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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)

**(1) VERY SUBSTANTIAL DISPOSALS AND
CONNECTED TRANSACTIONS IN RELATION TO
THE PACIFIC SURPLUS DISPOSAL AND
THE EPIC WEALTH DISPOSAL
(2) PROPOSED DECLARATION OF
THE PACIFIC SURPLUS SPECIAL DIVIDEND AND
THE EPIC WEALTH SPECIAL DIVIDEND**

Financial advisor to the Company



1. PACIFIC SURPLUS DISPOSAL

On 5 December 2024 (after trading hours) the Company (as seller) entered into the Pacific Surplus Agreement with Ms. Chan (as purchaser), pursuant to which the Company has conditionally agreed to sell, and Ms. Chan has conditionally agreed to acquire, the Pacific Surplus Sale Shares, representing the entire issued share capital of Pacific Surplus, as well as the Sale Loan, for the Pacific Surplus Consideration, which amounts to HK\$71,280,000. The Sale Loan is an interest-free loan that the Company provided to Maxco, which will be a wholly-owned subsidiary of Pacific Surplus upon completion of the Fujian Dexi Reorganisation. Concurrently with the Pacific Surplus Completion, the Company and Ms. Chan will enter into the Assignment of the Sale Loan.

Upon the Pacific Surplus Completion, the Company will no longer hold any interest in Fujian Dexi and Fujian Dexi will cease to be a wholly-owned subsidiary of the Company. As such, Fujian Dexi has commenced discussions with the Bank for the release of the Project Loan Guarantee and the Credit Line Guarantee. Such releases will take time to negotiate and finalise. Moreover, the releases are subject to the internal approval process of the Bank and may not be completed at the time of the Pacific Surplus Completion. As such, as part of the terms of the Pacific Surplus Agreement, if on the date of the Pacific Surplus Completion that the Project Loan Guarantee and/or the Credit Line Guarantee are yet to be released, Ms. Chan (i) as the indemnifier will enter into the Deed of Indemnity with and in favour of the Company for itself and as trustee for Shanxi Grace Vineyard and its intermediate holding companies, to provide indemnities; and (ii) as the pledgor will enter into the Share Pledge Agreement in favour of the Company as security in respect of any loss or liability and related costs suffered by Shanxi Grace Vineyard and its intermediate holding companies (upon the Pacific Surplus Completion) resulting from any claims made by the Bank relating to the Project Loan Guarantee and the Credit Line Guarantee.

2. EPIC WEALTH DISPOSAL

On 5 December 2024 (after trading hours), the Company (as seller) also entered into the Epic Wealth Agreement with Ms. Chan (as purchaser), pursuant to which the Company has conditionally agreed to sell, and Ms. Chan has conditionally agreed to acquire, the Epic Wealth Sale Shares, representing 30% of the issued share capital of Epic Wealth, at the Epic Wealth Consideration, which amounts to HK\$38,880,000. Furthermore, to regulate the management of Epic Wealth, concurrently with the Epic Wealth Completion, the Company and Ms. Chan will enter into the Shareholders' Agreement.

3. PROPOSED DECLARATION OF SPECIAL DIVIDENDS

The Board proposed that (i) the Pacific Surplus Special Dividend, being a special dividend of HK\$7.802 cents per Share, to be declared, and to be distributed and paid to the Shareholders provided that the Independent Shareholders approve the resolutions in relation to the Pacific Surplus Disposal and the Pacific Surplus Completion takes place; and (ii) the Epic Wealth Special Dividend, being a special dividend of HK\$4.256 cents per Share, to be declared, and to be distributed and paid to the Shareholders provided that the Independent Shareholders approve the resolutions in relation to the Epic Wealth Disposal and the Epic Wealth Completion takes place.

4. GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the transactions contemplated under the Pacific Surplus Agreement pursuant to Rule 19.22 of the GEM Listing Rules exceeds 75%, the transactions contemplated under the Pacific Surplus Agreement constitute a very substantial disposal of the Company and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the transactions contemplated under the Epic Wealth Agreement pursuant to Rule 19.22 of the GEM Listing Rules are more than 25% but less than 75%, the transactions contemplated under the Epic Wealth Agreement on a standalone basis constitutes a major transaction of the Company and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. However, as the Pacific Surplus Agreement and the Epic Wealth Agreement are entered into on the same date, the parties to the Pacific Surplus Agreement and Epic Wealth Agreement are the same and such transactions are similar in nature, the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement are therefore aggregated pursuant to Rule 19.22 and Rule 20.79 of the GEM Listing Rules. As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement in aggregate pursuant to Rule 19.22 of the GEM Listing Rules exceeds 75%, the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement constitute a very substantial disposal of the Company and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As Ms. Chan is the Chairlady, an executive Director, the chief executive officer and a controlling shareholder of the Company and therefore a connected person of the Company, the transactions contemplated under each of the Pacific Surplus Agreement and the Epic Wealth Agreement constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules and therefore, on an aggregated basis pursuant to Rule 20.79 of the GEM Listing Rules, are subject to, among others, the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As the Project Loan Guarantee and the Credit Line Guarantee are for a fixed period with fixed terms, such continuing transactions will subsequently become connected transactions of the Company upon the Pacific Surplus Completion. The Company will comply with Rule 20.58 of the GEM Listing Rules requirement if the agreements relating to the Project Loan Guarantee and the Credit Line Guarantee are subsequently renewed, or their terms varied, to comply with all connected transaction requirements.

The transactions contemplated under the Deed of Indemnity and Share Pledge Agreement constitute financial assistance provided by a connected person of the Company. As the transactions contemplated under the Deed of Indemnity and Share Pledge Agreement will be conducted on normal commercial terms or better, and are not secured by the assets of the Group, pursuant to Rule 20.88 of the GEM Listing Rules, they are fully exempted from the reporting, announcement, circular and Independent Shareholder's approval requirements under Chapter 20 of the GEM Listing Rules.

5. GENERAL

The Independent Board Committee comprising all independent non-executive Directors (namely, Mr. Ho Kent Ching-tak, Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy) has been formed to advise the Independent Shareholders on the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

The Company will convene an EGM to approve the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement, and the declaration, distribution and payment of the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend. A circular containing, among others, (i) further particulars of the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement, and the declaration, distribution and payment of the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend; (ii) financial information of Pacific Surplus Group and Epic Wealth Group; (iii) unaudited pro forma financial information of the Group (after the Pacific Surplus Completion standalone, after the Epic Wealth Completion standalone, and after the Pacific Surplus Completion and the Epic Wealth Completion, respectively); (iv) the recommendation of the Independent Board Committee in respect of the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement; (v) a letter of advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement; and (vi) other information as required under the GEM Listing Rules together with a notice convening the EGM is expected to be despatched to the Shareholders on or before 30 December 2024.

Completion of each of the Pacific Surplus Disposal and the Epic Wealth Disposal is subject to the Independent Shareholders' approval at the EGM and the satisfaction of the conditions precedent under the Pacific Surplus Agreement and the Epic Wealth Agreement, respectively. Therefore, the Pacific Surplus Disposal and the Epic Wealth Disposal may or may not proceed. The Pacific Surplus Disposal and the Epic Wealth Disposal are not inter-conditional and if only one of them is approved, the Company will proceed with the transaction that has been approved.

Furthermore, each of the Pacific Surplus Special Dividend and the Epic Surplus Special Dividend is subject to the Pacific Surplus Completion and the Epic Wealth Completion, respectively. As a result, the Pacific Surplus Special Dividend and the Epic Surplus Special Dividend may or may not be declared, distributed and paid. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

1. INTRODUCTION

1.1. Pacific Surplus Disposal

On 5 December 2024 (after trading hours) the Company (as seller) entered into the Pacific Surplus Agreement with Ms. Chan (as purchaser), pursuant to which the Company has conditionally agreed to sell, and Ms. Chan has conditionally agreed to acquire, the Pacific Surplus Sale Shares, representing the entire issued share capital of Pacific Surplus, as well as the Sale Loan, for the Pacific Surplus Consideration, which amounts to HK\$71,280,000. The Sale Loan is an interest-free loan that the Company provided to Maxco, which will be a wholly-owned subsidiary of Pacific Surplus. Upon the Pacific Surplus Completion, the Company and Ms. Chan will enter into the Assignment of the Sale Loan. See “2. Pacific Surplus Disposal” of this announcement for further details of the major terms of the Pacific Surplus Agreement and the Assignment of Sale Loan.

As at the date of this announcement, Fujian Dexi, a member of the Pacific Surplus Group, has two outstanding borrowings owed to the Bank, namely, the Project Loan and the Credit Line. As at the date of the announcement, among other collateral and securities provided for the Project Loan and the Credit Line, Shanxi Grace Vineyard provided corporate guarantees in favour of the Bank. If the Independent Shareholders approve the Pacific Surplus Disposal, upon the Pacific Surplus Completion, the Company will no longer hold any interest in Fujian Dexi and Fujian Dexi will cease to be a wholly-owned subsidiary of the Company. As such, Fujian Dexi has commenced discussions with the Bank for the release of the Project Loan Guarantee and the Credit Line Guarantee. Such releases will take time to negotiate and finalise. Moreover, the releases are subject to the internal approval process of the Bank and may not be completed at the time of the Pacific Surplus

Completion. As such, as part of the terms of the Pacific Surplus Agreement, if on the date of the Pacific Surplus Completion that the Project Loan Guarantee and/or the Credit Line Guarantee are yet to be released, Ms. Chan (i) as the indemnifier will enter into the Deed of Indemnity with and in favour of the Company for itself and as trustee for Shanxi Grace Vineyard and its intermediate holding companies, to provide indemnities; and (ii) as the pledgor will enter into the Share Pledge Agreement in favour of the Company as security in respect of any loss or liability and related costs suffered by Shanxi Grace Vineyard and its intermediate holding companies (upon the Pacific Surplus Completion) resulting from any claims made by the Bank relating to the Project Loan Guarantee and the Credit Line Guarantee. See “2. Pacific Surplus Disposal – 2.3 The Project Loan and the Credit Line” for further details of the Project Loan and Credit Line, and the collateral and guarantees provided under the Project Loan and the Credit Line.

1.2. Epic Wealth Disposal

On 5 December 2024 (after trading hours), the Company (as seller) also entered into the Epic Wealth Agreement with Ms. Chan (as purchaser), pursuant to which the Company has conditionally agreed to sell, and Ms. Chan has conditionally agreed to acquire, the Epic Wealth Sale Shares, representing 30% of the issued share capital of Epic Wealth at the Epic Wealth Consideration, which amounts to HK\$38,880,000. Furthermore, to regulate the management of Epic Wealth, concurrently with the Epic Wealth Completion, the Company and Ms. Chan will enter into the Shareholders’ Agreement.

The Pacific Surplus Disposal and the Epic Wealth Disposal are not inter-conditional and if only one of them is approved, the Company will proceed with the transaction that has been approved.

2. PACIFIC SURPLUS DISPOSAL

2.1. Pacific Surplus Agreement

The major terms of the Pacific Surplus Agreement are set out below:

Date	:	5 December 2024 (after trading hours)
Parties	:	(a) The Company as seller; and (b) Ms. Chan as purchaser.
Subject matter	:	The Company has conditionally agreed to sell, and Ms. Chan has conditionally agreed to acquire, the Pacific Surplus Sale Shares, which represent the entire issued share capital of Pacific Surplus, as well as the Sale Loan.

- Consideration** : HK\$71,280,000, which has been determined with reference to (i) the valuation report of the Pacific Surplus Group, assuming completion of the Fujian Dexi Reorganisation, as at 30 September 2024 prepared by the Valuer, with the appraised value being approximately RMB56.00 million (equivalent to approximately HK\$60.48 million) (adopting the asset-based approach) of the entire equity interest of the Pacific Surplus Group as at 30 September 2024; and (ii) the outstanding amount of the Sale Loan as at the date of the Pacific Surplus Agreement.
- Payment of consideration** : On the date of the Pacific Surplus Completion, Ms. Chan (or her nominee) shall pay the Pacific Surplus Consideration, net of the amount of the Pacific Surplus Special Dividend to be received by Macmillan Equity, to the Company by telegraphic transfer in cleared funds to the bank account of the Company in Hong Kong dollars unless otherwise agreed among the parties.
- Conditions precedent** : The Pacific Surplus Completion is conditional upon and subject to the fulfilment and/or waiver (where applicable) of the following conditions on or before the Long Stop Date:
- (a) the Pacific Surplus Agreement and the transactions as contemplated thereunder have been approved by the Independent Shareholders at the EGM;
 - (b) the necessary regulatory approval(s) and/or clearance(s) in relation to the Pacific Surplus Disposal have been obtained by the Company from the competent authorities, including the Stock Exchange for the clearance of the circular in relation to the Pacific Surplus Disposal to be published;
 - (c) the Fujian Dexi Reorganisation having been completed; and

- (d) the representations, warranties, agreements and undertakings set out in the Pacific Surplus Agreement being true, accurate and complete in all material respects and not misleading as of the date of the Pacific Surplus Completion.

Completion : The Pacific Surplus Completion shall take place after the conditions precedent to the Pacific Surplus Disposal are fulfilled or waived (as the case may be) on the completion date, which shall be agreed by the parties.

Termination : If any of the conditions precedent is not fulfilled or waived (as the case may be) by the Long Stop Date, unless agreed by the parties, the Pacific Surplus Agreement shall automatically terminate with immediate effect.

2.2. Assignment of the Sale Loan

Pursuant to the Pacific Surplus Agreement, concurrently with the Pacific Surplus Completion, the Company and Ms. Chan will enter into the Assignment of the Sale Loan. The major terms of the Assignment of the Sale Loan are set out below:

Parties : (a) The Company as assignor; and
(b) Ms. Chan as assignee.

Subject matter : The Company transfers and assigns all its title, rights, interests and benefits of and in the Sale Loan to Ms. Chan.

Warranties : The Company warrants to Ms. Chan that:

- (a) the Sale Loan is duly and validly owing by Maxco to the Company;
- (b) the Company is the sole legal and beneficial owner of the Sale Loan and has full power and authority to enter into the Assignment of the Sale Loan and assign the Sale Loan without any consent or approval of any third party; and
- (c) the Sale Loan is interest free, unsecured and repayable upon demand and constitutes the entire sum repayable by Maxco to the Company.

2.3. The Project Loan and the Credit Line

The Project Loan is a project loan obtained by Fujian Dexi as borrower and the Bank as lender pursuant to a project loan agreement dated 7 November 2023 for the Longyan Distillery with a principal amount of RMB81.71 million at an interest rate of 5 year loan prime rate plus 0.15% or at 4.35%, whichever is higher (with effect from 18 September 2024, such interest rate was fixed at 4.1%) for a ten year terms commencing on 13 November 2023 to 13 November 2033.

The Credit Line is a credit line with maximum principal of RMB12 million at an interest rate of 2.85% (within the first year from the drawdown date in respect of the amount drawn down from time to time) and 3.4% (after the first year from the drawdown date in respect of the amount drawn down from time to time) pursuant to a comprehensive credit line agreement entered into between Fujian Dexi as the borrower and the Bank as lender dated 23 October 2024 for a term of 3 years from 20 October 2024 to 20 April 2027.

As at the date of this announcement, the outstanding principal under the Project Loan and the Credit Line amounted to approximately RMB51.95 million and RMB10.00 million, respectively.

As at the date of this announcement, the following collateral and guarantees have been created in favour of the Bank to secure the repayment obligation of Fujian Dexi under the Project Loan: (a) a mortgage of the industrial properties and related land use rights of the Longyan Distillery provided by Fujian Dexi in favour of the Bank; (b) a mortgage of commercial properties and the related land use rights situated at Xiahe Road, Siming District, Xiamen City provided by Ms. Wong and Mr. Chan Kwan in favour of the Bank; (c) a personal guarantee provided by Ms. Chan; and (d) the Project Loan Guarantee provided by Shanxi Grace Vineyard. The collateral and guarantees in relation to the Project Loan have a term commencing from 7 November 2023 and ending three years after the expiration of the term of the Project Loan.

As at the date of this announcement, the following collateral and guarantees have been created in favour of the Bank to secure the repayment obligation of Fujian Dexi under the Credit Line: (a) a mortgage of the industrial properties and related land use rights of the Longyan Distillery provided by Fujian Dexi in favour of the Bank; (b) a personal guarantee provided by Ms. Chan; and (c) the Credit Line Guarantee provided by Shanxi Grace Vineyard. The collateral and guarantees in relation to the Credit Line have a term commencing from 23 October 2024 and ending three years after the expiration of the term of the Credit Line.

Upon the Pacific Surplus Completion, the Company will no longer hold any interest in Fujian Dexi and Fujian Dexi will cease to be a wholly-owned subsidiary of the Company. As such, Fujian Dexi has commenced discussions with the Bank for the release of the Project Loan Guarantee and the Credit Line Guarantee. Such releases will take time to negotiate and finalise. Moreover, the releases are subject to the internal approval process of the Bank and may not be completed at the time of the Pacific Surplus Completion. As such, as part of the terms of the Pacific Surplus Agreement, if on the date of the Pacific Surplus Completion that the Project Loan Guarantee and/or the Credit Line Guarantee are yet to be released, Ms. Chan (i) as the indemnifier will enter into the Deed of Indemnity with and in favour of the Company for itself and as trustee for Shanxi Grace Vineyard and its intermediate holding companies, to provide indemnities; and (ii) as the pledgor will enter into the Share Pledge Agreement in favour of the Company as security in respect of any loss or liability and related costs suffered by Shanxi Grace Vineyard and its intermediate holding companies (upon the Pacific Surplus Completion) resulting from any claims made by the Bank relating to the Project Loan Guarantee and the Credit Line Guarantee.

The major terms of the agreement for the Project Loan Guarantee are set out below:

- Parties** : (a) Shanxi Grace Vineyard as guarantor; and
(b) The Bank as creditor.
- Date of guarantee** : 7 November 2023
- Scope of guarantee** : guarantee covering the total principal amount of RMB81.71 million together with interest, penalty interests, liquidated damages, compensation and other costs that the Bank may incur to enforce the Project Loan.
- Term** : commencing from 7 November 2023 and ending three years after the expiration of the term of the Project Loan (whereby the Project Loan will expire on 13 November 2033).

2.4. Credit Line Guarantee

The major terms of the Credit Line Guarantee are set out below:

- Parties** : (a) Shanxi Grace Vineyard as guarantor; and
(b) The Bank as creditor.
- Date of guarantee** : 23 October 2024
- Scope of guarantee** : guarantee covering the total principal amount of RMB12.0 million together with interest, penalty interests, liquidated damages, compensation and other costs that the Bank may incur to enforce the Credit Line.
- Term** : commencing from 23 October 2024 and ending three years after the expiration of the term of the Credit Line (whereby the Credit Line will expire on 20 April 2027).

2.5. Deed of Indemnity

The major terms of the Deed of Indemnity are set out below:

- Parties** : (a) Ms. Chan as indemnifier; and
(b) The Company (for itself and as trustee for Shanxi Grace Vineyard and its intermediate holding companies).
- Indemnity** : Ms. Chan irrevocably and unconditionally undertakes to the Company (for itself and as trustee for Shanxi Grace Vineyard and its intermediate holding companies) that Ms. Chan shall on demand indemnify and hold harmless Shanxi Grace Vineyard and its intermediate holding companies (upon the Pacific Surplus Completion) in respect of any loss or liability suffered by Shanxi Grace Vineyard and its intermediate holding companies (upon the Pacific Surplus Completion) in relation to any payment made or required to be made by Shanxi Grace Vineyard and any costs and expenses incurred as a result of or in connection with any claims (including fees of the counsels), demands or action taken by or on behalf of the Bank in relation to the Project Loan Guarantee and the Credit Line Guarantee.

Termination : The Deed of Indemnity shall be terminated automatically upon (i) full discharge of the Project Loan and the Credit Line; or (ii) the release of the Project Loan Guarantee and the Credit Line Guarantee, whichever is earlier.

2.6. Share Pledge Agreement

The major terms of the Share Pledge Agreement are set out below:

Parties : (a) Ms. Chan as pledgor;
(b) The Company as pledgee; and
(c) Pacific Surplus as the company.

Share pledge : Ms. Chan pledges the Pacific Surplus Sale Shares to the Company as security for any loss or liability suffered by Shanxi Grace Vineyard and its intermediate holding companies (upon the Pacific Surplus Completion) in relation to any payment made or required to be made by Shanxi Grace Vineyard and any costs and expenses incurred as a result of or in connection with any claims, demands or action taken by or on behalf of the Bank in relation to the Project Loan Guarantee and the Credit Line Guarantee.

Security period : From the date of the agreement to the date of the Project Loan and the Credit Line being fully discharged or the effective date when the Project Loan Guarantee and the Credit Line Guarantee are released, whichever is earlier.

Exercise of the pledge : The Company will exercise the pledge if the Company has demanded Ms. Chan to pay the indemnity under the Deed of Indemnity in writing but Ms. Chan has failed to make such repayment within 30 days from the date of the written notice.

The Company, shall, in particular, be entitled to:

- (a) sell, or cause the sale of, the pledged shares;
- (b) request that the pledged shares be transferred to the Company; and

- (c) use any other enforcement method to the widest extent permissible under the applicable law.

The Company shall have the right to request the enforcement of the pledge in respect of all or part of the pledge shares at its absolute discretion. No action, choice or absence of action in respect of the enforcement of the pledge, or partial enforcement, shall in any manner affect the pledge as it then shall be (and in particular those pledge shares which have not been subject to enforcement). The pledge shall continue to remain in full and valid existence until enforcement, discharge or termination, as the case may be.

Termination of the pledge : The pledge shall be terminated automatically upon (i) full discharge of the Project Loan and the Credit Line; or (ii) the release of the Project Loan Guarantee and the Credit Line Guarantee, whichever is earlier. In such case, as requested by Ms. Chan, the Company shall sign a written document to terminate the pledge created under the agreement and submit such document to pledgor, or assist pledgor in handling other procedures for terminating the pledge.

Covenants : Ms. Chan covenants to the Company that, until the end of the security period:

- (i) she shall not, without the prior written consent of the Company, approve an increase in Pacific Surplus' share capital unless she subscribes for all the shares issued;
- (ii) she shall not create or permit to subsist any lien, security interest, usufruct, claim, option, pledge, charge, assignment, transfer (including the transfer of legal title to a trustee or a fiduciary) and other encumbrances of any kind, other than the pledge, in respect of the shares (or any part thereof) (irrespective of its ranking), and shall not permit the existence of any such lien, security interest, claim, option, pledge, charge, assignment, transfer and other encumbrances of any kind other than the pledge or any preferential right arising by operation of law;

- (iii) she shall not (nor shall she agree to) sell, transfer, assign, encumber or otherwise dispose of any of the Pacific Surplus Sale Shares or any part thereof without the prior written consent of the Company;
- (iv) she shall not renounce or waive any rights, title or action under the Pacific Surplus Sale Shares in any way that would adversely affect the Company's rights under the agreement except with the Company's prior written consent;
- (v) she shall not cause the legal form of Pacific Surplus to change or otherwise modify the articles of association of Pacific Surplus in any way that would adversely affect the Company's rights under the agreement except with the Company's prior written consent;
- (vi) she shall not take any action in respect of the Pacific Surplus Sale Shares which could, directly or indirectly, have a material adverse effect on the validity, the effectiveness or the enforceability of the pledge or the rights of the Company under or in connection with the pledge or have a material adverse effect on the Pacific Surplus Sale Shares; and
- (vii) she shall, and shall cause Pacific Surplus to (and Pacific Surplus, by signing the agreement, agrees to), take all necessary actions which the Company may request to protect the validity, the effectiveness and the enforceability of the pledge or the rights of the Company under the Share Pledge Agreement and/or to create and perfect the security interest that is granted, or purported to be granted, under the Share Pledge Agreement.

3. EPIC WEALTH DISPOSAL

3.1. Epic Wealth Agreement

The major terms of the Epic Wealth Agreement are set out below:

- Date** : 5 December 2024 (after trading hours)
- Parties** : (a) The Company as seller; and
(b) Ms. Chan as purchaser.
- Subject matter** : The Company has conditionally agreed to sell, and Ms. Chan has conditionally agreed to acquire the Epic Wealth Sale Shares, which represent 30% of the entire issued share capital of Epic Wealth.
- Consideration** : HK\$38,880,000, which has been determined with reference to the valuation report of the Epic Wealth Group as at 30 September 2024 prepared by the Valuer, with the appraised value (adopting the market approach) of the entire equity interest of the Epic Wealth Group being approximately RMB 121.19 million (equivalent to approximately HK\$130.89 million) as at 30 September 2024.
- Payment of consideration** : On the date of the Epic Wealth Completion, Ms. Chan (or her nominee) shall pay the Epic Wealth Consideration, net of the amount of the Epic Wealth Special Dividend to be received by Macmillan Equity, to the Company by telegraphic transfer in cleared funds to the bank account of the Company in Hong Kong dollars unless otherwise agreed among the parties.
- Conditions precedent** : The Epic Wealth Completion is conditional upon and subject to the fulfilment and/or waiver (where applicable) of the following conditions on or before the Long Stop Date:
- (a) the Epic Wealth Disposal and the transactions as contemplated thereunder have been approved by the Independent Shareholders at the EGM;

- (b) the necessary regulatory approval(s) and/or clearance(s) in relation to the Epic Wealth Disposal have been obtained by the Company from the competent authorities, including the Stock Exchange for the clearance of the circular in relation to the Epic Wealth Disposal to be published;
- (c) the Epic Wealth Reorganisation having been completed;
- (d) the Fujian Dexi Reorganisation having been completed; and
- (e) the representations, warranties, agreements and undertakings set out in the Epic Wealth Agreement being true, accurate and complete in all material respects and not misleading as of the date of the Epic Wealth Completion.

Completion : The Epic Wealth Completion shall take place after the conditions precedent to the Epic Wealth Disposal are fulfilled or waived (as the case may be) on the completion date, which shall be agreed by the parties.

Termination : If any of the conditions precedent is not fulfilled or waived (as the case may be) by the Long Stop Date, unless agreed by the parties, the Epic Wealth Agreement shall automatically terminate with immediate effect.

3.2. The Shareholders' Agreement

Pursuant to the Epic Wealth Agreement, if the Independent Shareholders approve the Epic Wealth Disposal, concurrently with the Epic Wealth Completion, the Company and Ms. Chan shall enter into the Shareholders' Agreement. The Shareholders' Agreement aims to regulate the management of Epic Wealth, minimise the risk of transfer of interest in the Winery Business to other parties and dilution of the interest of the Company in the Winery Business to protect the interest of the Company.

The major terms of the Shareholders' Agreement are set out below:

Board composition : The board of directors of Epic Wealth shall be three, which shall comprise two directors nominated and appointed by the Company and one director nominated and appointed by Ms. Chan. The chair of the board of Epic Wealth shall be determined by the board of directors of Epic Wealth from time to time. The board of directors of Epic Wealth shall be responsible for making decisions relating to the business of Epic Wealth.

Board reserved matters : The resolutions relating to the following matters require the affirmative vote of all directors of Epic Wealth:

- (a) creating any encumbrance on any of the interests in Epic Wealth and/or any of its subsidiaries outside the ordinary course of the business;
- (b) selling or disposing of a significant part of Epic Wealth Group's assets or business;
- (c) providing loans, guarantees or indemnities outside the ordinary course of the business; and
- (d) entering into major contracts or transactions outside the ordinary course of the business.

Shareholders' reserved matters : The resolutions relating to the following matters require the affirmative vote of all shareholders:

- (a) selling or granting any option to purchase or selling or granting any option to purchase, or effecting any share split, subdivision, share dividend, reverse share split, recapitalisation or similar change in the share capital of Epic Wealth;
- (b) issuance of any new shares or securities, or new classes of shares;
- (c) repurchasing or redeeming any of the shares or other securities;

- (d) amendment of the articles of association; and
- (e) modifying the rights attached to any shares or any class of shares from time to time.

Right of first refusal : If any of the shareholders of Epic Wealth (the “**Transferor**”) proposes to transfer any share(s) of Epic Wealth to one or more third parties, then such Transferor shall give the other shareholder(s) of Epic Wealth (the “**Purchasing Shareholder(s)**”) written notice of the Transferor’s intention to make the Transfer (the “**Transfer Notice**”). The Purchasing Shareholder(s) shall have an option for a period of thirty (30) clear days (the “**Option Period**”) following the delivery of the Transfer Notice to elect to purchase the security to be transferred (the “**Transfer Shares**”) at the same price and subject to the same terms and conditions as described in the Transfer Notice, by notifying the Transferor and the Company in writing before the expiration of the Option Period as to the number of Transfer Shares (in all or in part) that they (whether by themselves or through their nominee(s)) wishes to purchase. If the Purchasing Shareholder(s) elect to purchase the Transfer Shares through their nominee(s), such nominee(s) entity shall be wholly-owned by them respectively. Any Purchasing Shareholder who fails to inform the Transferor and Epic Wealth in writing during the Option Period shall be deemed as having waived all of its right of first refusal with respect to such Transfer Shares stated in the relevant Transfer Notice. If the Purchasing Shareholders do not elect to purchase all of the Transfer Shares and there are remaining Transfer Shares, the Transferor shall then be entitled to transfer the Transfer Shares to the designated transferee at a price not less than that set out in the Transfer Notice and on the terms and conditions not more favourable than those set out in the Transfer Notice, and other shareholders of Epic Wealth shall use their best endeavours to assist in the relevant procedures of the proposed share transfer and the change of shareholders (if applicable).

If there are two or more Purchasing Shareholders deciding to exercise the right of first refusal during the Option Period, and the aggregate number of the Transfer Shares that such Purchasing Shareholders stated in their Transfer Notices for purchase exceeds the number of the Transfer Shares, they shall negotiate and determine their respective proportions to purchase the Transfer Shares within thirty (30) business days upon their receipt of the Transfer Notice from the Transferor. If no such agreement is reached within the above period, the maximum number of the Transfer Shares available to each Purchasing Shareholder shall be equal to the product obtained by multiplying (i) the number of the Transfer Shares by (ii) a fraction, numerator of which shall be the aggregate number of shares then held by such Purchasing Shareholder, and the denominator of which shall be the total number of Shares of all the Purchasing Shareholders deciding to exercise the right of first refusal at the date of the Transfer Notice.

If the Purchasing Shareholder(s) gives notice to the Transferor that they desire to purchase the Transfer Shares, then payment for the Transfer Shares to be purchased shall be made by wire transfer in immediately available funds of appropriate currency, against delivery of such Transfer Shares to be purchased and an instrument of transfer duly executed by the Transferor whereby they agree to transfer of such Transfer Shares to the Purchasing Shareholder(s) (or their nominee(s)) at a place agreed to by the Transferor and the Purchasing Shareholder(s) and at the time of scheduled closing therefor, but if they cannot agree, then at the principal place of business of the Transferor on the thirtieth (30th) day after the delivery of the Transfer Notice. Epic Wealth will update its register of members upon consummation of any such transfer.

4. VALUATION

The appraised value was determined based on the valuation report prepared by the Valuer in accordance with the International Valuation Standards as published by International Valuation Standards Council.

4.1. Identity of Valuer

The valuation was carried out by APAC Asset Valuation and Consulting Limited, an independent valuer engaged by the Company. The Valuer has confirmed its independence from the Company and has the professional qualifications to perform the valuations of Epic Wealth Group and Pacific Surplus Group. Mr. Jasper Chan, being the person-in-charge of the valuations of Epic Wealth Group and Pacific Surplus Group, is a CFA® charterholder and a certified FRM® with over 10 years of experience in handling valuations and financial modelling for financial reporting, merger and acquisition, financial derivatives, intangible assets, biological assets, and mine valuations.

4.2. Scope of the valuations of Epic Wealth Group and Pacific Surplus Group

The Valuer is instructed to perform valuations of the fair values of 30% equity of the Epic Wealth Group and 100% equity of the Pacific Surplus Group as at 30 September 2024, which is the valuation date for the exercise (the “**Valuation Date**”).

The valuation is reliant on the information regarding the Epic Wealth Group and the Pacific Surplus Group being accurate and truthful. Should any of the information on the valuation subject be changed, the valuation result will be subject to change as well.

4.3. Source of information

The Valuer has been provided with extracts of copies of relevant documents and financial information relating to the Epic Wealth Group and the Pacific Surplus Group. The valuation was conducted based on the aforesaid information and market data and information sourced from Bloomberg in forming the opinion of the fair values of 30% equity of the Epic Wealth Group and 100% equity of the Pacific Surplus Group as at 30 September 2024.

4.4. Valuation of 100% equity of the Pacific Surplus Group

The Pacific Surplus Group has not generated any significant income and the largest asset held by the business was the properties and the land use rights. The Pacific Surplus Group does not have other significant business activities as at 30 September 2024, other than the holdings of the properties and the land use rights. Similar to the Epic Wealth Group, the income approach was not adopted in this exercise as the cash flow projections with easily verifiable and supportable assumptions and parameters were not readily available. According to the management of the Group, while the initial stages of the production process of Pacific Surplus Group have commenced, the fermentation process of the distillery products will take a prolonged period of time to complete (up to 3 years). Its products are not ready for sale and Pacific Surplus Group has not made significant income in the past and would not make material revenue in the coming two years. No comparable public companies in a similar circumstance as Pacific Surplus Group were found for the market approach assessment. The Valuer therefore considers that the asset-based approach is the most appropriate method to appraise Pacific Surplus Group due to its business nature and unique circumstances.

The asset-based approach was adopted for the valuation of the equity of the Pacific Surplus Group, as the tangible assets (in particular, the properties) were considered the best indicator of value for companies of similar status to the Pacific Surplus Group. This was considered the most common valuation method for this type of situation.

This approach considers that the fair value of equity value of Pacific Surplus Group is equivalent to the fair value of all of its assets after subtracting from its aggregate liabilities. The Valuer is engaged by the Group to perform the business valuation of Pacific Surplus Group as at 30 September 2024, and no adjustment has been made to the aggregate liabilities of Pacific Surplus Group regarding the Sale Loan in the equity valuation of Pacific Surplus Group.

Under this approach, the Valuer have conducted a fair value assessment of the assets and liabilities held by the Pacific Surplus Group to derive the valuation of the Pacific Surplus Group.

A summary of adjustments to the key items of assets, including property, plant and equipment and prepaid land lease payments, tax allowance on asset loss and goodwill to reflect fair value basis are outlined below. The remaining items of assets and liabilities are not adjusted on the basis that their fair values are not materially different from their book values.

1. *Property, plant and equipment and prepaid land lease payments*

According to the information provided by the Company, the property, plant and equipment represent the properties, plant and equipment, and construction-in-progress of Pacific Surplus Group (collectively, the “**Properties**”) and the plant and equipment located in the Properties for production and the prepaid land lease payments represents the corresponding parcel of lands (the “**Land**”). No other fixed assets are incorporated in the accounts. The fair value of the Properties, plant and equipment and the Land was appraised using the Depreciated Replacement Cost method.

Depreciated Replacement Cost is based on an estimate of the fair value for the existing use of the properties, land use right, and the plant and equipment, plus the current gross replacement (reproduction) costs of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence, if any. The Depreciated Replacement Cost of the properties, plant and equipment and the land use right generally provided the most reliable indication of value of an asset in the absence of a known market based on comparable sales.

2. *Deferred tax assets*

We have calculated the deferred tax assets the fair value changes of the Properties and the Land as the difference between their book values and fair values multiplied by the applicable profit tax rate of 25% based on the management’s advice of relevant tax policies that would be applied to the subject Properties and Land.

3. *Goodwill*

This represents goodwill arising from the past acquisitions by Pacific Surplus Group prior to the Valuation Date. According to management of the Group, other than the development of the distillery facilities and business, the business unit has not planned for any other new projects. As the values of Properties and Land have been marked to market, and the business unit does not have business activities other than the ongoing development of the Properties and Land, no intangible asset can be reasonably quantified and recognized. Therefore, the fair value of goodwill as at the Valuation Date is considered nil.

Adjusted Net Asset Value Analysis on 30 September 2024

	Book Value 30 September 2024 <i>RMB'000</i>	Fair Value 30 September 2024 <i>RMB'000</i>
Assets		
Non-current assets		
Property, plant and equipment	120,641	102,300
Prepaid land lease payments	6,994	6,900
Goodwill	2,726	–
Tax allowance on asset loss	–	4,609
	<hr/>	<hr/>
Total non-current assets	130,361	113,809
Current assets		
Inventories	6,268	6,268
Prepayments and other receivables	11,335	11,335
Due from fellow subsidiaries	3	3
Cash and cash equivalents	1,651	1,651
	<hr/>	<hr/>
Total current assets	19,257	19,257
	<hr/>	<hr/>
Total assets	149,618	133,066
Liabilities		
Non-current liabilities		
Interest-bearing bank borrowings	49,284	49,284
Deferred tax liabilities	28	28
Total non-current liabilities	49,312	49,312
	<hr/>	<hr/>
Current liabilities		
Other payables	2,388	2,388
Due to fellow subsidiaries	5,137	5,137
Due to immediate holding company	8,385	8,385
Interest-bearing bank borrowings	1,305	1,305
Profit tax provision	–	–
Deferred tax liabilities	–	–
Total current liabilities	17,215	17,215
	<hr/>	<hr/>
Total liabilities	66,527	66,527
	<hr/>	<hr/>
Net Asset Value (before marketability adjustments)	83,091	66,539
	<hr/> <hr/>	<hr/> <hr/>

Similar to the valuation of the equity of Epic Wealth Group, a discount for lack of marketability of 15.7% is adopted for the valuation of the equity of Pacific Surplus Group. This discount is considered to be applicable to reflect its lack of marketability of private equity similar to that of Pacific Surplus Group, and is considered fair and reasonable for the valuation of the equity of Pacific Surplus Group. The calculations to arrive at the equity value of Pacific Surplus Group are as follows:

Based on the above, the fair value of all the assets of Pacific Surplus Group after subtracting from its aggregate liabilities amounted to RMB66,531,969. The discount for lack of marketability of 15.7% is then applied to the adjusted net asset value to arrive at the fair value of the equity value of Pacific Surplus Group, which is calculated as follows:

Adjusted Net Asset Value (<i>RMB'000</i>) (before marketability adjustments)	(A)	66,539
Discount for lack of marketability	(B)	15.7%
Adjusted Net Asset Value after DLOM (<i>RMB'000</i>)	(A) x 1 – (B) = (C)	56,092
Fair Value of 100% equity of Pacific Surplus Group (rounded to the nearest million)		RMB56,000,000

4.5. Valuation of 30% equity of the Epic Wealth Group

The Valuer has adopted the market approach in the valuation of Epic Wealth Group, which is considered a common valuation method for operating and revenue generating winery businesses like the Epic Wealth Group. The asset-based approach is not appropriate for the valuation of the Epic Wealth Group, as it has an active business, and this approach ignores the economic benefits of ownership of the business. The income approach has not been adopted in this exercise as the cash flow projections for the business of the Epic Wealth Group would require numerous assumptions on projected growth or changes in revenue streams, cost of revenue, operating expenses, administrative expenses, projected movements in working capital balances, and expected capital expenditure. Such assumptions and estimations would not be easily verifiable, supportable or reliably measured.

Under the market approach, the Valuer adopted the guideline public company method, which involves the use of the valuation multiples applicable to the subject companies. Furthermore, the Valuer adopted the enterprise-value-to-sales (“EV/S”) multiple because the value of a business like the Epic Wealth Group would directly be related to its ability to drive sales of wine products. Thus, the revenue of the Epic Wealth Group is considered the key value indicator of its business. The EV/S multiple is a common valuation multiple used to appraise the valuation of businesses with volatile profit fluctuations and/or non-profit making businesses.

Identification of suitable comparable companies

The Valuer identified relevant comparable companies operating in China based on multiple sets of selection criteria in order to sort out particular companies that are comparable to the subject companies in terms of risks and business nature.

The Valuer adopted the following screening process in arriving at our initial shortlist of companies to further sort out appropriate comparable companies for Epic Wealth Group:

- The shortlisted companies are categorised as operating in the alcoholic beverages manufacturing or specialty online retail industry according to Bloomberg; and
- The market capitalisation of the shortlisted company must be less than RMB5 billion, so that the shortlisted company would have comparable market capitalization with Epic Wealth Group.

Based on the information provided to the Valuer, Epic Wealth Group has all of its revenue derived from the Winery Business. The Valuer seeks to select a list of comparable companies that have a similar source of revenue as the Epic Wealth Group, while they also have sufficient trading activities prior to the Valuation Date.

- Similar to Epic Wealth Group, the comparable companies should have over 50% of revenue derived from the businesses of winery aggregately according to their latest published annual reports and company websites;
- The comparable companies should also have over 50% of revenue derived from the PRC market aggregately;
- The financial information of the comparable companies must be publicly available;
- The comparable companies' historical trading data must be sufficient and available;
- The public trading of the comparable companies' shares should have suspended trading of no more than 30 days within one year before the Valuation Date.

Following the above process, five listed companies, including the Company, are selected as the comparable companies, as the Company is considered a suitable comparable company because its valuation multiple is direct market information on how the open market (i.e., other market participants) perceives the worth of a business operating in the winery industry similar to Epic Wealth Group. It should be noted that the shares of the Company are public, whilst the shares of Epic Wealth Group are private. The EV/S multiples of the comparable companies included in the valuation of Epic Wealth Group were as follows:

Name	Stock Code	As at 30 September 2024 EV/S
Grace Wine Holdings Limited	8146.HK	1.48
Dynasty Fine Wines Group Limited	828.HK	1.6
Wei Long Grape Wine Co. Ltd.	603779.CH	8.24
China Ouhua Winery Holdings Ltd.	COWH MK	2.04
Tonghua Grape Wine Co. Ltd.	600365.CH	1.33
Average		2.94

The market information of the selected comparable companies was collected from Bloomberg, and the average EV/S of the comparable companies is 2.94. This is used as the proxy EV/S multiple to be applied to the valuation of the equity of Epic Wealth Group.

Privately held companies are not readily marketable and would face more difficulty in converting their shares into cash as compared with publicly held companies. Discount for lack of marketability is commonly considered in the valuations of privately held companies to reflect difference in the marketability of the shares of the subject private companies and that of the selected publicly-traded comparable companies. A discount for lack of marketability of 15.7% was adopted in the valuation of the equity of Epic Wealth Group.

The calculations in arriving at the 30% equity value of Epic Wealth Group using the market approach is summarized in the below table.

Trailing-twelve-months revenue* (from 1 October 2023 to 30 September 2024) (RMB'000)	(A)	42,320
EV/S	(B)	2.94
EV	(A) x (B) = (C)	124,421
Cash (RMB'000)	(D)	26,250
Debt (RMB'000)	(E)	2,150
Add: Non-operating assets (RMB'000)	(F)	6,736
Minus: Non-operating liabilities (RMB'000)	(G)	11,491
Equity Value before marketability discount adjustment (RMB'000)	(C) + (D) – (E) + (F) – (G) = (H)	143,766
DLOM	(I)	15.70%
Equity Value after marketability discount (RMB'000)	(H) x 1 – (I) = (J)	121,195
Shareholding (%)	(K)	30%
Fair Value of the equity of Epic Wealth Group (RMB'000)	(J) x (K) = (L)	36,359
Fair Value of the equity of Epic Wealth Group (RMB) (rounded to the nearest million)		36,000,000

* Based on management accounts and management's representation on the revenue attributable to the Winery Business.

4.6. Key assumptions under the Valuation Report

The valuations were subject the following assumptions and limitations:

- It was assumed that the accuracy of financial and operational information provided by the Company. The Valuer relied to a considerable extent on such information in arriving at the opinion of value;
- Should the actual tax assets and liabilities to be incurred by the Pacific Surplus Group and the Epic Wealth Group be different from the assumed assets and liabilities in the Valuation Report, the valuation result would be changed significantly;
- It was assumed that the Epic Wealth Group would continue to operate as the Winery Business and the Pacific Surplus Group would continue to develop and operate the distillery facilities (i.e., the Properties and the Land) in the foreseeable future;

- The valuation of the Properties has been made on the assumption that the owner sells the Properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the Properties.

No allowance has been made in our report for any charge, mortgage or amount owing on the Properties nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

- It was assumed that there were no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value;
- There would be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business was in operation;
- There would be no major changes in the current taxation law in the areas in which the Epic Wealth Group and the Pacific Surplus Group carried on its business, that the rate of tax payable remains unchanged and that all applicable laws and regulations would be complied with;
- The inflation, interest rates and currency exchange rate would not differ materially from those presently prevailing;
- The Epic Wealth Group and the Pacific Surplus Group would retain their management and technical personnel to maintain their ongoing operations;
- There would be no major business disruptions through international crisis, industrial disputes, industrial accidents or severe weather conditions that would affect the existing business;
- The Epic Wealth Group and the Pacific Surplus Group would remain free from claims and litigation against the business or its customers that would have a material impact on the valuation;
- The Epic Wealth Group and the Pacific Surplus Group were unaffected by any statutory notice and the operation of the business would not give rise to any contravention of any statutory requirements; and
- The Winery Business and the Distillery Business were not subject to any unusual or onerous restrictions or encumbrances.

4.7. Input for the valuations

The valuation of the Epic Wealth Group took into account (i) the enterprise-value-to-sales multiples of the comparable companies; (ii) revenue of the Epic Wealth Group; and (iii) cash and debt and other non-operating assets and liabilities of the Epic Wealth Group.

The valuation of the Pacific Surplus Group took into account (i) the liquid assets including cash and deposits of the Pacific Surplus Group; (ii) the receivables of the Pacific Surplus Group; (iii) the payables of the Pacific Surplus Group; (iv) prepayment of the Pacific Surplus Group; (v) the other receivables of the Pacific Surplus Group; (vi) the fixed assets of the Pacific Surplus Group; (vii) the equipment of the Pacific Surplus Group; and (viii) other tangible and intangible assets of the Pacific Surplus Group.

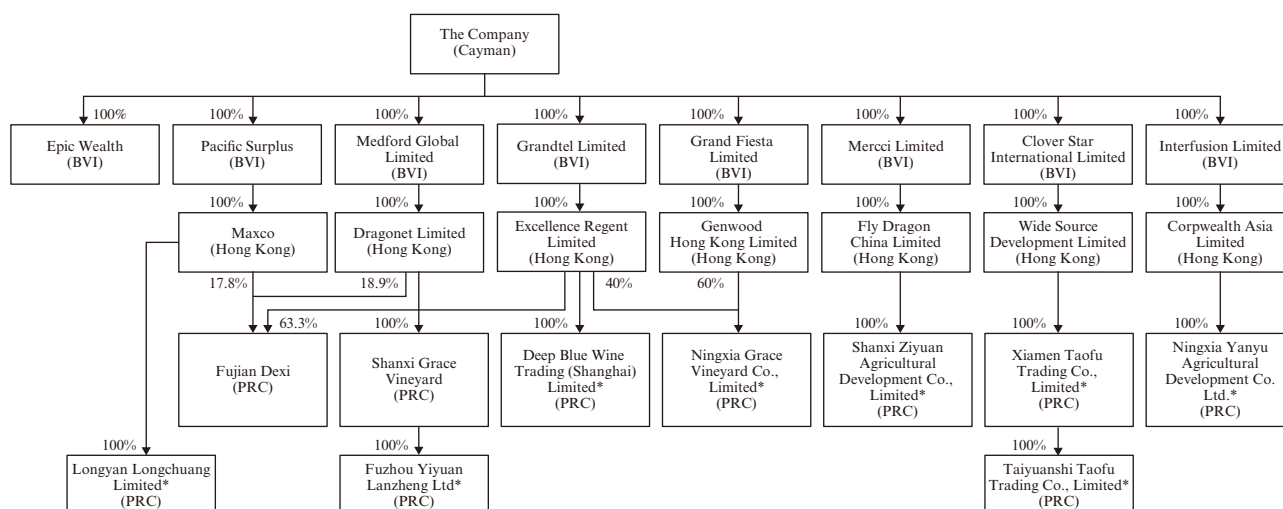
The valuation results of the 30% equity of Epic Wealth Group and 100% equity of Pacific Surplus Group are RMB36,000,000 and RMB56,000,000 respectively.

The valuation report on the 30% equity value of Epic Wealth Group and 100% equity value of Pacific Surplus Group will be included in the circular in respect of Epic Wealth Disposal and Pacific Surplus Disposal to be despatched to Shareholders.

5. SHAREHOLDING STRUCTURES BEFORE AND AFTER THE EPIC WEALTH COMPLETION AND THE PACIFIC SURPLUS COMPLETION

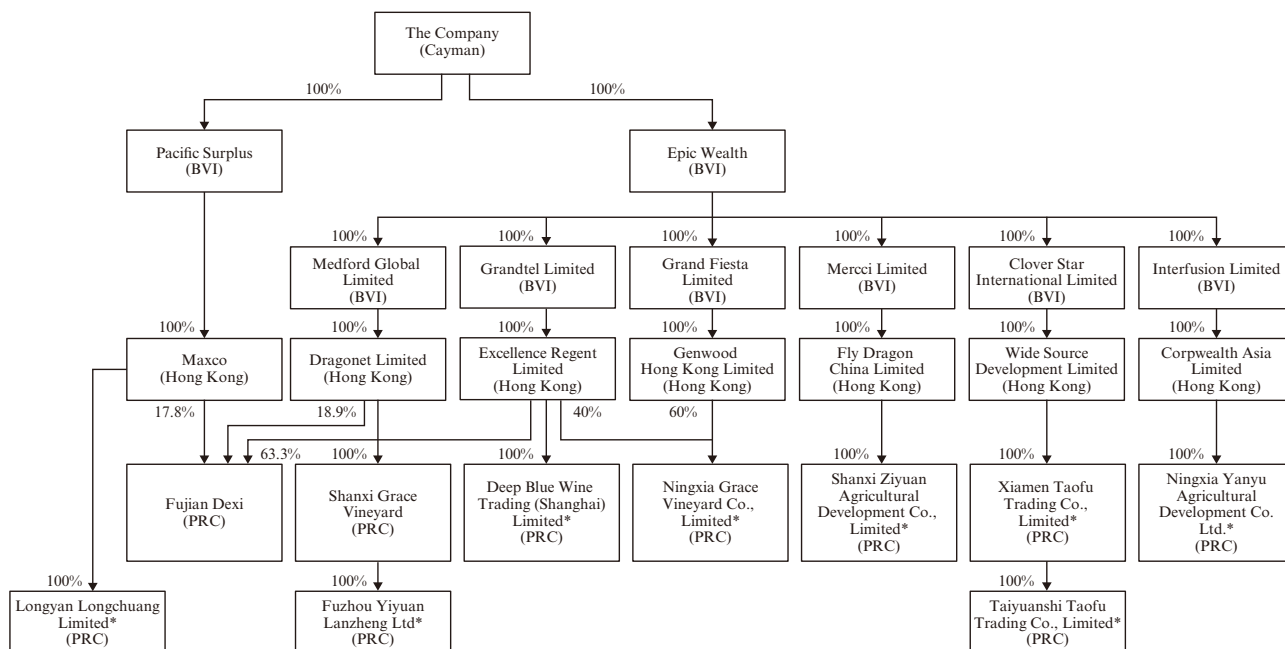
5.1. Shareholding structure of the Group as at the date of this announcement

The following chart illustrates the shareholding structure of the Group as at the date of this announcement:



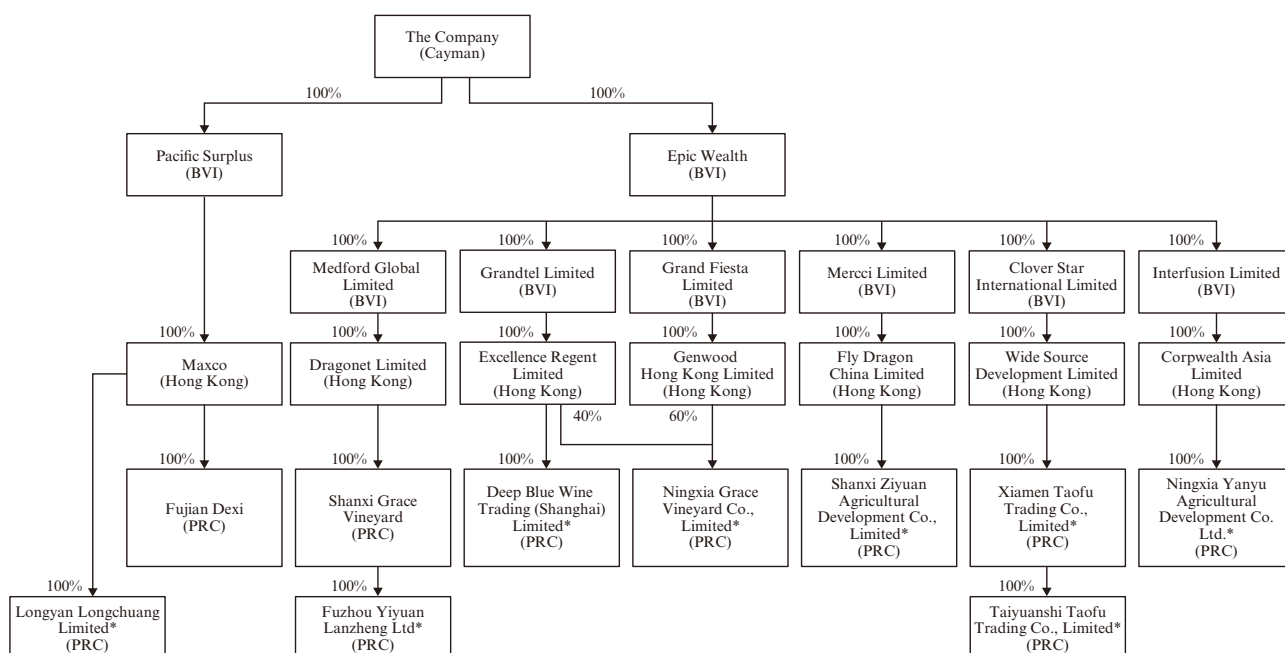
5.2. Shareholding structure of the Group immediate after the Epic Wealth Reorganisation

The following chart illustrates the shareholding structure of the Group immediately after the Epic Wealth Reorganisation but before the Fujian Dexi Reorganisation:



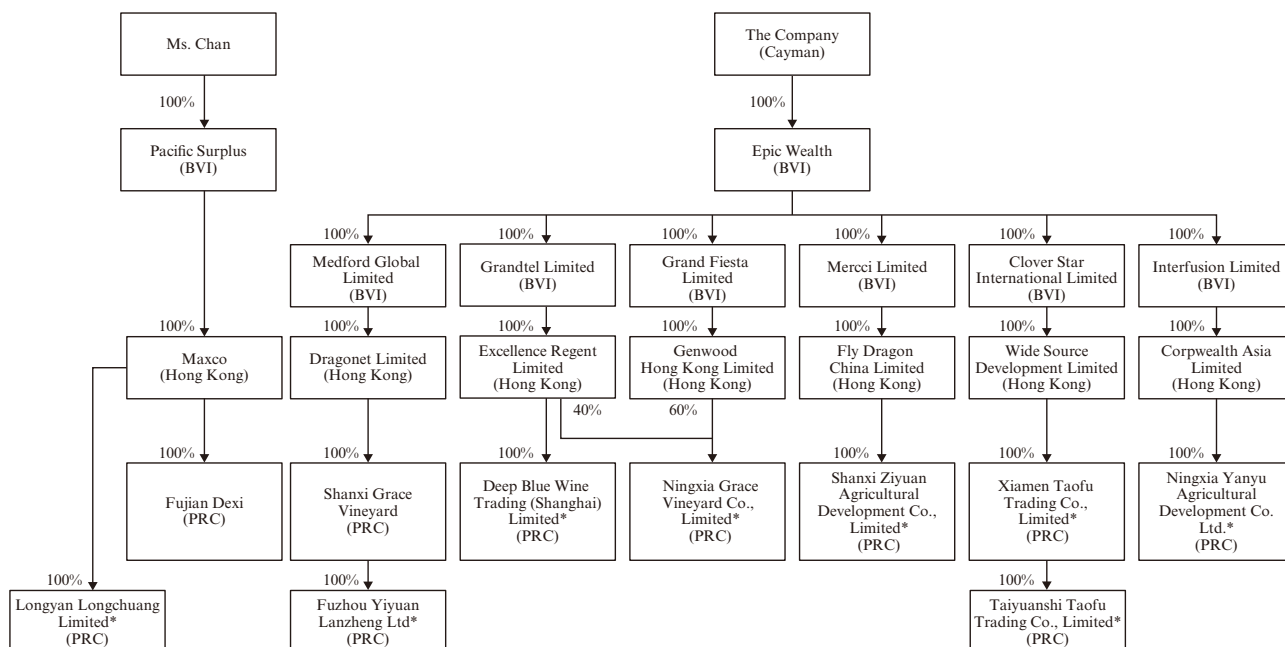
5.3. Shareholding structure of the Group after the Epic Wealth Reorganisation and the Fujian Dexi Reorganisation but before the Disposals

The following chart illustrates the shareholding structure of the Group immediately after the Fujian Dexi Reorganisation and the Epic Wealth Reorganisation, but before the Disposals:



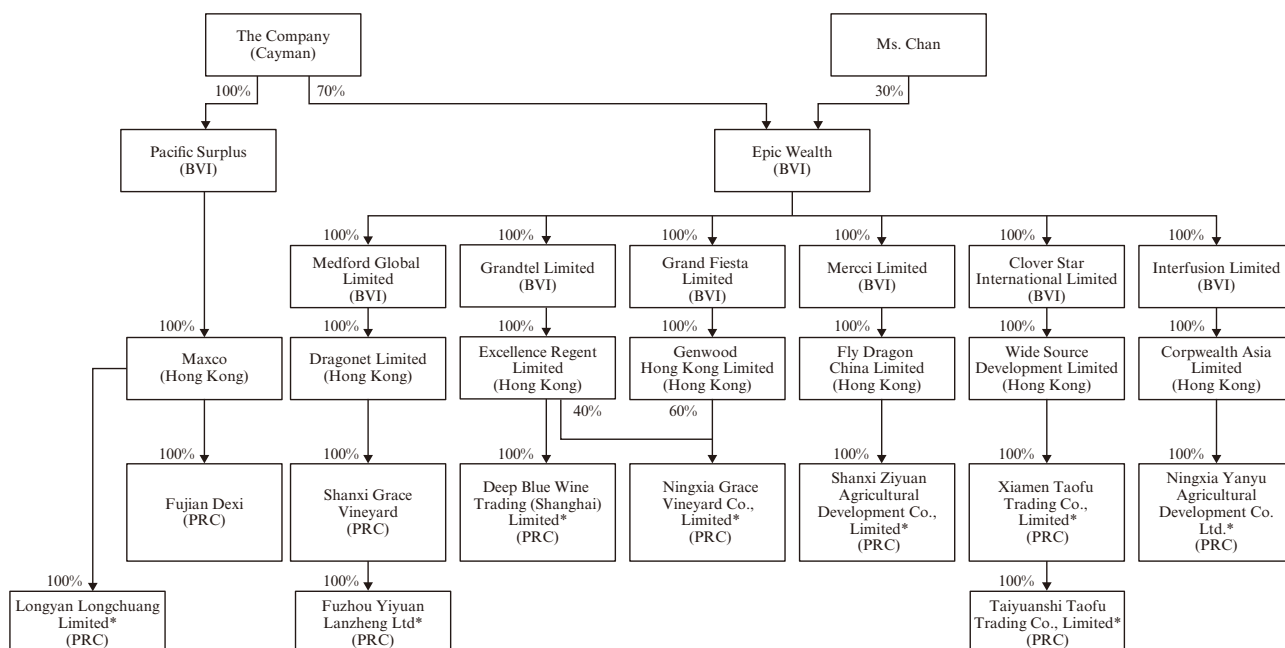
5.4. Shareholding structure assuming the Independent Shareholders approve only the Pacific Surplus Disposal but not the Epic Wealth Disposal

The following chart illustrates the shareholding structure assuming the Independent Shareholders approve only the Pacific Surplus Disposal but not the Epic Wealth Disposal and immediately after the Pacific Surplus Completion:



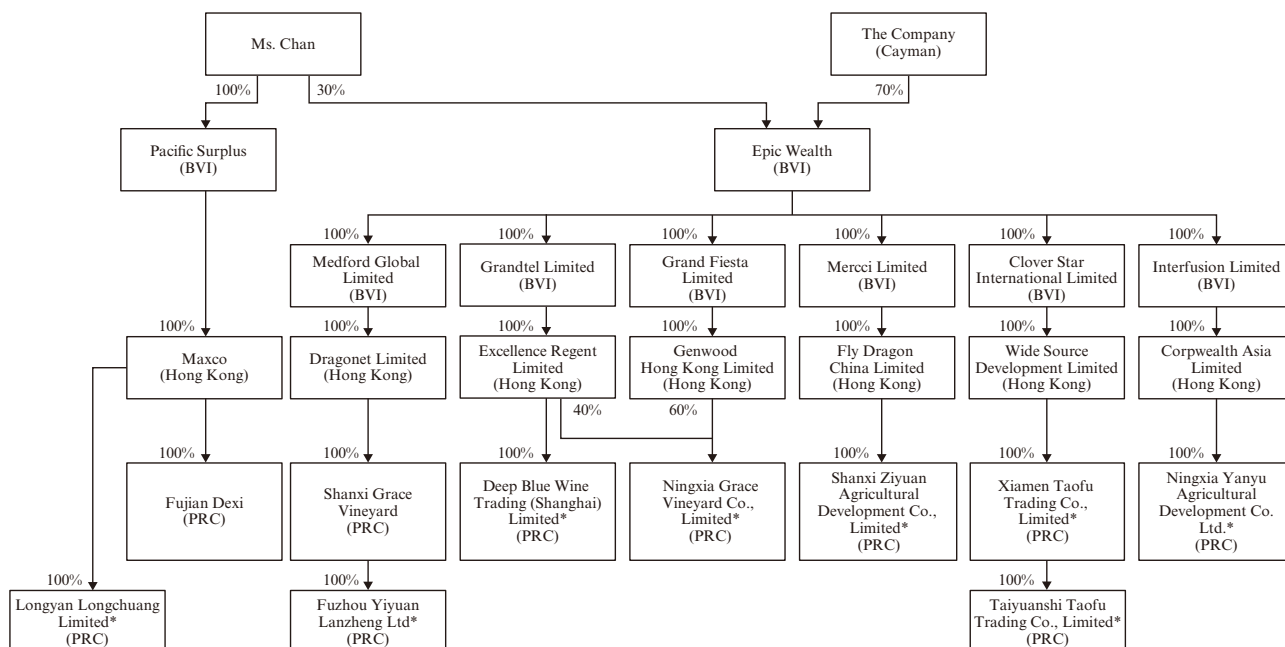
5.5. Shareholding structure assuming the Independent Shareholders approve only the Epic Wealth Disposal but not the Pacific Surplus Disposal

The following chart illustrates the shareholding structure assuming the Independent Shareholders approve only the Epic Wealth Disposal but not the Pacific Surplus Disposal and immediately after the Epic Wealth Completion:



5.6. Shareholding structure assuming the Independent Shareholders approve the Disposals

The following chart illustrates the shareholding structure assuming the Independent Shareholders approve the Disposals and upon the Pacific Surplus Completion and the Epic Wealth Completion:



6. REASONS FOR THE DISPOSALS

6.1. Reasons and benefits of the disposal of the Distillery Business

Growth of the China whisky and gin industry is slowing down and is facing intense competition ahead

Key whisky brands were first introduced to China more than three decades ago. In recent years, the growth of China's whisky industry experienced a slowdown, according to China Insights Consultancy. Between 2013 and 2018, China's whisky consumption experienced relatively high growth, increasing from approximately 8.0 million litres in 2013 to approximately 13.0 million litres in 2018, representing a CAGR of 10.1%. However, such growth slowed between 2018 and 2023, from the consumption of approximately 13.0 million litres in 2018 to approximately 16.6 million litres in 2023, representing a CAGR of 5.0%, according to China Insights Consultancy. Such growth is expected to further slow down with an expected consumption of approximately 19.1 million litres in 2028, representing a CAGR of 2.9% from 2023 to 2028, according to China Insights Consultancy.

The whisky industry in China is also facing intense competitions. According to China Insights Consultancy, imported whisky brands took up a major share of the Chinese market, which accounting for approximately 60% of China's consumption

volume in 2023. New whisky distilleries in China are emerging rapidly. Back in 2019, when the Company first decided to invest in the Distillery Business, there were only a handful of distilleries in China. As at May 2024, there are around 48 whisky distilleries either in production or under construction in China as local and international players look to diversify their offerings with whisky made in China.

As for the gin industry, between 2013 and 2018, China's gin consumption experienced a relatively high growth, increasing from approximately 5.6 million litres in 2013 to approximately 6.3 million litres in 2018, representing a CAGR of 2.3%. However, such growth slowed down between 2018 and 2023, from the consumption of approximately 6.3 million litres in 2018 to approximately 7.0 million litres in 2023, representing a CAGR of 2.1%, according to China Insights Consultancy. Such growth is expected to further slow down with an expected consumption of approximately 7.5 million litres in 2028, representing a CAGR of 1.4% from 2023 to 2028, according to China Insights Consultancy.

Uncertainty in Group's Distillery Business whilst requires continuous input of working capital

Longyan Distillery, being the Group's first distillery, which principally produces whisky and gin, became fully operational in the first half of 2024 and the Group commenced production of whisky in the second half of 2023 and began to sell a new gin series and other new products in the same year. However, the revenue contribution of gin has been small and will continue to be insignificant to the Group. The Directors expect the earliest commercial launch of the whisky will be in mid-2026, as it takes approximately three years for the whisky to age and be ready for sale in the market. For the year ended 31 December 2023 and the six months ended 30 June 2024, the sale of gin products amounted to nil and RMB11,000, representing approximately nil and 0.07% of the total revenue of the Group for the relevant periods, respectively. However, against the backdrop of an anticipated slowdown in the growth of whisky consumption, an increasingly competitive environment in the whisky industry in China and the fact that the Group's whisky brand will be new to the market, the Directors believe there is significant uncertainty concerning the reception of the Group's whisky by the market, which might ultimately affect the sales performance of the Group's whisky products.

On the other hand, in order to be able to continue to supply whisky to the market, the Distillery Business will require continuous working capital for production and operation. Management of the Group estimates that production costs of approximately RMB12 million and operating costs of approximately RMB12 million will be required to be incurred annually to produce a stable supply of 228,000 litres of whisky. In addition, the Distillery Business carries outstanding loans of approximately RMB51.95 million in respect of the Project Loan for the construction of the Longyan Distillery and approximately RMB10.00 million in

respect of the Credit Line for the daily operation of the Longyan Distillery as at the date of this announcement, for which the Distillery Business is required to make a repayment of RMB3.32 million in 2025 if there is no more drawdown of the loans. The repayment will gradually increase according to the drawdown amount and agreed schedules, covering principal and interest until such loans are paid off.

Unexpected delay in the launch of the Distillery Business and the insufficiency of funding support from the Winery Business

The COVID-19 pandemic significantly disrupted the timeline for the construction of the Longyan Distillery, which in turn delayed the product launch of the Distillery Business. Pandemic restrictions, such as lockdowns and social distancing mandates, caused construction projects to slow down or even come to a complete stop. This delay extended the timeline for the plant to become operational. This delay also added time and expenses to the construction of the plant. It was the Group's strategy to support the long-term investment and provide financing to the working capital needs of the Distillery Business through the Winery Business which had been a promising segment of the Group in the past. However, COVID-19 and the economic downturn negatively impacted consumer spending on non-essential items like wine, resulting in reduced revenues from the Winery Business. The capacity of the Winery Business to provide funding for the Distillery Business has been negatively affected. Hence, the Directors consider that it is not justified for the Group to continue investing in the Distillery Business given its cost and uncertain future performance.

Strengthen the Group's financial position and generate immediate value to Shareholders

The Pacific Surplus Consideration amounting to HK\$71,280,000 has been determined based on the independent valuation of the equity value of the Distillery Business, which represents approximately the entire equity valuation of Pacific Surplus and the outstanding amount of the Sale Loan. The Pacific Surplus Completion will relieve the Group from future capital commitment and continuous financing needs of the Distillery Business which is still at its startup stage in the near future. Shareholders will also immediately benefit from the return of their capital by way of Pacific Surplus Special Dividend which represents approximately 67.3% of the value of their Shares as at the date of this announcement. In addition, given the valuation of the Pacific Surplus Group was prepared based on asset-based approach which took into account the net assets value of the Pacific Surplus Group, the valuation took into account (i) the initial acquisition costs of RMB13.8 million (equivalent to approximately HK\$15 million) paid by the Company for the acquisition of the Distillery Business in August 2019, which was then determined based on the then net asset value of the Distillery Business; (ii) the subsequent capital injections of approximately RMB78.6 million made by the Group to the Distillery Business as registered capital, including approximately RMB21.8

million from the Company's IPO proceeds in order to facilitate the construction of Longyan Distillery, which were reflected in the net asset value of Pacific Surplus Group as at 30 September 2024. Further, given the Pacific Surplus Consideration is determined based on and supported by the independent valuation of the equity value of the Distillery Business and the outstanding amount of the Sale Loan as at 30 September 2024, the Directors are of the view that Pacific Surplus Consideration is fair and reasonable and in the interests of the Company and the shareholders as a whole.

Considerations for disposing the Distillery Business shortly after the commencement of distillery production in the second half of 2023 and the Longyan Distillery became fully operational in the first half of 2024

As abovementioned, it was the Group's strategy to support the long-term investment and provide financing to the working capital needs of the Distillery Business through the Winery Business and the Group had contributed large amount of capital to the Distillery Business since its acquisition from time to time. In 2023, the Group recorded revenue and net profit, which was primarily generated by Winery Business, were RMB65.0 million and net profit of RMB10.2 million, respectively. In the first six months of 2024, the Group recorded revenue of RMB16.6 million and net loss of RMB3.5 million, and based on its latest management account, the Directors do not expect there will be significant improvement on the financial performance of the Group for the year ending 2024. Given the Group turned from profit making to loss making and as explained below, the short-term prospect of the Winery Business is facing a lot of uncertainty, the Directors consider based on the currently available information the Winery Business is unlikely to support the future working capital needs of the Whisky Business.

The cash balance of the Distillery Business was RMB1.7 million as of 30 September 2024, which is low. As abovementioned, the Distillery Business will need input of substantial working capitals before generation of any meaningful revenue. Since the beginning of 2024, the Group has been actively liaising for debt financing to support the operation of the Distillery Business. However, the Distillery Business is already exposed to the Project Loan, which has restricted use. Due to lack of substantial sales generated, it is very difficult for the Distillery Business to obtain any debt financing at reasonable financing terms, the Group was only able to obtain the Credit Line of RMB12 million in October 2024, of which RMB10 million was drawn down and used up for the purchase of raw materials for production of whisky and daily operating expenses. The Group has also considered other ways of fundraising activities including subscription or placing of new shares, rights issues and open offer, but also considered difficult as the low liquidity of the Shares and the low prevailing market price of the Shares which does not reflect the value of the Company.

Having considered (i) China Insights Consultancy's view on the prospects of the whisky and gin industry is expected to slow down and uncertain and based on the Board's experience and industry knowledge on the development of the whisky and gin industry, which aligns with China Insights Consultancy's view; (ii) the Winery Business can no longer support the working capital needs of the Distillery Business; and (iii) the difficulties of financing by the Distillery Business, although the Distillery Business only commenced production and operation over the past year and the products may only be launched after mid-2026, the Directors consider the disposal of the Distillery Business is favourable to the Group and the Shareholders as a whole.

In the case the Pacific Surplus Disposal does not take place, the Group will require additional working capital to maintain the Distillery Business as abovementioned and also bear the risk of the uncertain prospect of the Distillery Business. To solicit financial resources, the Group may consider debt financing and equity financing. However, debt financing shall incur finance costs and adversely affecting the gearing ratio of the Group, while equity financing shall dilute the shareholding of the Shareholders, and both debt and equity financing are difficult as explained above.

6.2. Reasons and benefits of the disposal of 30% of the Winery Business

The China wine industry might rapidly and adversely affect the Group's Winery Business performance in the near term

The wine industry in China is relatively mature. According to China Insights Consultancy, China now numbers among the top ten global markets for wine. However, in recent years, the popularity of wine in China has been declining and is replaced with a range of alcoholic beverages made from sorghum, millet and fruits such as lychee or plum instead of grapes, according to China Insights Consultancy. In addition to change in consumer preference, China's economic slowdown also had a significant impact on the wine market. The decline in domestic demand, compounded by low consumer confidence and reduced discretionary spending, has directly affected wine consumption. As a luxury or non-essential item, wine is particularly vulnerable during economic downturns, leading to lower spending allocations toward purchasing wine. As a result, the wine consumption in China declined from 3,468.7 million litres in 2018 to 2,157.4 million litres in 2023 (representing a negative CAGR of 9.1% from 2018 to 2023) and is expected to further decline to 1,989.6 million litres in 2028 (representing a negative CAGR of 1.6% from 2023 to 2028) according to China Insights Consultancy. The Group's financial performance is heavily affected by the sluggish wine market in China. The Group's wine sales volume for the first six months of 2024 dropped by approximately 42.8%, with consumers opting for more entry-level wines compared to the same period in 2023. The Group's revenue which is primarily generated by Winery Business dropped by 54.5% from RMB36.5 million for the first six months

of 2023 to RMB16.6 million for the same period in 2024. This significant drop in sales volume and sales led to a swing from a net profit of approximately RMB5.4 million for the six months ended 30 June 2023 to a net loss of approximately RMB3.5 million for the same period in 2024.

The Directors remain confident in the prospects of the Winery Business in the long run and in the short run the divestment of a minority interest in the Winery Business will alleviate the Group's working capital burden during a market slowdown

The Group will continue to own 70% of the Winery Business following the completion of the Epic Wealth Disposal. The Group has invested significantly in promoting its brand, and the Directors believe that as a result the brand has good value and is well-recognised by consumers. The Directors remain confident in the prospects of the Winery Business in the long run. In the short run, the divestment of 30% of the Winery Business to the controlling shareholder of the Company, Ms. Chan, is considered a prudent move for the Group (i) to share any adverse financial impact or poor performance of the Winery Business as 30% of the financial results will be shared by Ms. Chan, being a minority shareholder of the Winery Business and holding non-controlling interests in the Winery Business; and (ii) to alleviate the Group's working capital burden, as Ms. Chan, being a shareholder, is required to contribute capital to the Winery Business together with the Group when capital injection is required, which is important during the sluggish time of the wine market. In addition, having considered (i) the cash and cash equivalent of approximately RMB31.6 million of the Group as at 30 June 2024 and the banking facility of RMB5 million available to the Winery Business as at date of this announcement; and (ii) future capital contributions from the Group and Ms. Chan based on their respective shareholdings as and when required, the remaining net proceeds from the Disposals of approximately HK\$10.0 million (i.e. the net proceeds after the distribution of the Special Dividends) will help to strengthen the working capital for and sufficient for the operation of the Winery Business in 2025.

Generate immediate value to Shareholders

The Epic Wealth Consideration amounting to HK\$38,880,000 is based on the independent valuation of the equity value of the Winery Business, which represents approximately 30% of the entire equity valuation of Epic Wealth. The Epic Wealth Completion will allow Shareholders to immediately benefit from the return of their capital by way of Epic Wealth Special Dividend, which accounts for approximately 36.7% of the value of their Shares as at the date of this announcement, while retaining their equity investment in the Company and the Company's position as the majority owner of the Winery Business.

The Group also considered debt financing and equity financing. The Winery Business does not hold any significant assets provided to any financial institutions as collaterals, and it would be difficult to raise funds through debt financing. As for equity financing, the Group has considered various options of fundraising activities including subscription or placing of new shares, rights issues and open offer, but also considered difficult as the low liquidity of the Share and the low prevailing market price of the Share which does not reflect the value of the Company.

By generating liquidity through the Disposals, the Epic Wealth Group may reduce its reliance on borrowing, which would otherwise increase interest expenses and further strain its financial position. After the Disposals, Ms. Chan may inject additional resources (financial or operational support) to protect her increased stake, thereby indirectly supporting the operations of the Winery Business.

In the case of the Epic Wealth Disposal does not take place, the Directors consider the Winery Business will still be sustainable though the Group will have to meet all the working capital needs and will bear the full risk of fluctuation in the financial position of the Winery Business.

6.3. Overall benefit to the Group and the Independent Shareholders

In totality, the Directors consider that the disposals of the Distillery Business and 30% of the Winery Business represent good opportunities for the Group to enhance its financial and working capital position and allow for the Group to refocus its resources on the Winery Business, which will be the Group's remaining principal business.

As stated above, the wine industry is currently affected by the sluggish Chinese economy and disposal of 30% of the Winery Business can allow Ms. Chan to share the short term financial burden of the Winery Business.

As approximately 90.6% of the net proceeds from the Disposals will be declared, and to be distributed and paid to the Shareholders by way of Special Dividends and taking into account the "net-off" arrangement in respect of Pacific Surplus Special Dividend and Epic Wealth Special Dividend with Ms. Chan and the Group, the Disposals can be viewed as a "partial privatisation" of the Distillery Business and 30% of the Winery Business by Ms. Chan. Based on the latest issued share capital of the Company, the Special Dividends per Share will be up to HK\$12.058 cents if the Disposals proceed to completion, representing an increase of approximately 3.95% of the last trading price of the Shares as the date of this announcement. The share price of the Company has generally decreased since the beginning of January 2024, falling from HK\$0.156 per Share as of 2 January 2024 to HK\$0.116 per Share as of the date of this announcement (a drop of approximately 25.6%) with minimal trading liquidity, which the Directors consider reflects a pessimistic view of investors and shareholders of the Company's performance and prospects. The

Directors are of the view that the Disposals, together with the distribution of the Special Dividends, will allow shareholders to realise part of their investment in the Company at an attractive premium over the prevailing market valuation of the Shares and help to restore investor confidence in the Company.

Going forward, the Company will periodically review the performance and prospects of its Winery Business and will conduct its Winery Business with a view to maximising the return to its Shareholders taking into account resources available to the Group and will explore and consider other business opportunities should they become available.

Furthermore, upon the Pacific Surplus Completion, the Company will no longer hold any interest in Fujian Dexi and Fujian Dexi will cease to be a wholly-owned subsidiary of the Company. As such, Fujian Dexi has commenced discussions with the Bank for the release of the Project Loan Guarantee and the Credit Line Guarantee. Such releases will take time to negotiate and finalise. Moreover, the releases are subject to the internal approval process of the Bank and may not be completed at the time of the Pacific Surplus Completion. As such, as part of the terms of the Pacific Surplus Agreement, if on the date of the Pacific Surplus Completion that the Project Loan Guarantee and/or the Credit Line Guarantee are yet to be released, Ms. Chan (i) as the indemnifier will enter into the Deed of Indemnity with and in favour of the Company for itself and as trustee for Shanxi Grace Vineyard and its intermediate holding companies, to provide indemnities, and (ii) as the pledgor will enter into the Share Pledge Agreement in favour of the Company as security in respect of any loss or liability and related costs suffered by Shanxi Grace Vineyard and its intermediate holding companies (upon the Pacific Surplus Completion) resulting from any claims made by the Bank relating to the Project Loan Guarantee and the Credit Line Guarantee.

On the basis of the above, the Board considers that the terms of the Epic Wealth Agreement and the Pacific Surplus Agreement (including the Epic Wealth Consideration and the Pacific Surplus Consideration) and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and the entering into of the Epic Wealth Agreement and the Pacific Surplus Agreement is in the interests of the Company and its Shareholders as a whole.

7. FINANCIAL IMPLICATIONS AND USE OF PROCEEDS FROM THE DISPOSALS

Upon the Pacific Surplus Completion, the Pacific Surplus Group will cease to be subsidiaries of the Company, and the financial results of the Pacific Surplus Group will cease to be consolidated in the financial statements of the Group. As a result of the Pacific Surplus Disposal, it is expected that the Group will recognise a loss on disposal of approximately HK\$32.5 million in profit or loss for the year ending 31 December 2024, calculated on the basis of the difference between the Pacific Surplus Consideration, the unaudited net asset value of Pacific Surplus Group as at 30 September 2024, and the transaction costs and professional expenses attributable to the Pacific Surplus Disposal.

Upon the Epic Wealth Completion, the Company will hold 70% of the total issued shares of Epic Wealth. As such, the Epic Wealth Group will remain as subsidiaries of the Company, and the financial results of Epic Wealth Group will continue to be consolidated in the financial statements of the Group upon the Epic Wealth Completion. As a result of the Epic Wealth Disposal standalone, it is expected that the Group will recognise a loss on disposal of approximately HK\$19.0 million in other comprehensive income for the year ending 31 December 2024, calculated on the basis of the difference between the Epic Wealth Consideration, the unaudited net asset value of Epic Wealth Group as at 30 September 2024, and the transaction costs and professional expenses attributable to the Epic Wealth Disposal.

In the case of the completion of both Disposals, it is expected that the Group will recognise a loss on disposal of approximately HK\$32.5 million in profit or loss and a loss on disposal of approximately HK\$19.0 million in other comprehensive income for the year ending 31 December 2024, calculated on the basis of the difference between the sum of Pacific Surplus Consideration and Epic Wealth Consideration, the unaudited net asset values of Pacific Surplus Group and Epic Wealth Group as at 30 September 2024, and the transaction costs and professional expenses attributable to the Pacific Surplus Disposal and Epic Wealth Disposal.

The aforesaid financial impact is shown for illustrative purpose only and does not purport to represent the financial position of the Group after the Pacific Surplus Completion and the Epic Wealth Completion. The actual financial effect of the Disposals will be determined with reference to the financial status of Pacific Surplus Group and Epic Wealth Group as at the date of the Pacific Surplus Completion and the Epic Wealth Completion, respectively.

The table below shows the amount of gross proceeds, amount of net proceeds and the use of net proceeds under different scenarios of (i) both Disposals take place; (ii) only the Pacific Surplus Disposal takes place; and (iii) only the Epic Wealth Disposal takes place:

	Both Disposals take place	Only the Pacific Surplus Disposal takes place	Only the Epic Wealth Disposal takes place
Gross proceeds	HK\$110.16 million	HK\$71.28 million	HK\$38.88 million
Net proceeds (after deducting transaction costs and professional expenses)	approximately HK\$106.5 million	approximately HK\$67.9 million	approximately HK\$35.5 million
Use of net proceeds	(i) approximately HK\$10.0 million, representing approximately 9.4% of the net proceeds, will be used as general working capital of the Group; and (ii) approximately HK\$96.5 million, representing approximately 90.6% of the net proceeds, will be used for distribution of the Special Dividend	(i) approximately HK\$5.5 million, representing approximately 8.1% of the net proceeds, will be used as general working capital of the Group; and (ii) approximately HK\$62.5 million, representing approximately 91.9% of the net proceeds, will be used for distribution of the Pacific Surplus Special Dividend	(i) approximately HK\$1.5 million, representing approximately 4.1% of the net proceeds, will be used as general working capital of the Group; and (ii) approximately HK\$34.1 million, representing approximately 95.9% of the net proceeds, will be used for distribution of the Epic Wealth Special Dividend

Note: The declaration and distribution of the Pacific Surplus Special Dividend and/or the Epic Wealth Special Dividend is/are subject to the fulfillment of any applicable conditions (including the Independent Shareholders having approved the Pacific Surplus Disposal and/or the Epic Wealth Disposal, and the Shareholders having approved the distribution and payment of the Pacific Surplus Special Dividend and/or the Epic Wealth Special Dividend at the EGM).

8. PROPOSED DECLARATION OF SPECIAL DIVIDENDS

The Board proposed that (i) the Pacific Surplus Special Dividend, being a special dividend of HK\$7.802 cents per Share, to be declared, and to be distributed and paid to the Shareholders provided that the Shareholders approve the resolutions in relation to the Pacific Surplus Disposal and the Pacific Surplus Completion takes place; and (ii) the Epic Wealth Special Dividend, being a special dividend of HK\$4.256 cents per Share, to be declared, and to be distributed and paid to the Shareholders provided that the Shareholders approve the resolutions in relation to the Epic Wealth Disposal and the Epic Wealth Completion takes place.

Further announcement(s) will be made by the Company in this regard as and when appropriate.

9. INFORMATION ON THE COMPANY AND THE GROUP

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 Province, 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.

10. INFORMATION ON MS. CHAN

Ms. Chan (as purchaser) is the Chairlady, chief executive officer, executive Director and a controlling shareholder of the Company.

11. INFORMATION ON PACIFIC SURPLUS GROUP AND EPIC WEALTH GROUP

11.1. Pacific Surplus Group

Pacific Surplus is a company incorporated with limited liability under the laws of BVI, directly and wholly-owned by the Company. As at the date of this announcement, the Fujian Dexi Reorganisation is in progress, which involves transferring an aggregate of approximately 82.22% of equity interest in Fujian Dexi from two wholly-owned subsidiaries of the Company to Maxco, a wholly-owned subsidiary of Pacific Surplus.

Upon completion of the Fujian Dexi Reorganisation, Pacific Surplus Group will wholly-own Fujian Dexi and be principally engaged in the Distillery Business, which includes, among others, the production of whisky and the production and sale of gin products through the Longyan Distillery located in Longyan City, Fujian Province, PRC.

Set out below is the financial information of Pacific Surplus Group assuming the Fujian Dexi Reorganisation is completed, as extracted from its unaudited consolidated financial statements for the financial years ended 31 December 2022 and 2023 prepared in accordance with Hong Kong Financial Reporting Standards:

	Financial year ended 31 December 2023 (RMB million) (Unaudited)	Financial year ended 31 December 2022 (RMB million) (Unaudited)
Net loss before taxation	0.04	1.60
Net loss after taxation	0.04	1.60

As at 30 September 2024, assuming the Fujian Dexi Reorganisation is completed, Pacific Surplus Group had unaudited net assets of approximately RMB83.1 million.

As at 30 September 2024, based on the Valuation Report, the entire equity interest of the Pacific Surplus Group has an appraised fair value (adopting the asset-based approach) of approximately HK\$60,480,000.

11.2. Epic Wealth Group

Epic Wealth is a company incorporated with limited liability under the laws of BVI, directly and wholly-owned by the Company. Epic Wealth Group, upon completion of the Epic Wealth Reorganisation and the Fujian Dexi Reorganisation, is principally engaged in the Winery Business, which includes production and distribution of wine products, planting of vines and sale of wine grapes.

Set out below is the financial information of Epic Wealth Group assuming the Epic Wealth Reorganisation and the Fujian Dexi Reorganisation is completed, as extracted from its unaudited consolidated financial statements for the financial years ended 31 December 2022 and 2023 prepared in accordance with Hong Kong Financial Reporting Standards:

	Financial year ended 31 December 2023 (RMB million) (Unaudited)	Financial year ended 31 December 2022 (RMB million) (Unaudited)
Net profit before taxation	13.44	4.68
Net profit after taxation	12.18	3.20

As at 30 September 2024, assuming the Epic Wealth Reorganisation and the Fujian Dexi Reorganisation is completed, Epic Wealth Group had unaudited net assets of approximately RMB169.2 million.

As at 30 September 2024, based on the Valuation Report, the 30% equity of Epic Wealth Group has an appraised fair value (adopting the market approach) of approximately HK\$38,880,000.

12. GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the transactions contemplated under the Pacific Surplus Agreement pursuant to Rule 19.22 of the GEM Listing Rules exceeds 75%, the transactions contemplated under the Pacific Surplus Agreement constitute a very substantial disposal of the Company and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the transactions contemplated under the Epic Wealth Agreement pursuant to Rule 19.22 of the GEM Listing Rules are more than 25% but less than 75%, the transactions contemplated under the Epic Wealth Agreement on a standalone basis constitutes a major transaction of the Company and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. However, as the Pacific Surplus Agreement and the Epic Wealth Agreement are entered into on the same date, the parties to the Pacific Surplus Agreement and Epic Wealth Agreement are the same and such transactions are similar in nature, the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement are therefore aggregated pursuant to Rule 19.22 of the GEM Listing Rules. As one or more of the applicable percentage ratios (as defined under

the GEM Listing Rules) in respect of the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement in aggregate pursuant to Rule 19.22 of the GEM Listing Rules exceeds 75%, the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement constitute very substantial disposals of the Company and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As Ms. Chan is the Chairlady, an executive Director, the chief executive officer and a controlling shareholder of the Company and therefore a connected person of the Company, the transactions contemplated under each of the Pacific Surplus Agreement and the Epic Wealth Agreement constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules and therefore, on an aggregated basis pursuant to Rule 20.79 of the GEM Listing Rules, are therefore subject to, among others, the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As the Project Loan Guarantee and the Credit Line Guarantee are for a fixed period with fixed terms, such continuing transactions will subsequently become connected transactions of the Company upon the Pacific Surplus Completion. The Company will comply with Rule 20.58 of the GEM Listing Rules requirement if the agreements relating to the Project Loan Guarantee and the Credit Line Guarantee are subsequently renewed, or their terms varied, to comply with all connected transaction requirements.

The transactions contemplated under the Deed of Indemnity and Share Pledge Agreement constitute financial assistance provided by a connected person of the Company. As the transactions contemplated under the Deed of Indemnity and Share Pledge Agreement will be conducted on normal commercial terms or better, and are not secured by the assets of the Group, pursuant to Rule 20.88 of the GEM Listing Rules, they are fully exempted from the reporting, announcement, circular and Independent Shareholder's approval requirements under Chapter 20 of the GEM Listing Rules.

Ms. Chan, Chairlady, chief executive officer, executive Director and a controlling shareholder of the Company, is considered to have a material interest in the Disposals and has abstained from voting on the resolutions in connection with the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement. Save as disclosed above, none of the Directors who voted in the Board meeting has a material interest in the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement.

Furthermore, pursuant to the GEM Listing Rules, any Shareholder with a material interest in the Disposals will abstain from voting in the EGM. Therefore, Macmillan Equity, which is wholly-owned by Ms. Chan and directly holds 411,350,000 Shares, representing approximately 51.38% of the issued share capital of the Company as at the date of this announcement, will abstain from voting at the EGM on the resolution(s) in relation to the transactions contemplated under the Pacific Surplus Agreement and

the Epic Wealth Agreement. Furthermore, as Ms. Wong is the mother of Ms. Chan, (i) Palgrave Enterprises Limited, which is wholly-owned by Ms. Wong and directly holds 173,180,000 Shares, representing approximately 21.63% of the issued share capital of the Company as at the date of this announcement; and (ii) Ms. Wong who directly holds 4,950,000 Shares, representing approximately 0.62% of the issued share capital of the Company in her capacity as a beneficial owner, have voluntarily agreed to abstain from voting at the EGM on the resolution(s) in relation to the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement. Save as disclosed above, to the best knowledge of the Directors, no Shareholders would be required to abstain from voting on the relevant resolutions in relation to the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement, or the distribution and payment of the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend at the EGM.

13. GENERAL

The Independent Board Committee comprising all independent non-executive Directors (namely, Mr. Ho Kent Ching-tak, Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy) has been formed to advise the Independent Shareholders on the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

The Company will convene an EGM to approve the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement, and the distribution and payment of the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend. A circular containing, among others, (i) further particulars of the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement and the distribution and payment of the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend; (ii) financial information of Pacific Surplus Group and Epic Wealth Group; (iii) unaudited pro forma financial information of the Group (after the Pacific Surplus Completion standalone, after the Epic Wealth Completion standalone, and after the Pacific Surplus Completion and the Epic Wealth Completion); (iv) recommendation of the Independent Board Committee in respect of the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement; (v) a letter of advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement; and (vi) other information as required under the GEM Listing Rules together with a notice convening the EGM is expected to be despatched to the Shareholders on or before 30 December 2024.

Completion of each of the Pacific Surplus Disposal and the Epic Wealth Disposal is subject to the Independent Shareholders' approval at the EGM and the satisfaction of the conditions precedent under the Pacific Surplus Agreement and the Epic Wealth Agreement, respectively. Therefore, the Pacific Surplus Disposal and the Epic Wealth Disposal may or may not proceed. The Pacific Surplus Disposal and the Epic Wealth Disposal are not inter-conditional and if only one of them is approved, the Company will proceed with the transaction that has been approved.

Furthermore, each of the Pacific Surplus Special Dividend and the Epic Surplus Special Dividend is subject to the Pacific Surplus Completion and the Epic Wealth Completion, respectively. As a result, the Pacific Surplus Special Dividend and the Epic Surplus Special Dividend may or may not be distributed and paid. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

14. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Assignment of the Sale Loan”	the deed of assignment of the Sale Loan in the agreed form to be entered into amongst the Company as assignor, Ms. Chan as assignee and acknowledged by Maxco concurrently with the Pacific Surplus Completion
“Bank”	Xiamen International Bank Co., Ltd. Longyan Branch* (廈門國際銀行股份有限公司龍岩分行), lender of the Fujian Dexi Loans
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Chairlady”	Chairlady of the Board
“China Insights Consultancy”	China Insights Industry Consultancy Limited, an independent market research and consulting company
“Company”	Grace Wine Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the GEM of the Stock Exchange (Stock Code: 8146)

“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Credit Line”	a credit line with maximum principal of RMB12 million pursuant to a comprehensive credit line agreement (綜合授信額度合同) entered into between Fujian Dexi as the borrower and the Bank as lender dated 23 October 2024 for a term of 3 years from 20 October 2024 to 20 April 2027, respectively
“Credit Line Guarantee”	a guarantee provided by Shanxi Grace Vineyard in favour of the Bank for the Credit Line pursuant to a guarantee agreement (保證合同) entered into by Shanxi Grace Vineyard as guarantor and the Bank as guarantee covering the total principal amount of RMB12.0 million together with interest, penalty interests, liquidated damages, compensation and other costs that the guarantor may incur to enforce the Credit Line for a term commencing from 23 October 2024 and ending three years after the expiration of the term of the Credit Line
“Deed of Indemnity”	the deed of indemnity to be entered into upon the Pacific Surplus Completion, which is executed by Ms. Chan as the indemnifier in favour of the Company for itself and as trustee for its subsidiaries, in relation to the Project Loan Guarantee and the Credit Line Guarantee
“Director(s)”	the director(s) of the Company
“Disposals”	collectively, Pacific Surplus Disposal and Epic Wealth Disposal
“Distillery Business”	the distillery business of gins and whisky principally operated by Pacific Surplus Group

“EGM”	an extraordinary general meeting of the Company to be convened and held to consider, among others and, if thought fit, approve, the Disposals, the Pacific Surplus Agreement, the Epic Wealth Agreement and the transactions contemplated thereunder, and the proposed distribution and payment of the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend
“Epic Wealth”	Epic Wealth Holdings Limited, a limited liability company incorporated under the laws of the BVI and directly wholly-owned by the Company
“Epic Wealth Agreement”	a conditional share purchase agreement dated 5 December 2024 entered into among the Company as seller and Ms. Chan as purchaser in relation to the Epic Wealth Disposal
“Epic Wealth Completion”	completion of the sale and purchase of the Epic Wealth Sale Shares in accordance with the terms and conditions of the Epic Wealth Agreement
“Epic Wealth Consideration”	the consideration for the Epic Wealth Disposal, being HK\$38,880,000
“Epic Wealth Disposal”	the proposed disposal by the Company of 30% of the issued share capital of Epic Wealth pursuant to Epic Wealth Agreement
“Epic Wealth Group”	Epic Wealth and its subsidiaries upon completion of the Fujian Dexi Reorganisation
“Epic Wealth Reorganisation”	the reorganisation whereby the Company transfer its entire interests in the six BVI holding companies for the Winery Business, namely Medford Global Limited, Grandtel Limited, Grand Fiesta Limited, Mercci Limited, Clover Star International Limited and Interfusion Limited, to Epic Wealth and thereby Epic Wealth to become the intermediary holding company for the entities of the Winery Business
“Epic Wealth Sale Shares”	30 issued ordinary shares representing 30% of the entire issued share capital of Epic Wealth

“Epic Wealth Special Dividend”	a proposed special dividend of HK\$4.256 cents per Share, to be declared, and to be distributed and paid to the Shareholders provided that the Shareholders approve the resolutions in relation to the Epic Wealth Disposal and the Epic Wealth Completion takes place
“Fujian Dexi”	Fujian Dexi Wine Co., Limited* (福建德熙酒業有限公司), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of Pacific Surplus and a member of Pacific Surplus Group
“Fujian Dexi Reorganisation”	the reorganisation of the equity interest in Fujian Dexi whereby Dragonet Limited (龍特有限公司) (an indirectly wholly-owned subsidiary of the Company) and Excellence Regent (卓峻有限公司) (an indirectly wholly-owned subsidiary of the Company) transfer their respective 18.9331% and 63.2845% equity interest in Fujian Dexi to Maxco at their respective registered capital of RMB18.1 million and RMB60.5 million, respectively
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, as amended or replaced or as their application is modified by listing decisions and guidance letters published from time to time or any other provisions from time to time
“Group”	the Company and its subsidiaries from time to time
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors (namely, Mr. Ho Kent Ching-tak, Mr. Lim Leung Yau Edwin and Mr. Alec Peter Tracy)

“Independent Financial Adviser”	Somerley Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and being the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement
“Independent Shareholders”	Shareholders who are not required to abstain from voting on resolution(s) approving the transactions contemplated under the Pacific Surplus Agreement and the Epic Wealth Agreement
“Long Stop Date”	30 June 2025 or such other date as the Company and Ms. Chan may mutually agree in writing pursuant to the terms of the Pacific Surplus Agreement and the Epic Wealth Agreement, respectively
“Longyan Distillery”	the gin and whisky distillery of Pacific Surplus Group located in Xiaochi Town, Xinluo District, Longyan City, Fujian Province, PRC
“Macmillan Equity”	Macmillan Equity Limited, a limited liability company incorporated under the laws of the BVI and directly wholly-owned by Ms. Chan and a controlling shareholder of the Company
“Maxco”	MAXCO ASIA LIMITED (萬浩亞洲有限公司), a company incorporated in Hong Kong with limited liability, an indirectly wholly-owned subsidiary of the Company and a member of the Pacific Surplus Group
“Mr. Chan Kwan”	brother of Ms. Chan and son of Ms. Wong, and a director of Shanxi Grace Vineyard
“Ms. Chan”	Ms. Judy Chan, Chairlady, chief executive officer, executive Director and a controlling shareholder of the Company, and daughter of Ms. Wong and sister of Mr. Chan Kwan
“Ms. Wong”	Ms. Wong Shu Ying, a substantial Shareholder of the Company, and mother of Ms. Chan and Mr. Chan Kwan

“Pacific Surplus”	PACIFIC SURPLUS LIMITED, a limited liability company incorporated under the laws of the BVI and directly wholly-owned by the Company
“Pacific Surplus Agreement”	a conditional share purchase agreement dated 5 December 2024 entered into between the Company as seller and Ms. Chan as purchaser in relation to Pacific Surplus Disposal
“Pacific Surplus Completion”	completion of the sale and purchase of the Pacific Surplus Sale Shares and the assignment of the Sale Loan in accordance with the terms and conditions of the Pacific Surplus Agreement
“Pacific Surplus Consideration”	the consideration for the Pacific Surplus Disposal, being HK\$71,280,000
“Pacific Surplus Disposal”	the proposed disposal by the Company of the entire issued share capital of Pacific Surplus pursuant to Pacific Surplus Agreement
“Pacific Surplus Group”	Pacific Surplus and its subsidiaries upon completion of the Fujian Dexi Reorganisation
“Pacific Surplus Sale Shares”	100 issued ordinary shares representing 100% of the entire issued share capital of Pacific Surplus
“Pacific Surplus Special Dividend”	a proposed special dividend of HK\$7.802 cents per Share, to be declared, and to be distributed and paid to the Shareholders provided that the Shareholders approve the resolutions in relation to the Pacific Surplus Disposal and the Pacific Surplus Completion takes place
“PRC” or “China”	the People’s Republic of China (which shall for the purposes of this announcement, unless otherwise indicated, exclude Hong Kong, the Macau Special Administrative Region and Taiwan)
“Project Loan”	a loan with principal of RMB81.71 million pursuant to a project loan agreement (項目借款協議) entered into between Fujian Dexi as the borrower and the Bank as lender dated 7 November 2023 for a term of 10 years from 13 November 2023 to 13 November 2033, as supplemented from time to time

“Project Loan Guarantee”	a guarantee provided by Shanxi Grace Vineyard in favour of the Bank for the Project Loan pursuant to a guarantee agreement (保證合同) entered into by Shanxi Grace Vineyard as guarantor and the Bank as guarantee covering the total principal amount of RMB81.71 million together with interest, penalty interests, liquidated damages, compensation and other costs that the guarantor may incur to enforce the Project Loan for a term commencing from 7 November 2023 and ending three years after the expiration of the term of the Project Loan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	an interest-free shareholder’s loan provided by the Company to Maxco, which outstanding balance is approximately RMB9.70 million (equivalent to approximately HK\$10.47 million) as at the date of the Pacific Surplus Agreement
“Shanxi Grace Vineyard”	Shanxi Grace Vineyard Co., Limited* (山西怡園酒莊有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company and a member of Epic Wealth Group
“Share Pledge Agreement”	a share pledge agreement to be entered into upon the Pacific Surplus Completion by Ms. Chan, the Company and Pacific Surplus, which is in favour of the Company by way of pledge over the Pacific Surplus Sale Shares as security in relation to the Project Loan Guarantee and the Credit Line Guarantee
“Shareholders”	holders of the Shares
“Shareholders’ Agreement”	Pursuant to the Epic Wealth Agreement, the shareholders’ agreement to be entered into between the Company and Ms. Chan upon the Epic Wealth Completion
“Shares”	ordinary shares of the Company
“Special Dividends”	refers to the Pacific Surplus Special Dividend and the Epic Wealth Special Dividend
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Valuation Report”	a valuation report of (1) the 30% equity interests in Epic Wealth Holdings Limited and (2) the 100% equity interests in Pacific Surplus Limited prepared by the Valuer dated 5 December 2024
“Valuer”	APAC Asset Valuation and Consulting Limited, an independent valuer engaged by the Group
“Winery Business”	the business principally operated by Epic Wealth Group

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

Hong Kong, 5 December 2024

As at the date of this announcement, the Board comprises Ms. Judy Chan as executive Director, Mr. Chow Christer Ho, Dr. Cheung Chai Hong and Mr. James Douglas Richard Field 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 Listed Company Information” page on 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.

For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.08 have been used for currency translation, where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in RMB or HK\$ has been, could have been or may be converted at such a rate.

* For identification purpose only