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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Directors**") of Grace Wine Holdings Limited ("**Grace Wine**" or the "**Company**", and together with its subsidiaries, the "**Group**", "**we**" or "**our**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

The board of Directors (the "**Board**") of the Company is pleased to present the results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023, together with comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
REVENUE	5	**64,985**	62,119
Cost of sales		**(17,340)**	(25,659)
Gross profit		**47,645**	36,460
Other income and gains, net	5	**1,907**	1,927
Selling and distribution expenses		**(12,433)**	(13,480)
Administrative expenses		**(24,393)**	(23,556)
Other expenses, net		**(80)**	(53)
Finance costs		**(1,185)**	(411)
PROFIT BEFORE TAX	6	**11,461**	887
Income tax expense	7	**(1,241)**	(1,485)
PROFIT/(LOSS) FOR THE YEAR		**10,220**	(598)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted *(RMB cents)*	9	**1.28**	(0.07)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE YEAR	**10,220**	(598)
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	**(2,891)**	(7,641)
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	**2,977**	7,928
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**86**	287
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**10,306**	(311)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**159,092**	135,987
Right-of-use assets		**21,856**	23,395
Goodwill		**4,087**	4,087
Prepayments for acquisition of plant and equipment		**–**	1,655
Equity investment designated at fair value through other comprehensive income		**1,000**	–
Deferred tax assets		**5,105**	5,242
Total non-current assets		**191,140**	170,366
CURRENT ASSETS			
Inventories		**82,176**	71,132
Biological assets		**–**	–
Trade receivables	10	**924**	1,592
Prepayments, deposits and other receivables		**15,087**	14,378
Cash and cash equivalents		**41,870**	73,367
Total current assets		**140,057**	160,469
CURRENT LIABILITIES			
Trade payables	11	**5**	174
Other payables and accruals		**22,560**	41,096
Interest-bearing bank borrowings		**2,000**	8,000
Lease liabilities		**37**	259
Tax payables		**1,054**	2,250
Total current liabilities		**25,656**	51,779
NET CURRENT ASSETS		**114,401**	108,690
TOTAL ASSETS LESS CURRENT LIABILITIES		**305,541**	279,056

	2023	2022
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**32,667**	17,320
Lease liabilities	**2,215**	2,349
Deferred tax liabilities	**3,839**	3,116
Total non-current liabilities	**38,721**	22,785
Net assets	**266,820**	256,271
EQUITY		
Share capital	**675**	675
Reserves	**266,145**	255,596
Total equity	**266,820**	256,271

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Share option reserve *RMB'000*	Statutory funds reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2022	674	141,579	2,765	269	15,703	(6,249)	105,363	260,104
Loss for the year	–	–	–	–	–	–	(598)	(598)
Other comprehensive income/(loss) for the year:								
Exchange differences on translation of foreign operations	–	–	–	–	–	(7,641)	–	(7,641)
Exchange differences on translation of the Company's financial statements	–	–	–	–	–	7,928	–	7,928
Total comprehensive loss for the year	–	–	–	–	–	287	(598)	(311)
Issue of shares upon exercise of share options	1	141	–	(45)	–	–	–	97
Equity-settled share option arrangements	–	–	–	381	–	–	–	381
Transfer from retained profits	–	–	–	–	1,096	–	(1,096)	–
Special final 2021 dividend	–	(4,000)	–	–	–	–	–	(4,000)
At 31 December 2022 and 1 January 2023	**675**	**137,720***	**2,765***	**605***	**16,799***	**(5,962)***	**103,669***	**256,271**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**10,220**	**10,220**
Other comprehensive income/(loss) for the year:								
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(2,891)**	**–**	**(2,891)**
Exchange differences on translation of the Company's financial statements	**–**	**–**	**–**	**–**	**–**	**2,977**	**–**	**2,977**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**86**	**10,220**	**10,306**
Equity-settled share option arrangements	**–**	**–**	**–**	**243**	**–**	**–**	**–**	**243**
Transfer from retained profits	**–**	**–**	**–**	**–**	**151**	**–**	**(151)**	**–**
At 31 December 2023	**675**	**137,720***	**2,765***	**848***	**16,950***	**(5,876)***	**113,738***	**266,820**

* These reserve accounts comprise the consolidated reserves of RMB266,145,000 (2022: RMB255,596,000) in the consolidated statement of financial position.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2023

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, spirits and other alcoholic products.

2. BASIS OF PREPARATION

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**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for biological assets and equity investment 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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 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 (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group 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. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. The amendment did not have any material impact to the Group.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organization for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to 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 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 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, equity investment designated at fair value through other comprehensive income and other unallocated corporate assets as these assets are managed on a group basis.

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

	Production of wines		Production of spirits		Total	
	2023	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue:						
Sales to external customers	**64,985**	62,119	**–**	–	**64,985**	62,119
Other revenue	**862**	1,115	**468**	201	**1,330**	1,316
Total segment revenue	**65,847**	63,234	**468**	201	**66,315**	63,435
Segment results	**20,795**	6,714	**(4,450)**	(1,352)	**16,345**	5,362
Reconciliation:						
Other unallocated income					**7**	55
Interest income					**570**	556
Corporate and other unallocated expenses					**(4,310)**	(4,721)
Finance costs (other than interest on lease liabilities)					**(1,151)**	(365)
Profit before tax					**11,461**	887
Segment assets	**162,959**	160,645	**119,048**	90,300	**282,007**	250,945
Reconciliation:						
Corporate and other unallocated assets					**49,190**	79,890
Total assets					**331,197**	330,835
Segment liabilities	**(9,354)**	(36,104)	**(4,221)**	(7,179)	**(13,575)**	(43,283)
Reconciliation:						
Corporate and other unallocated liabilities					**(50,802)**	(31,281)
Total liabilities					**(64,377)**	(74,564)

	Production of wines		Production of spirits		Total	
	2023	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Other segment information						
Depreciation of property, plant and equipment	**(7,181)**	(9,426)	**(3,214)**	(102)	**(10,395)**	(9,528)
Depreciation of right-of-use assets	**(827)**	(1,084)	**(169)**	(155)	**(996)**	(1,239)
Corporate and other unallocated depreciation					**(142)**	(245)
					(11,533)	(11,012)
Gains arising from changes in fair value of agricultural produce at the point of harvest	**2,712**	1,630	**–**	–	**2,712**	1,630
Write-off inventories	**(170)**	(6)	**–**	–	**(170)**	(6)
Other non-cash income	**257**	11	**–**	–	**257**	11
Capital expenditures#	**4,464**	3,308	**29,324**	15,164	**33,788**	18,472

\# Capital expenditure consists of additions to property, plant and equipment including assets from the acquisition of subsidiaries.

Geographical information

	2023	2022
	RMB'000	*RMB'000*
Revenue from external customers		
Chinese Mainland	**63,861**	61,669
Other jurisdictions	**1,124**	450
Total revenue	**64,985**	62,119

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

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:

	2023	2022
	RMB'000	*RMB'000*
Customer 1	**13,611**	13,263
Customer 2	**12,132**	–

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sales of goods	**64,985**	62,119

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.

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:

	2023	2022
	RMB'000	*RMB'000*
Sales of goods	**12,517**	4,852

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

	2023	2022
	RMB'000	*RMB'000*
Other income		
Bank interest income	**570**	556
Government grants	**686**	493
COVID-19-related rent concessions from lessor	**–**	87
Others	**86**	200
Total other income	**1,342**	1,336
Gains		
Gain on disposal of items of plant and equipment, net	**565**	94
Gain on termination of a lease contract	**–**	11
Gain on bargain purchase of subsidiaries	**–**	486
Total gains	**565**	591
Total other income and gains	**1,907**	1,927

6. PROFIT BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold	**6,635**	10,359
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**12,728**	12,859
Pension scheme contributions (defined contribution schemes)	**2,451**	2,392
Equity-settled share option expense	**243**	381
Total	**15,422**	15,632
Depreciation of property, plant and equipment	**10,676**	9,803
Less: amount capitalised into inventories	**(281)**	(275)
Total	**10,395**	9,528
Depreciation of right-of-use assets	**1,539**	1,817
Less: amount capitalised into biological assets	**(401)**	(333)
Total	**1,138**	1,484
Lease payments not included in the measurement of lease liabilities	**857**	405
Auditor's remuneration	**1,200**	1,400
Write-off of inventories	**170**	6
Gain arising from changes in fair value of agricultural produce at the point of harvest	**(2,712)**	(1,630)
Foreign exchange difference, net	**153**	93
Gain on bargain purchase of subsidiaries	**–**	(486)

7. 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 (2022: Nil).

Under the Law of the PRC on Corporate Income Tax (the "**CIT Law**") and Implementation Regulation of the CIT Law, the tax rate for the PRC subsidiaries is 25% (2022: 25%).

According to relevant CIT Law and Implementation Regulation of the CIT Law, a wholly-owned subsidiary in agricultural operation in the PRC was exempted from CIT on profits derived from fruit cultivation for the years ended 31 December 2023 and 2022, subject to annual review by the local PRC tax authority and any future changes in the relevant tax exemption policies or regulations.

	Note	**2023**	2022
		RMB'000	*RMB'000*
Current – Chinese Mainland			
Charge for the year		**896**	2,633
Overprovision in prior year		**(515)**	–
Deferred	25	**860**	(1,148)
Total		**1,241**	1,485

8. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

9. 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 RMB10,220,000 (2022: loss of RMB598,000), and the weighted average number of ordinary shares of 800,600,000 (2022: 800,374,795) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amount presented for the year ended 31 December 2023 and 31 December 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

10. TRADE RECEIVABLES

	Note	**2023**	2022
		RMB'000	*RMB'000*
Trade receivables from third parties		**776**	931
Due from related parties		**150**	668
Impairment		**(2)**	(7)
Net carrying amount	(i)	**924**	1,592

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 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.

Note:

(i) Trade receivables

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

	2023	2022
	RMB'000	*RMB'000*
Within 60 days	**924**	1,449
61 to 90 days	**–**	143
Total	**924**	1,592

11. 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:

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**5**	157
31 to 90 days	**–**	17
Total	**5**	174

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

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 reached RMB126.1 trillion in 2023, representing an increase of 5.2%[1] over 2022. Economic activities which were adversely affected by the pandemic had gradually recovered, as consumption gained momentum and became the major drive of economic growth in 2023. Per capita disposable income was RMB51,821, representing a year-on-year increase of 5.1%, reflecting growth in line with increased economic activity.

In 2023, per capita spending on food, tobacco and alcohol amounted to RMB9,495, representing 6.0% year-on-year growth and accounting for 18.3%[2] of per capita consumption expenditure, outpacing the recovery of overall consumption. According to published statistics, China maintained its position as the eighth largest wine-consuming nation globally and the largest wine-consuming nation in Asia. 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 wine, which has affected the recovery of the wine market. Although there has not been a significant increase in wine production and demand for the year, due to both internal and external factors, the end of the pandemic, lifting of restrictions on cross-boundary transportation and personnel exchanges have facilitated international exchanges and trade. With the overall quality of Chinese wines improving, it is expected that the wine industry will be more recongnised in the future.

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. In May 2023, the Belt and Road Initiative wine contest was held at Xinjiang for the first time and attracted wine experts from 14 different countries to visit wine-growing areas and research laboratories in China. Furthermore, in December 2023, the IWSC International Wine and Spirits Competition Organizing Committee officially announced that the first IWSC China Wine Competition in 2024 will be held in Changji, Xinjiang, China. Such events promote communication between China and the international community and also deepen the understanding of other countries about Chinese wine, thus promoting 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 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》)", stating that financial support would be provided to the local wine industry. It has also formally set up a special development fund for the wine industry in 2021 to provide comprehensive support from infrastructure to marketing. It 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.

1. https://www.stats.gov.cn/sj/zxfb/202401/t20240118_1946691.html
2. https://www.stats.gov.cn/sj/zxfb/202401/t20240116_1946622.html

In terms of the Group's financial position, the sales volume of wines in China increased in 2023 as the food and beverage market gradually recovered. In 2023, the Group aligned with the industry trends, enhancing our strategy for high-end wine and strengthening cost control, coupled with the effect of lowering the per unit fixed costs caused by the higher historical production scale in computing current cost of sales, thereby turning losses into profits in our overall results. We will continue our pursuit of product quality and focus on expanding our business during the peak sales season this year in hope of a further growth in revenue. At the same time, the Group will continue to promote its wine brands and increase different sales channels to increase market share and develop our brand value, while paying close attention to the latest status of the external economy 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 on our strategy.

In terms of business development, the Group completed an acquisition of 100% equity interest in Maxco Asia Limited ("**Maxco Asia**") in August 2019. Maxco Asia owns Fujian Dexi Wine Company Limited* (福建德熙酒業有限公司) ("**Fujian Dexi**"), 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. Certain internal renovation work is pending to be completed, while the production of whiskey has begun since the second half of 2023. We have also begun 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 a diversified and sustainable development.

Looking forward to 2024, we believe that the recovery of domestic economic activities from the pandemic will bring steady growth on the recovery of overall consumption. With the Group's strategy as in the past of making appropriate adjustments in response to changes in the market and continuing to strengthen the reputation of the existing brands among consumers, the Group is confident that both the established wine business and the new liquor business are well positioned to compete successfully and drive returns to our shareholders.

* *For identification purposes only*

FINANCIAL REVIEW

Revenue

Our revenue increased by RMB2.9 million or 4.6% from RMB62.1 million for the financial year ended 31 December 2022 ("**FY2022**") to RMB65.0 million for the financial year ended 31 December 2023 ("**FY2023**") as a result of the increase in sales of high-end wines.

We sold 738,000 bottles in FY2023 as compared to 827,000 bottles in FY2022, the average selling price increased from RMB75.1 per bottle in FY2022 to RMB88.1 per bottle in FY2023. The table below sets out the analysis of revenue and sales volume by our product mix:

	FY2023		FY2022	
	Revenue	**Sales volume**	Revenue	Sales volume
High-end	**72.2%**	**35.2%**	58.3%	22.7%
Low-end	**27.8%**	**64.8%**	41.7%	77.3%

Cost of sales

Our cost of sales decreased by RMB8.3 million or 32.4% from RMB25.7 million for FY2022 to RMB17.3 million for FY2023 due to a combination of sales of inventories with lower per-bottle cost reflecting higher historical production scale which effectively lowered the fixed cost per unit of sales in the period, and effective cost controls. Our average cost of sales per bottle decreased from RMB31.0 for FY2022 to RMB23.5 for FY2023.

Gross profit and gross profit margin

Our overall gross profit increased by RMB11.1 million or 30.7% from RMB36.5 million for FY2022 to RMB47.6 million for FY2023, primarily due to the increase in total sales of high-end products. Our overall gross profit margin increased from 58.7% for FY2022 to 73.3% for FY2023.

Other income and gains, net

Other net income and gains slightly decreased by RMB20,000 or 1% from RMB1,927,000 for FY2022 to RMB1,907,000 for FY2023. Other income and gains, net mainly comprised income from government grants and bank interest income.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB1.1 million or 7.8% from RMB13.5 million for FY2022 to RMB12.4 million for FY2023, which comprised expenses for marketing and promotion events.

Administrative expenses

Administrative expenses increased by RMB0.8 million or 3.6% from RMB23.6 million for FY2022 to RMB24.4 million for FY2023, which mainly comprised general administrative expenses.

Finance costs, net

Our finance costs for FY2023 was RMB1.2 million, which represented the interest on bank loans of RMB1,151,000 (FY2022: RMB0.4 million) and unwinding of the discounted lease liabilities recognised under HKFRS 16 *Leases* of RMB34,000 (FY2022: RMB46,000).

Income tax expense

Our income tax expense decreased by RMB0.3 million or 16.4% from RMB1.5 million for FY2022 to RMB1.2 million for FY2023 due to the decrease in profit before tax in our PRC subsidiaries.

Profit for the year

As a result of the foregoing, a profit for the year of RMB10.2 million was recognised for FY2023 (FY2022: 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, and capital investment in new projects. As at 31 December 2023, the carrying amount of the Group's cash and cash equivalents was RMB41.9 million, representing a decrease of 42.9% as compared with that of RMB73.4 million as at 31 December 2022.

As at 31 December 2023, the Group's cash and cash equivalents include RMB41.3 million, HK$0.5 million, and some insignificant amounts of EUR (31 December 2022: RMB72.6 million, HK$0.5 million, and some insignificant amounts of EUR).

Gearing ratio

The Group's gearing ratio is measured by total external borrowings divided by total equity. Our gearing ratio is 13% as at 31 December 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 their 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 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 or EUR, 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 31 December 2023, the Group had no contingent liabilities (31 December 2022: Nil).

Pledge of assets

As at 31 December 2023, the Group has pledged property, plant and equipment for the general banking facilities and for the construction work of Fujian Dexi, an indirectly wholly-owned subsidiary of the Company, for the amount of RMB53.5 million (31 December 2022: Right-of-use assets of RMB7.3 million).

Employee and remuneration policies

As at 31 December 2023, the Group had, including Directors, 170 employees (31 December 2022: 176 employees). Staff costs, including Directors' emoluments, amounted to RMB15.4 million for FY2023 (FY2022: RMB15.6 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 announcement.

Significant investments, material acquisition and disposals

On 26 June 2023, Fujian Dexi, entered into the Reception and Office Interior Fitting Contract with Fuzhou Chengyu Architectural Decoration Engineering Co., Ltd* (福州城宇建築裝飾工程有限公司) (the "**Contractor**"), an independent third party of the Company and its connected person, pursuant to which the Contractor agreed to undertake certain interior fitting works in respect of the reception and office areas of a distillery facility for the production of whisky and gin in Fujian Province, PRC ("**Distillery**") for a total contract sum of approximately RMB2,845,000 (inclusive of value-added tax ("**VAT**")). The Contractor was established in the PRC and is principally engaged in, among other things, the contracting of construction, building renovation, decoration and design works.

On 24 July 2023, Fujian Dexi entered into the Restaurant (2nd Floor) Interior Fitting Contract and Master Building Interior Fitting Contract with 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).

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 announcement, the interior fitting work is still in progress. Please refer to the announcements of the Company dated 26 July 2023 and 31 July 2023 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 in FY2023.

Final dividend

The Board does not recommend the payment of any dividend for FY2023 (FY2022: Nil).

Future plans for material investments and capital assets

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

* *For identification purposes only*

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During FY2023, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

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 throughout 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 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 Part 2 of Appendix C1 to the GEM Listing Rules.

Except as expressly described below, the Company complied with all applicable code provisions set out in the CG Code throughout FY2023.

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 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 ("**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 D.3 of the CG Code as set out in Appendix C1 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.

The Audit Committee has reviewed the annual results of the Group for FY2023 and was satisfied 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 have been made.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto for FY2023 as set out in this announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

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

Hong Kong, 12 March 2024

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

This announcement will remain on the "Latest Listed Company Information" page of the Stock Exchange's website at www.hkexnews.hk for at least 7 days from the day of its posting. This announcement will also be published on the Company's website at www.gracewine.com.hk.