

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

CONNECTED TRANSACTION
ACQUISITION OF ALL ISSUED SHARES OF MAXCO ASIA LIMITED

The Board is pleased to announce that on 12 August 2019 (after trading hours), the Purchaser and the Vendor entered into a Share Purchase Agreement, pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell all issued shares of the Target Company at an aggregate consideration of HK\$15.0 million.

The Vendor is directly legally and beneficially owned as to 100% in aggregate by Ms. Chan, an executive Director, the chief executive officer and a controlling shareholder of the Company, and Ms. Wong, a substantial Shareholder of the Company, together with their associates. Accordingly, the Vendor is an associate and a connected person of the Company. It follows that the Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. As the applicable percentage ratios exceed 0.1% but are less than 5%, the Share Purchase Agreement and the transaction contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirements.

Ms. Chan, an executive Director and the chairlady of the Board, is considered to have a material interest in the Acquisition. She has abstained from voting on the resolutions in connection with the Share Purchase Agreement. Save as disclosed above, none of the Directors who voted in the Board meeting has a material interest in the Acquisition.

THE SHARE PURCHASE AGREEMENT

The principal terms of the Share Purchase Agreement are set out below:

- Date: 12 August 2019 (after trading hours)
- Parties: (1) PACIFIC SURPLUS LIMITED, as purchaser
- (2) KINGDRIVE LIMITED, as vendor

Nature of the transaction:	Pursuant to the Share Purchase Agreement, the Purchaser agrees to purchase and the Vendor agrees to sell all issued shares of the Target Company subject to the terms and conditions set out in the Share Purchase Agreement. Upon completion of the Acquisition, the Target Company shall become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's consolidated financial statements.
Consideration:	<p data-bbox="528 449 1449 549">The aggregate consideration for the Acquisition is HK\$15.0 million, which shall be payable in one lump-sum payment in cash through bank transfer on the Completion Date.</p> <p data-bbox="528 591 1449 910">The consideration was determined based on arm's length negotiation between parties and with reference to (i) the net asset value of approximately HK\$11.8 million of the Target Group, (ii) management input and other capital contribution made by the Vendor to the Target Group which included, among other things, initial set up costs of approximately HK\$2.4 million, and (iii) the expected business prospects of the Longyan Plant upon completion, with all required licenses and approvals obtained from relevant authorities for operation.</p> <p data-bbox="528 953 1449 1059">For further information relating to the financial information of the Target Group, please refer to the paragraph headed "Information on the Target Company" in this announcement.</p>
Conditions precedent:	The Acquisition is subject to the fulfilment or waiver (as the case may be) of customary condition precedents on or before the Long-Stop Date including but not limited to (i) all necessary approvals for commencing the construction of the Longyan Plant having been obtained, (ii) the Vendor obtaining all necessary corporate approvals in accordance with all applicable laws, rules and regulations, (iii) certain closing deliverables, including but not limited to audited and management accounts of each of the Target Company and Fujian Dexi and an indemnity from Ms. Chan in connection with the representation and warranties given by the Vendor in relation to the Target Group, having been prepared and delivered to the Purchaser's satisfaction, and (iv) no material adverse change having occurred.
Completion:	Completion of the Acquisition is expected to take place on or before the Completion Date.

REASONS FOR THE PURCHASE

As disclosed in the Group's interim results announcement for the six months ended 30 June 2019, the management has been reviewing and repositioning the Group's existing portfolio of products and is actively exploring acquisition opportunities to achieve diversified and sustainable development. Despite the uncertainties in the macro-economic environment, recent market data shows that the demand and prospects for branded spirits, including whisky, remain promising in China. While the popularity of whisky has grown significantly in Chinese communities in recent years, the supply of branded and domestically brewed quality whisky remains limited. Furthermore, to the best of the Company's knowledge upon due and reasonable enquiries, the Longyan Plant, which is currently expected to commence construction by end of September 2019 and production by November 2020, will be the first whisky production plant based in Fujian Province, where there is significant spirits consuming population and where the Group has strong existing sales network.

Leveraging on the Group's established reputation as a domestic brewer of quality wine, the Company considers the addition of whisky to the Group's portfolio of products will allow the Group to best utilise its brand and sales network to diversify its offerings, and that the Acquisition will enable the Group to tap into the growing whisky market and provide a conservative start towards product diversification.

Taking into account the aforesaid factors and having made all reasonable and due inquiries, the Directors (including the independent non-executive Directors but excluding Ms. Chan, who is interested in the Acquisition as one of the shareholders of the Vendor and who have abstained from voting on the resolutions in connection with the Share Purchase Agreement) considered terms of the Share Purchase Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

The Vendor is directly legally and beneficially owned as to 100% in aggregate by Ms. Chan, an executive Director, the chief executive officer and a controlling shareholder of the Company, and Ms. Wong, a substantial Shareholder of the Company, together with their associates. Accordingly, the Vendor is an associate and a connected person of the Company. It follows that the Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. As the applicable percentage ratios exceed 0.1% but are less than 5%, the Share Purchase Agreement and the transaction contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirements.

Ms. Chan, an executive Director and the chairlady of the Board, is considered to have a material interest in the Acquisition. She has abstained from voting on the resolutions in connection with the Share Purchase Agreement. Save as disclosed above, none of the Directors who voted in the Board meeting has a material interest in the Acquisition.

INFORMATION ON THE VENDOR

The Vendor is a limited liability company incorporated under the laws of the BVI, directly legally and beneficially owned as to 100% in aggregate by Ms. Chan, an executive Director, the chief executive officer and a controlling shareholder of the Company, and Ms. Wong, a substantial Shareholder of the Company, together with their associates, namely Mr. Chan Chun Keung, Mr. Chan Kwan and Mr. Brian Chan, in equal shares. The Vendor is an investment holding Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated with limited liability under the laws of Hong Kong, directly and wholly-owned by the Vendor. The Target Company is an investment holding company that legally and beneficially holds 100% of the equity interests in Fujian Dexi (together with the Target Company, the “**Target Group**”). Fujian Dexi was established in the PRC and is principally engaged in, among other things, the trading of and the production of whisky through the Longyan Plant, being a whisky production plant located in Fujian Province of the PRC. Based on the information provided by the Vendor, which included unaudited management accounts of the Target Group, the Target Group had not recorded any revenue for the two financial years ended 31 December 2018 as the Longyan Plant had not commenced operations during such period and that the Target Group incurred net loss before or after taxation as follows:

	Financial year ended 31 December 2018 (million)	Financial year ended 31 December 2017 (million)
Net loss before or after taxation	HK\$1.0	HK\$0.2

In addition, based on the information provided by the Vendor, the Target Group had unaudited net asset of approximately HK\$11.8 million as at 31 July 2019.

INFORMATION ON THE PURCHASER, THE COMPANY AND THE GROUP

The Purchaser was incorporated in the BVI and is a direct wholly-owned subsidiary of the Company. It is an investment holding company.

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.

DEFINITIONS

“Acquisition”	the proposed acquisition of all issued shares of the Target Company by the Purchaser from the Vendor
“Board”	the board of Directors

“BVI”	the British Virgin Islands
“Company”	Grace Wine Holdings Limited (Stock Code: 8146)
“Completion Date”	the fifth business day after satisfaction or waiver (as the case may be) of all condition precedents of the Share Purchase Agreement, or such other date as the Purchaser and the Vendor may mutually agree in writing
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“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 a direct wholly-owned subsidiary of the Target 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)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Longyan Plant”	the whisky production plant of Fujian Dexi located in the Fujian Province of the PRC
“Long-Stop Date”	31 December 2019 or such other date as the Purchaser and the Vendor may mutually agree in writing
“Mr. Brian Chan”	brother of Ms. Chan and son of Ms. Wong
“Mr. Chan Chun Keung”	spouse of Ms. Wong and father of Ms. Chan
“Mr. Chan Kwan”	brother of Ms. Chan and son of Ms. Wong
“Ms. Chan”	Ms. Judy Chan, the chief executive officer, executive Director, chairlady of the Board and a controlling shareholder of the Company, and daughter of Ms. Wong
“Ms. Wong”	Ms. Wong Shu Ying, a substantial Shareholder of the Company, and mother of Ms. Chan
“PRC”	the People’s Republic of China

* *for identification purpose only*

“Purchaser”	PACIFIC SURPLUS LIMITED, a limited liability company incorporated under the laws of the BVI and a direct wholly-owned subsidiary of the Company
“Shareholders”	holders of the Shares
“Share Purchase Agreement”	the share purchase agreement dated 12 August 2019 entered into between the Purchaser and the Vendor in respect of the Acquisition
“Shares”	ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	MAXCO ASIA LIMITED (萬浩亞洲有限公司), a limited liability company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Vendor
“Target Group”	collectively, the Target Company and Fujian Dexi
“Vendor”	KINGDRIVE LIMITED, a limited liability company incorporated under the laws of the BVI and directly wholly-owned by Ms. Chan and her associates

For and on behalf of the Board
Grace Wine Holdings Limited
Judy Chan

*Chief Executive Officer, Executive Director and
Chairlady of the Board*

Hong Kong, 12 August 2019

As at the date of this announcement, the Board comprises Ms. Judy Chan and Mr. Fan Chi Chiu as executive Directors, Ms. Hou Tan Tan Danielle and Mr. Chow Christer Ho 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 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 Company Announcements” page on the GEM website at <http://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>.