 million bore a floating interest rate of 0.45% over the loan prime rate issued by the National interbank Funding Center (“LPR”) – 5 years period (31 December 2022: RMB17.3 million bore a floating interest rate of 0.45% over the loan prime rate issued by LPR – 5 years period), and RMB6.0 million at the LPR – 1 year minus 0.15% per annum, RMB4.0 million at the LPR – 1 year plus 1.15% per annum (31 December 2022: RMB1 million bore a floating interest rate equal to the LPR – 1 year period and RMB7 million at the LPR – 1 year minus 0.2% per annum). We had unutilized banking facilities as at 30 June 2023 of RMB22.7 million (31 December 2022: RMB24.7 million).

Gearing ratio

The Group’s gearing ratio is measured by total external borrowings divided by total equity. Our gearing ratio is 10.4% as at 30 June 2023 (31 December 2022: 9.9%).

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 in Mainland 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 RMB, the exchange gain or loss arising from currency translation is also insignificant.

For the Group’s subsidiaries outside Mainland 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 exposures closely and may take appropriate measures to minimise the foreign currency risk exposures accordingly.

Contingent liabilities

As at 30 June 2023, the Group had no contingent liabilities (31 December 2022: Nil).

Pledge of assets

As at 30 June 2023, the Group has pledged right-of-use assets for the general banking facilities for the amount of RMB7.1 million (31 December 2022: RMB7.2 million).

Employee and remuneration policies

As at 30 June 2023, the Group had, including Directors, 182 employees (31 December 2022: 176 employees). Staff costs, including Directors' emoluments, amounted to RMB6.2 million for 1H2023 (1H2022: RMB5.9 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

On 24 July 2023, Fujian Dexi entered into the Restaurant (2nd Floor) Interior Fitting Contract and Master Building Interior Fitting Contract with Fuzhou Chengyu Architectural Decoration Engineering Co., Ltd. (the "**Contractor**"), pursuant to which the Contractor agreed to undertake certain interior fitting works in respect of the second floor of the restaurant and master building of the Distillery for a total contract sum of approximately RMB4,053,000 (inclusive of VAT).

On 26 July 2023, Fujian Dexi entered into the Restaurant (1st Floor) Interior Fitting Contract and Tour Passage and Warehouse Interior Fitting Contract with the Contractor, pursuant to which the Contractor will undertake certain interior fitting works in respect of the first floor of the restaurant, tour passage and warehouse of the Distillery for a total contract sum of approximately RMB6,144,000 (inclusive of VAT).

For details, please refer to the announcements of the Company dated 26 July 2023 and 31 July 2023.

Save as previously mentioned or otherwise disclosed herein, there were no significant events after the reporting period up to the date of this report.

Significant investments, material acquisition and disposals

Save as disclosed in this report, the Group did not have any significant investments, material acquisitions or disposal of assets, subsidiaries, associates or joint ventures during the period.

Interim dividend

The Board does not recommend the payment of any dividend for 1H2023.

Future plans for material investments and capital assets

Save as disclosed in the Prospectus (defined below) and this report, the Group does not have other plans for material investments and capital assets.

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

As at 30 June 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Interests in the Company

Name of Director	Capacity/ Nature of interest	Number of ordinary Shares held ⁽¹⁾	Approximate shareholding percentage
Ms. Judy Chan ⁽²⁾	Interest in controlled corporation ⁽²⁾	411,350,000 (L)	51.38%
	Beneficial owner ⁽³⁾	8,000,000 (L)	1.00%

Notes:

- The letter "L" denotes the person's long position in the Shares.
- Macmillan Equity Limited ("**Macmillan Equity**") is wholly-owned by Ms. Judy Chan, and therefore Ms. Judy Chan is deemed to be interested in the 411,350,000 Shares held by Macmillan Equity pursuant to the SFO.
- The share options granted by the Company under its share option scheme to Ms. Judy Chan on 17 May 2021.

(ii) Interests in associated corporation of the Company

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

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. Macmillan Equity is wholly-owned by Ms. Judy Chan.

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under the SFO), or pursuant to section 352 of the SFO, which were required to be recorded in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, which were to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors and the chief executive of the Company are aware, as at 30 June 2023, other than the Directors and chief executive of the Company, the following persons had or were deemed or taken to have an interest and/or short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO, or which would be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

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

Notes:

- The letter "L" denotes the person's long position in the Shares.
- Macmillan Equity is wholly-owned by Ms. Judy Chan.
- Palgrave Enterprises is wholly-owned by Ms. Wong Shu Ying, and therefore Ms. Wong Shu Ying is deemed to be interested in the 173,180,000 Shares held by Palgrave Enterprises pursuant to the SFO.
- Mr. Chan Chun Keung, the spouse of Ms. Wong Shu Ying, is deemed to be interested in the 4,460,000 Shares held by Ms. Wong Shu Ying and the 173,180,000 Shares held by Ms. Wong Shu Ying through her controlled corporation, Palgrave Enterprises, pursuant to the SFO.

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

SHARE OPTION SCHEME

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

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

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

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at 27 June 2018 (the “**Listing Date**”), being 80,000,000 Shares. Subject to Shareholders’ approval in general meeting, the Board may (i) refresh this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or (ii) grant options beyond the 10% limit to Eligible Participants specially approved by the Shareholders in general meeting and the Eligible Participants are specifically identified by the Company before such approval is sought.

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

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

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

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

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

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

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

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

Notes:

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

2. Grantee may only exercise their share options in the following manner:

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

3. The total number of Shares available for grant under the Share Option Scheme as at 1 January 2023 was 67,000,000 Shares and the total number of Shares available for grant under the Share Option Scheme was 67,000,000 Shares as at 30 June 2023.
4. The number of Shares that may be issued in respect of share options during the period was 6,300,000 Shares.
5. The number of Shares that may be issued in respect of share options granted under the Share Option Scheme during the period divided by the weighted average number of the Shares in issue for period is 0.79%.
6. The closing price of the Shares immediately before the date of grant of share options under the Share Option Scheme on 17 May 2021 and 17 May 2022 were HK\$0.185 and HK\$0.164 respectively.
7. Details of the fair value of options at the date of grant and the accounting standard and policy adopted are set out in note 15 to Unaudited Condensed Consolidated Interim Financial Information.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed above, at no time during the six months ended 30 June 2023 and up to the date of this report, 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 six months ended 30 June 2023 and up to the date of this report was the Company, any of its subsidiaries, its associated companies or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the Shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

COMPETING INTERESTS

As at 30 June 2023, none of the Directors, the controlling shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interests (other than their interest in the Company or its subsidiaries) in any business which competed or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

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

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

DEED OF NON-COMPETITION

The Deed of Non-Competition dated 1 June 2018 (as defined in the Prospectus) was entered into by Ms. Judy Chan and Macmillan Equity in favour of the Company (for the Company and for the benefit of its subsidiaries) in regard to non-competition undertakings. The details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed “Relationship with our Controlling Shareholders – Deed of Non-competition” and the non-competition undertaking has become effective since the Shares were listed on GEM of the Stock Exchange on the Listing Date.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2023 and up to the date of this interim report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company has adopted all the applicable provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules.

Except as expressly described below, the Company complied with all applicable code provisions set out in the CG Code during the six months ended 30 June 2023.

Chairman and Chief Executive

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. Judy Chan holds both positions in the Company. Ms. Judy Chan has been primarily responsible for overseeing the Group's general management and business development and for formulating business strategies and policies for our business management and operations since she joined the Group in 2002. Taking into account the continuation of management and the implementation of the Group's business strategies, the Directors (including our independent non-executive Directors) consider that it is most suitable for Ms. Judy Chan to hold both the positions of Chief Executive Officer and the Chairlady of the Board.

Therefore, the Board considers that the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstances and the existing arrangements are beneficial and in the interests of the Company and its shareholders as a whole.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2023 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board

Grace Wine Holdings Limited

Judy Chan

Chairlady, Chief Executive Officer and Executive Director
Hong Kong, 4 August 2023

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