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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)

**DISCLOSEABLE TRANSACTION
INTERIOR FITTING CONTRACTS IN RELATION TO
THE CONSTRUCTION OF THE DISTILLERY**

INTERIOR FITTING CONTRACTS

The Board is pleased to announce that on 26 July 2023 (after trading hours), Fujian Dexi, an indirect wholly-owned subsidiary of the Company, 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).

On 26 June 2023, Fujian Dexi entered into the Reception and Office Interior Fitting Contract with the Contractor, pursuant to which the Contractor agreed to undertake certain interior fitting works in respect of the reception and office areas of the Distillery for a total contract sum of approximately RMB2,845,000 (inclusive of VAT). 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).

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Contractor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Details of the principal terms of the New Interior Fitting Contracts and the Previous Interior Fitting Contracts (together, the “**Interior Fitting Contracts**”) are summarized under the paragraph headed “Interior Fitting Contracts” below.

GEM LISTING RULES IMPLICATIONS

Pursuant to Rule 19.22 of the GEM Listing Rules, the transactions contemplated under the New Interior Fitting Contracts shall be aggregated with those under the Previous Interior Fitting Contracts since the New Interior Fitting Contracts were entered into within a 12-month period of the date of the first Previous Interior Fitting Contracts and with the same party. As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the New Interior Fitting Contracts and the Previous Interior Fitting Contracts on an aggregated basis exceed 5% but are all below 25%, the entering into of the Interior Fitting Contracts constitute a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the announcement requirement under Chapter 19 of the GEM Listing Rules.

BACKGROUND

On 26 July 2023 (after trading hours), Fujian Dexi, an indirect wholly-owned subsidiary of the Company, 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).

On 26 June 2023, Fujian Dexi entered into the Reception and Office Interior Fitting Contract with the Contractor, pursuant to which the Contractor agreed to undertake certain interior fitting works in respect of the reception and office areas of the Distillery for a total contract sum of approximately RMB2,845,000 (inclusive of VAT). 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).

Details of the principal terms of the Interior Fitting Contracts are summarized below.

INTERIOR FITTING CONTRACTS

Restaurant (1st Floor) Interior Fitting Contract

The principal terms of the Restaurant (1st Floor) Interior Fitting Contract are set out below:

- Date : 26 July 2023 (after trading hours)
- Parties : (1) Fujian Dexi, as owner
(2) The Contractor, as contractor
- Scope of Interior Fitting Works : Interior decoration of the first floor of the Distillery restaurant, comprising dining area, tasting rooms, washroom, meal preparation room, hall, warehouse, kitchen, generator room, utility room and sales area, among others, together with installation of water pipes, pipeline, electricity equipment, furniture and furnishings and associated clean-up works.
- Interior Fitting Period : The interior fitting works commenced on 20 July 2023 (subject to mutual agreement) and are expected to complete on 20 November 2023.
- Contract Sum : The total contract sum payable by Fujian Dexi is approximately RMB5,073,000 (inclusive of 9% VAT), which will be funded by the Company's internal resources.
- The total contract sum was determined after arm's length negotiations between Fujian Dexi and the Contractor and on normal commercial terms with reference to (i) the expected scope, complexity and quality of the construction works, (ii) the experience, competency and market position of the Contractor, (iii) the anticipated material and labour costs and (iv) the prevailing market prices for carrying out construction works of comparable scale and complexity.
- Payment Terms : The total contract sum shall be settled by Fujian Dexi in the following manner:
- (i) 20% of the total contract price shall be paid on the date of the signing of the Restaurant (1st Floor) Interior Fitting Contract;
 - (ii) 20% of the total contract price shall be paid upon completion of the internal fitting of the wall masonry;

- (iii) 30% of the total contract price shall be paid upon Fujian Dexi's satisfactory inspection of concealed engineering work of the water pipes, electricity conduit and pipelines;
- (iv) 27% of the total contract price shall be paid within three working days after the commencement of the painting works; and
- (v) 3% of the total contract price shall be paid 90 days after completion and satisfactory inspection of the interior fitting works.

Tour Passage and Warehouse Interior Fitting Contract

The principal terms of the Tour Passage and Warehouse Interior Fitting Contract are set out below:

- Date : 26 July 2023 (after trading hours)
- Parties : (1) Fujian Dexi, as owner
(2) The Contractor, as contractor
- Scope of Interior Fitting Works : Interior decoration of the Distillery, comprising the tour passage and warehouse, together with installation of water pipes, pipeline, electricity equipment, furniture and furnishings and associated clean-up works.
- Interior Fitting Period : The interior fitting works commenced on 20 July 2023 (subject to mutual agreement) and are expected to complete on 20 October 2023.
- Contract Sum : The total contract sum payable by Fujian Dexi is approximately RMB1,071,000 (inclusive of 9% VAT), which will be funded by the Company's internal resources.

The total contract sum was determined after arm's length negotiations between Fujian Dexi and the Contractor and on normal commercial terms with reference to (i) the expected scope, complexity and quality of the construction works, (ii) the experience, competency and market position of the Contractor, (iii) the anticipated material and labour costs and (iv) the prevailing market prices for carrying out construction works of comparable scale and complexity.

- Payment Terms : The total contract price shall be paid by Fujian Dexi to the Contractor in the following manner:
- (i) 40% of the total contract price shall be paid on the date of the signing of the Tour Passage and Warehouse Interior Fitting Contract;
 - (ii) 30% of the total contract price shall be paid upon Fujian Dexi's satisfactory inspection of the concealed engineering work of the water pipes, electricity conduit and pipelines;
 - (iii) 27% of the total contract price shall be paid within three working days after the commencement of the painting works; and
 - (iv) 3% of the total contract price shall be paid 90 days after completion and satisfactory inspection of the interior fitting works.

Reception and Office Interior Fitting Contract

The principal terms of the Reception and Office Interior Fitting Contract are set out below:

- Date : 26 June 2023
- Parties : (1) Fujian Dexi, as owner
(2) The Contractor, as contractor
- Scope of Interior Fitting Works : Interior decoration of the Distillery, comprising the first floor reception centre and second floor office area, together with installation of water pipes, pipeline, electricity equipment, furniture and furnishings and associated clean-up works.
- Interior Fitting Period : The interior fitting works commenced on 26 June 2023 and are expected to complete on 1 October 2023.
- Contract Sum : The total contract sum payable by Fujian Dexi is approximately RMB2,845,000 (inclusive of 9% VAT), which will be funded by the Company's internal resources.

The total contract sum was determined after arm's length negotiations between Fujian Dexi and the Contractor and on normal commercial terms with reference to (i) the expected scope, complexity and quality of the construction works, (ii) the experience, competency and market position of the Contractor, (iii) the anticipated material and labour costs and (iv) the prevailing market prices for carrying out construction works of comparable scale and complexity.

- Payment Terms : The total contract price shall be paid by Fujian Dexi to the Contractor in the following manner:
- (i) 40% of the total contract price shall be paid on the date of the signing of the Reception and Office Interior Fitting Contract;
 - (ii) 30% of the total contract price as payment shall be paid upon Fujian Dexi's satisfactory inspection of the concealed engineering work of the water pipes, electricity conduit and pipelines;
 - (iii) 27% of the total contract price shall be paid before the commencement of the painting works; and
 - (iv) 3% of the total contract price shall be paid 90 days after completion and satisfactory inspection of the interior fitting works.

Restaurant (2nd Floor) Interior Fitting Contract

The principal terms of the Restaurant (2nd Floor) Interior Fitting Contract are set out below:

- Date : 24 July 2023
- Parties : (1) Fujian Dexi, as owner
- (2) The Contractor, as contractor
- Scope of Interior Fitting Works : Interior decoration of the second floor of the Distillery restaurant, comprising dining hall, private rooms, guest rooms, hallways, washroom, laundry room, kitchen area, stairwell and balcony, among others, together with installation of water, pipeline, electricity equipment, furniture and furnishings and associated clean-up works.

Interior Fitting Period : The interior fitting works commenced on 20 July 2023 and are expected to complete on 20 November 2023.

Contract Sum : The total contract sum payable by Fujian Dexi is RMB1,785,000 (inclusive of 9% VAT), which will be funded by the Company's internal resources.

The total contract sum was determined after arm's length negotiations between Fujian Dexi and the Contractor and on normal commercial terms with reference to (i) the expected scope, complexity and quality of the construction works, (ii) the experience, competency and market position of the Contractor, (iii) the anticipated material and labour costs and (iv) the prevailing market prices for carrying out construction works of comparable scale and complexity.

Payment Terms : The total contract sum shall be settled by Fujian Dexi in the following manner:

- (i) 20% of the total contract price shall be paid on the date of the signing of the Restaurant (2nd Floor) Interior Fitting Contract;
- (ii) 20% of the total contract price shall be paid upon completion of the internal fitting of the wall masonry;
- (iii) 30% of the total contract price shall be paid upon Fujian Dexi's satisfactory inspection of concealed engineering work of the water pipes, electricity conduit and pipelines;
- (iv) 27% of the total contract price shall be paid within three working days after the commencement of the painting works; and
- (v) 3% of the total contract price shall be paid 90 days after completion and satisfactory inspection of the interior fitting works.

Master Building Interior Fitting Contract

The principal terms of the Master Building Interior Fitting Contract are set out below:

- Date : 24 July 2023
- Parties : (1) Fujian Dexi, as owner
(2) The Contract, as contractor
- Scope of Interior Fitting Works : Interior decoration of the master building of the Distillery, comprising front hall, living room, restaurants, kitchen, washroom and bathroom, study room, storage room, cellar, bar, warehouse, gym, laundry, hallway, elevator, suites and cloakrooms, among others, together with installation of water pipes, pipeline, electricity equipment, furniture and furnishings and associated clean-up works.
- Interior Fitting Period : The interior fitting works commenced on 20 July 2023 (subject to mutual agreement) and are expected to complete on 20 January 2024.
- Contract Sum : The total contract sum payable by Fujian Dexi is approximately RMB2,268,000 (inclusive of 9% VAT), which will be funded by the Company's internal resources.
- The total contract sum was determined after arm's length negotiations between Fujian Dexi and the Contractor and on normal commercial terms with reference to (i) the expected scope, complexity and quality of the construction works, (ii) the experience, competency and market position of the Contractor, (iii) the anticipated material and labour costs and (iv) the prevailing market prices for carrying out construction works of comparable scale and complexity.
- Payment Terms : The total contract sum shall be settled by Fujian Dexi in the following manner:
- (i) 10% of the total contract price shall be paid on the date of the signing of the Master Building Interior Fitting Contract;

- (ii) 30% of the total contract price shall be paid upon completion of the internal fitting of the wall masonry;
- (iii) 30% of the total contract price shall be paid upon Fujian Dexi's satisfactory inspection of the concealed engineering work of the water pipes, electricity conduit and pipelines;
- (iv) 27% of the total contract price shall be paid within three working days after the commencement of the painting works; and
- (v) 3% of the total contract price shall be paid 90 days after completion and satisfactory inspection of the interior fitting works.

REASONS FOR AND BENEFITS OF ENTERING INTO THE INTERIOR FITTING CONTRACTS

As disclosed in the Company's announcements dated 12 August 2019 and 11 October 2019, as part of the Group's plans to reposition and diversify its existing portfolio of products, the Group acquired a whisky and gin plant in Fujian Province, the PRC through acquiring the investment holding company of Fujian Dexi.

As disclosed in the Company's announcement dated 4 September 2020, the Company allocated part of its unutilised net proceeds from the Listing to the construction of the Distillery at the acquired plant, as the management considered that an investment in the whisky and gin market is more favourable to the Group's long term development, taking into account the increasing popularity with spirits in the PRC. Given the limited supply of branded and domestically brewed quality whisky in the PRC, the management believes that the construction of the Distillery will allow the Group to produce quality whisky and gin to cater the growing demand for domestically produced branded spirits, especially in Fujian Province, the PRC where the Group can leverage its strong existing sales network to market self-manufactured whisky and gin to establish additional revenue streams.

The Directors consider that the terms and conditions of the Interior Fitting Contracts are fair and reasonable and that the entering into of the Interior Fitting Contracts is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

Pursuant to Rule 19.22 of the GEM Listing Rules, the transactions contemplated under the New Interior Fitting Contracts shall be aggregated with those under the Previous Interior Fitting Contracts since the New Interior Fitting Contracts were entered into within a 12-month period of the date of the first Previous Interior Fitting Contracts and with the same party. As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the New Interior Fitting Contracts and the Previous Interior Fitting Contracts on an aggregated basis exceed 5% but are all below 25%, the entering into of the Interior Fitting Contracts constitute a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the announcement requirement under Chapter 19 of the GEM Listing Rules.

INFORMATION ON THE CONTRACTOR

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.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Contractor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

INFORMATION ON THE COMPANY, THE GROUP AND FUJIAN DEXI

The Company was incorporated in the Cayman Islands and its shares are listed on GEM of the Stock Exchange. The Company is an investment holding company.

The Group is an award-winning, established wine maker based in Shanxi, the PRC. Since commencing operations in 1997, the Group has been committed to making quality, value for money wine, catering to a wide range of customer taste and pricing preferences. The Group's portfolio of wine products targets at various consumers, from executive clientele and corporate customers with higher spending power to the more price-conscious mass market.

Fujian Dexi was established in the PRC and is principally engaged in, among other things, the trading of and the production of whisky and gin in Fujian Province of the PRC.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the meanings as set out below:

“Board”	the board of Directors
“Company”	Grace Wine Holdings Limited (Stock Code: 8146)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Contractor”	Fuzhou Chengyu Architectural Decoration Engineering Co., Ltd* (福州城宇建築裝飾工程有限公司), a company established under the laws of the PRC with limited liability
“Director(s)”	director(s) of the Company
“Distillery”	a distillery facility for the production of whisky and gin in Fujian Province, PRC
“Fujian Dexi”	Fujian Dexi Wine Company Limited* (福建德熙酒業有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Interior Fitting Contracts”	refers to the Restaurant (1st Floor) Interior Fitting Contract, Restaurant (2nd Floor) Interior Fitting Contract, Reception and Office Interior Fitting Contract, Master Building Interior Fitting Contract and Tour Passage and Warehouse Interior Fitting Contract, collectively
“Listing”	the listing of the Company’s shares on GEM of the Stock Exchange on 27 June 2018

“Master Building Interior Fitting Contract”	the contract dated 24 July 2023 entered into between Fujian Dexi and the Contractor in respect of certain interior fitting works of the master building of the Distillery
“New Interior Fitting Contracts”	refers to the Restaurant (1st Floor) Interior Fitting Contract and Tour Passage and Warehouse Interior Fitting Contract, collectively
“PRC”	the People’s Republic of China, and for the purposes of this announcement only, excludes the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Previous Interior Fitting Contracts”	refers to the Restaurant (2nd Floor) Interior Fitting Contract, Master Building Interior Fitting Contract and Reception and Office Interior Fitting Contract, collectively
“Reception and Office Interior Fitting Contract”	the contract dated 26 June 2023 entered into between Fujian Dexi and the Contractor in respect of certain interior fitting works of the reception and office areas of the Distillery
“Restaurant (1st Floor) Interior Fitting Contract”	the contract dated 26 July 2023 entered into between Fujian Dexi and the Contractor in respect of certain interior fitting works of the first floor of the restaurant of the Distillery
“Restaurant (2nd Floor) Interior Fitting Contract”	the contract dated 24 July 2023 entered into between Fujian Dexi and the Contractor in respect of certain interior fitting works of the second floor of the restaurant of the Distillery
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tour Passage and Warehouse Interior Fitting Contract”	the contract dated 26 July 2023 entered into between Fujian Dexi and the Contractor in respect of certain interior fitting works of the tour passage and warehouse of the Distillery
“VAT”	value-added tax
“%”	per cent

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

Hong Kong, 26 July 2023

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

This announcement will remain on the “Latest Listed Company Information” page on the Stock Exchange’s website at www.hkex.com.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.

* *For identification purpose only*