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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)

**MAJOR TRANSACTION
EXTERIOR DECORATION CONTRACT AND
OUTDOOR ENGINEERING CONTRACT IN RELATION TO
THE CONSTRUCTION OF THE DISTILLERY**

**THE EXTERIOR DECORATION CONTRACT AND THE OUTDOOR
ENGINEERING CONTRACT**

The Board is pleased to announce that on 19 November 2021 (after trading hours), Fujian Dexi, an indirect wholly-owned subsidiary of the Company, entered into the Exterior Decoration Contract and the Outdoor Engineering Contract with the Contractor, respectively, pursuant to which the Contractor will undertake the Exterior Decoration Works and the Outdoor Engineering Works in respect of the Distillery for a total contract sum of approximately RMB17,974,312 (exclusive of VAT) and approximately RMB8,631,193 (exclusive of VAT), respectively.

GEM LISTING RULES IMPLICATIONS

On 15 December 2020 and 28 April 2021, Fujian Dexi had entered into the Foundation Construction Contract and the Construction Contract with the Contractor, respectively. For details, please refer to the announcement of the Company dated 28 April 2021 (the “**Announcement**”). As these agreements were entered into within a 12-month period, they were therefore aggregated pursuant to Rule 19.22 of the GEM Listing Rules.

As the highest of the applicable percentage ratios calculated with reference to Rule 19.07 of the GEM Listing Rules in respect of the transactions contemplated under the Exterior Decoration Contract and the Outdoor Engineering Contract, on an aggregated basis as mentioned above, exceeds 25% but is less than 100%, therefore, the transactions contemplated under the Exterior Decoration Contract and the Outdoor Engineering Contract constitute a major transaction of the Company and is subject to the announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best knowledge, information and belief of Directors, having made all reasonable enquires, since (i) no Shareholders is required to abstain from voting on the resolution at an EGM if it were convened to approve the Exterior Decoration Contract and the Outdoor Engineering Contract and the transactions contemplated thereunder; and (ii) in lieu of holding an EGM, the Company, on 19 November 2021, has obtained the Written Shareholder's Approval in respect of the Exterior Decoration Contract and the Outdoor Engineering Contract and the transactions contemplated thereunder from Macmillan Equity Limited, which held 411,350,000 Shares, representing approximately 51.42% of the issued share capital of the Company as of the date of the Written Shareholder's Approval, no EGM is required to be convened for the approval of the Exterior Decoration Contract and the Outdoor Engineering Contract and the transactions contemplated thereunder pursuant to Rule 19.44 of the GEM Listing Rules.

A circular containing, among other things, (i) details of the Exterior Decoration Contract and the Outdoor Engineering Contract and the transactions contemplated thereunder; and (ii) other information required to be included in the circular pursuant to the GEM Listing Rules, is expected to be despatched to the Shareholders for their information on or before 10 December 2021 in accordance with Rule 19.41 of the GEM Listing Rules.

BACKGROUND

The Board is pleased to announce that on 19 November 2021 (after trading hours), Fujian Dexi, an indirect wholly-owned subsidiary of the Company, entered into the Exterior Decoration Contract and the Outdoor Engineering Contract with the Contractor, respectively, pursuant to which the Contractor will undertake the Exterior Decoration Works and the Outdoor Engineering Works in respect of the Distillery for a total contract sum of approximately RMB17,974,312 (exclusive of VAT) and approximately RMB8,631,193 (exclusive of VAT), respectively.

THE EXTERIOR DECORATION CONTRACT

The principal terms of the Exterior Decoration Contract are set out below:

Date:	19 November 2021 (after trading hours)
Parties:	(i) Fujian Dexi Wine Company Limited* (福建德熙酒業有限公司), as owner (ii) Fujian Tongyuan Construction Project Co., Ltd.* (福建省同源建設工程有限公司), as contractor
Scope of work:	Construction of phase I of the Distillery, comprising main body of the phase I Distillery and exterior decoration work including the painting of the main facade, the design of curtain wall and eaves, and other peripheral decoration works such as gates, fences and other related parts of the Distillery (the “ Exterior Decoration Works ”).
Construction period:	The Exterior Decoration Works are expected to be completed in January 2022.
Contract sum:	The total contract sum of the Exterior Decoration Contract payable by Fujian Dexi is approximately RMB17,974,312 (exclusive of VAT), which is expected to be funded by the net proceeds from the Share Offer and 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 Exterior Decoration 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) upon supervising engineer's satisfactory review of the monthly progress evaluation reports submitted by the Contractor based on its applications for payment and other supporting documents in accordance with its actual construction progress in that month, a monthly progress payment for such amount up to 80% of the total contract sum will be payable by Fujian Dexi;
- (ii) upon completion of the Exterior Decoration Works followed by, among others, satisfactory inspection by applicable regulatory authorities, another 5% of the total contract sum will be payable by Fujian Dexi;
- (iii) after passing the completion inspection of all the Exterior Decoration Works (the "**Exterior Decoration Completion Inspection**") and upon Fujian Dexi's and supervising engineer's satisfactory review of the completion settlement notice submitted by the Contractor, another 12% of the total contract sum will be payable by Fujian Dexi; and
- (iv) the remaining 3% of the total contract sum will be held as retention money and will be payable by Fujian Dexi after the expiry of the two-year defects liability period commencing from the date of passing the Exterior Decoration Completion Inspection.

THE OUTDOOR ENGINEERING CONTRACT

The principal terms of the Outdoor Engineering Contract are set out below:

- Date: 19 November 2021 (after trading hours)
- Parties: (i) Fujian Dexi Wine Company Limited* (福建德熙酒業有限公司), as owner
- (ii) Fujian Tongyuan Construction Project Co., Ltd.* (福建省同源建設工程有限公司), as contractor
- Scope of work: Construction of the outdoor engineering work of phase I of the Distillery, comprising the hardening of roads around the Distillery, construction works related to outdoor water supply and drainage, outdoor main power distribution and outdoor fire control network signal installation (the “**Outdoor Engineering Works**”).
- Construction period: The Exterior Decoration Works are expected to be completed in January 2022.
- Contract sum: The total contract sum of the Outdoor Engineering Contract payable by Fujian Dexi is approximately RMB8,631,193 (exclusive of VAT), which is expected to be funded by the net proceeds from the Share Offer and 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 Outdoor Engineering 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) upon supervising engineer's satisfactory review of the monthly progress evaluation reports submitted by the Contractor based on its applications for payment and other supporting documents in accordance with its actual construction progress in that month, a monthly progress payment for such amount up to 80% of the total contract sum will be payable by Fujian Dexi;
- (iii) upon completion of the Outdoor Engineering Works followed by, among others, satisfactory inspection by applicable regulatory authorities, another 5% of the total contract sum will be payable by Fujian Dexi;
- (iii) after passing the completion inspection of all the Outdoor Engineering Works (the "**Outdoor Engineering Completion Inspection**") and upon Fujian Dexi's and supervising engineer's satisfactory review of the completion settlement notice submitted by the Contractor, another 12% of the total contract sum will be payable by Fujian Dexi; and
- (iv) the remaining 3% of the total contract sum will be held as retention money and will be payable by Fujian Dexi after the expiry of the two-year defects liability period commencing from the date of passing the Outdoor Engineering Completion Inspection.

REASONS FOR ENTERING INTO THE EXTERIOR DECORATION CONTRACT AND THE OUTDOOR ENGINEERING CONTRACT

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 a total sum of approximately RMB21.8 million of its unutilised net proceeds from the Share Offer 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. Therefore, the Group entered into the Foundation Construction Contract, the Construction Contract, the Exterior Decoration Contract and the Outdoor Engineering Contract for the construction of the facilities of the Distillery in phases.

After entering into the Foundation Construction Contract and the Construction Contract as well as the commencement of construction works thereunder, the Company considered it is necessary to continue the construction of the Distillery in phases by building the exterior structure and outdoor engineering work followed by the completion of the construction works as stipulated under the Foundation Construction Contract and the Construction Contract. As such, the Company initiated the selection of potential constructors in the second half of 2021 through the evaluation of various factors including quotations, experience, expertise, business reputation, track record and relevant industry experience of the potential contractors. After due consideration of, among other things, (i) the terms and quotations provided by the Contractor are reasonable and comprehensive; (ii) the Contractor has a proven and strong track record in the relevant industry; and (iii) the Contractor has demonstrated a thorough understanding on the needs and requirements of the Company in relation to the construction of the Distillery, the Company entered into the Exterior Decoration Contract and the Outdoor Engineering Contract with the Contractor to continue the construction of the Distillery by building its exterior structure and the commencement of the outdoor engineering work.

Based on the reasons above, the Directors consider that the terms and conditions of the Exterior Decoration Contract and the Outdoor Engineering Contract are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

On 15 December 2020, Fujian Dexi entered into the Foundation Construction Contract with the Contractor, an independent third party, in relation to the foundation engineering and earthwork of the Distillery for a total contract sum of RMB8,121,101 (exclusive of VAT).

On 28 April 2021, as disclosed in the Announcement, Fujian Dexi entered into a construction contract with the Contractor for the construction work in respect of the Distillery for a total contract sum of RMB23,853,211 (exclusive of VAT). As these agreements were entered into within a 12-month period, they were therefore aggregated pursuant to Rule 19.22 of the GEM Listing Rules.

As the highest of the applicable percentage ratios calculated with reference to Rule 19.07 of the GEM Listing Rules in respect of the transactions contemplated under the Exterior Decoration Contract and the Outdoor Engineering Contract, on an aggregated basis as mentioned above, exceeds 25% but is less than 100%, therefore, the transactions contemplated under the Exterior Decoration Contract and the Outdoor Engineering Contract constitute a major transaction of the Company and is subject to the announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best knowledge, information and belief of Directors, having made all reasonable enquires, since (i) no Shareholders is required to abstain from voting on the resolution at an EGM if it were convened to approve the Exterior Decoration Contract and the Outdoor Engineering Contract and the transactions contemplated thereunder; and (ii) in lieu of holding an EGM, the Company, on 19 November 2021, has obtained the Written Shareholder's Approval in respect of the Exterior Decoration Contract and the Outdoor Engineering Contract and the transactions contemplated thereunder from Macmillan Equity Limited (which is wholly-owned by Ms. Judy Chan, the Chairlady, Chief Executive Officer and executive Director of the Company), which held 411,350,000 Shares, representing approximately 51.42% of the issued share capital of the Company as of the date of the Written Shareholder's Approval, no EGM is required to be convened for the approval of the Exterior Decoration Contract and the Outdoor Engineering Contract and the transactions contemplated thereunder pursuant to Rule 19.44 of the GEM Listing Rules.

A circular containing, among other things, (i) details of the Exterior Decoration Contract and the Outdoor Engineering Contract and the transactions contemplated thereunder; and (ii) other information required to be included in the circular pursuant to the GEM Listing Rules, is expected to be despatched to the Shareholders for their information on or before 10 December 2021 in accordance with Rule 19.41 of the GEM Listing Rules.

INFORMATION ON THE CONTRACTOR

The Contractor was established in the PRC and is principally engaged in, among other things, general contracting work in relation to water resources and hydropower construction, highway engineering construction and general building and construction. Based on information publicly available as at the date of this announcement, the Contractor is held as to 40% by Wang Yanghua* (王養華), 30% by Wang Chunhua* (王春華) and 30% by Wang Yongqiang* (王永強). 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

“Board”	the board of Directors
“Company”	Grace Wine Holdings Limited (Stock Code: 8146)
“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“Construction Contract”	the construction contract entered into by Fujian Dexi and the Contractor for the construction work in respect of the Distillery, details of which have been set out in the announcement of the Company dated 28 April 2021
“Contractor”	Fujian Tongyuan Construction Project Co. Ltd.* (福建省同源建設工程有限公司), a company established under the laws of the PRC with limited liability and an independent third party
“controlling shareholder”	has the meaning ascribed to it under the GEM Listing Rules

“Director(s)”	the director(s) of the Company
“Distillery”	a distillery facility for the production of whisky and gin in Fujian Province, the PRC
“EGM”	extraordinary general meeting of the Company
“Exterior Decoration Contract”	the agreement (including all contract documents comprised therein) dated 19 November 2021 entered into between Fujian Dexi and the Contractor in respect of the Exterior Decoration Works, the principal terms of which are set out in the paragraph headed “The Exterior Decoration Contract” in this announcement
“Exterior Decoration Works”	the construction works in respect of the Distillery to be carried out by the Contractor pursuant to the Exterior Decoration Contract, details of which are set out in “Scope of Work” in the paragraph headed “The Exterior Decoration Contract” in this announcement
“Foundation Construction Contract”	the construction contract entered into between Fujian Dexi and the Contractor dated 15 December 2020 in relation to the foundation engineering and earthwork of the Distillery for a total contract sum of RMB8,121,101 (exclusive of VAT)
“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 (as defined in the GEM Listing Rules)
“independent third party”	third party(ies) independent of the Company and its connected persons
“Outdoor Engineering Contract”	the agreement (including all contract documents comprised therein) dated 19 November 2021 entered into between Fujian Dexi and the Contractor in respect of the Outdoor Engineering Works, the principal terms of which are set out in the paragraph headed “The Outdoor Engineering Contract” in this announcement

“Outdoor Engineering Works”	the construction works in respect of the Distillery to be carried out by the Contractor pursuant to the Outdoor Engineering Contract, details of which are set out in “Scope of Work” in the paragraph headed “The Outdoor Engineering Contract” in this announcement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share Offer”	the public offer and the placing of the Company’s shares on GEM of the Stock Exchange on 27 June 2018
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	value-added tax
“Written Shareholder’s Approval”	the written approval dated 19 November 2021 given by Macmillan Equity Limited, the controlling shareholder of the Company, in respect of the Exterior Decoration Contract and the Outdoor Engineering Contract and the transactions contemplated thereunder
“%”	per cent

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

Hong Kong, 19 November 2021

As at the date of this announcement, 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.

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>.

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