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GRACE
VINEYARD

怡園酒莊

Grace Wine Holdings Limited

怡園酒業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8146)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus issued by Grace Wine Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) dated 12 June 2018 (the “**Prospectus**”) in relation to the public offering and placing of the shares of the Company (the “**Share Offer**”) for listing on GEM (the “**Listing**”) of The Stock Exchange of Hong Kong Limited and the interim report of the Company for the six months ended 30 June 2020 dated 6 August 2020 (the “**Interim Report**”) in which the utilisation of net proceeds from the Share Offer up to 30 June 2020 was disclosed. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus and the Interim Report.

USE OF PROCEEDS FROM THE SHARE OFFER

The actual net proceeds raised from the Share Offer, after deducting underwriting fees and commissions and other expenses relating to the Listing, were approximately RMB33.1 million (the “**Net Proceeds**”).

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company intended to use the Net Proceeds for the following purposes:

- (i) approximately RMB15.0 million, or approximately 45.3% of the Net Proceeds, for the second phase construction of the Ningxia Winery;
- (ii) approximately RMB6.8 million, or approximately 20.5% of the Net Proceeds, for the purchase of plants and equipment for the second phase of the Ningxia Winery;
- (iii) approximately RMB6.7 million, or approximately 20.2% of the Net Proceeds, for the initial production costs of the first phase of the Ningxia Winery;

- (iv) approximately RMB3.0 million, or approximately 9.1% of the Net Proceeds, for sales and marketing expenses; and
- (v) approximately RMB1.6 million, or approximately 4.9% of the Net Proceeds, for general working capital.

As at the date of this announcement, the Group has utilised approximately RMB8.5 million, representing approximately 25.5%, of the Net Proceeds as follows:

Intended use of Net Proceeds	Approximate percentage of Net Proceeds	Actual amount of Net Proceeds (RMB'000)	Utilised amount of Net Proceeds as at the date of this announcement (RMB'000)	Unutilised amount of Net Proceeds as at the date of this announcement (RMB'000)
Second phase construction of the Ningxia Winery	45.3%	15,000	–	15,000
Purchase of plants and equipment for the second phase of the Ningxia Winery	20.5%	6,800	–	6,800
Initial production costs of the first phase of the Ningxia Winery	20.2%	6,700	5,000	1,700
Sales and marketing expenses	9.1%	3,000	2,250	750
General working capital	4.9%	1,598	1,198	400
	<u>100.0%</u>	<u>33,098</u>	<u>8,448</u>	<u>24,650</u>

CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately RMB24.7 million (the “**Unutilised Net Proceeds**”). The board (the “**Board**”) of directors (the “**Directors**”) of the Company, having considered the business environment and development of the Group, resolved to change the use of the Unutilised Net Proceeds. Set out below is the utilisation of the Net Proceeds up to the date of this announcement and the proposed change of use of the Unutilised Net Proceeds:

Intended use of Net Proceeds	Original allocation of Net Proceeds as stated in the Prospectus (RMB'000)	Utilised amount of Net Proceeds as at the date of this announcement (RMB'000)	Unutilised amount of Net Proceeds as at the date of this announcement (RMB'000)	Revised allocation of Unutilised Net Proceeds (RMB'000)
Second phase construction of the Ningxia Winery	15,000	–	15,000	–
Purchase of plants and equipment for the second phase of the Ningxia Winery	6,800	–	6,800	–
Initial production costs of the first phase of the Ningxia Winery	6,700	5,000	1,700	1,700
Sales and marketing expenses	3,000	2,250	750	750
General working capital	1,598	1,198	400	400
Construction of the Distillery Facility (defined below)	–	–	–	21,800
	<u>33,098</u>	<u>8,448</u>	<u>24,650</u>	<u>24,650</u>

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

As disclosed in the Interim Report, the second phase construction of the Ningxia Winery has been put on hold due to the slowdown of wine consumption in the PRC, leading to a lower demand in our wine products than expected. After due consideration, the Board considers that the Group’s proposed investment into the production and distribution of whisky and gin will enable it to diversify its product offering into the branded spirits segment and establish an additional revenue stream as a way of coping with the market trend of alcoholic beverages.

As a result, the Board considers that it would be in the best interest of the Group to reallocate the part of the Unutilised Net Proceeds currently allocated to the construction and purchase of plants and equipment for the second phase of the Ningxia Winery, to the construction of a distillery facility for the production of whisky and gin in Fujian Province (the “**Distillery Facility**”). Pursuant to the announcements of the Company dated 12 August 2019 and 11 October 2019, the acquisition of the plant for the Distillery Facility was completed in October 2019, and, as disclosed in the Interim Report, the construction of the Distillery Facility at the acquired plant will begin later this year. As at the date of this announcement, the design and initial preparation work of the construction of the Distillery Facility has been substantially completed. Based on the Board’s estimation, the construction will be completed in the fourth quarter of 2021.

In view of the increasing popularity of whisky and gin beverages in the PRC and the potential benefit for the Group’s engagement with this new business sector, the Board believes that the proposed change in the use of Net Proceeds will be more favourable to the Group’s long term business development, as well as a better utilisation of the Unutilised Net Proceeds. It therefore considers that such change in the use of Net Proceeds is in the best interest of the Company and its shareholders as a whole and will not have any material adverse effect on the existing business and operations of the Group.

By order of the Board
Grace Wine Holdings Limited
Judy Chan

Chairlady, Chief Executive Officer and Executive Director

Hong Kong, 4 September 2020

As at the date of this announcement, the Board comprises Ms. Judy Chan and Mr. Fan Chi Chiu as the executive Directors, Ms. Hou Tan Tan Danielle and Mr. Chow Christer Ho 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, for which the Directors 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 of Hong Kong Limited 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.

This announcement will remain on the “Latest Listed Company Information” page on the GEM website at <https://www.hkgem.com> for at least 7 days from the day of its posting. This announcement will also be published on the Company’s website at <http://www.gracewine.com.hk>.