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)

Executive Director:
Ms. Judy CHAN *(Chairlady and Chief Executive Officer)*

Non-executive Directors:
Mr. CHOW Christer Ho
Dr. CHEUNG Chai Hong

Independent non-executive Directors:
Mr. James Douglas Richard FIELD
Mr. CHAN Tsz King Vincent
Mr. KONG Chi Hang Maurice

Registered Office:
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Principal Place of Business in Hong Kong:
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Westlands Centre
20 Westlands Road
Quarry Bay
Hong Kong

3 February 2026

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFERS BY SOMERLEY CAPITAL LIMITED AND EDDID CAPITAL LIMITED FOR AND ON BEHALF OF HILL VALLEY INVESTMENT CO LTD TO ACQUIRE ALL THE ISSUED SHARES OF GRACE WINE HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY HILL VALLEY INVESTMENT CO LTD) AND TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF GRACE WINE HOLDINGS LIMITED

INTRODUCTION

Reference is made to the Joint Announcement. On 10 December 2025, the Offeror as purchaser entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Offeror conditionally agreed to acquire (i) 411,350,000 Shares, representing approximately 51.38% of the total issued share capital of the Company as at the Latest Practicable Date, from the First Vendor; (ii) 173,180,000 Shares, representing approximately 21.63% of the total issued share capital of the Company as at the Latest Practicable Date, from the Second Vendor; and (iii) 4,950,000 Shares, representing approximately 0.62% of the total issued share capital of the Company as at the Latest Practicable Date, from the Third Vendor; altogether a total of 589,480,000 Shares, representing approximately 73.63% of the total issued share capital of the Company as at the Latest Practicable Date, for the aggregate Consideration of HK$73,629,777, equivalent to approximately HK$0.12491 per Sale Share.

The Consideration is HK$73,629,777, which is equivalent to approximately HK$0.12491 per Sale Share, and has been agreed between the Offeror and the Vendors after arm's length negotiations and having taken into account of, among others, the Company's historical share price performance, liquidity of the Shares and financial performance of the Group.

The first instalment consideration (the "**First Instalment Consideration**") were paid by the Offeror upon Completion in the following manner:

(i) as to HK$15,414,809 payable by the Offeror to the First Vendor;

(ii) as to HK$6,489,696 payable by the Offeror to the Second Vendor; and

(iii) as to HK$185,495 payable by the Offeror to the Third Vendor.

The second instalment consideration (the "**Second Instalment Consideration**") shall be payable by the Offeror on the date falling on nine months after the Completion Date (which is subject to further extension of not more than three months if requested by the Offeror) in the following manner:

(i) as to HK$35,965,406 payable by the Offeror to the First Vendor;

(ii) as to HK$15,141,580 payable by the Offeror to the Second Vendor; and

(iii) as to HK$432,791 payable by the Offeror to the Third Vendor.

As each of the Vendors will receive deferred payment of part of the Consideration from the Offeror subsequent to Completion, each of the Vendors is treated as providing financing or financial assistance to the Offeror in connection with the acquisition of the Sale Shares and is therefore presumed to be acting in concert with the Offeror under Class (9) of the definition of "acting in concert" under the Takeovers Code.

Completion took place on 12 December 2025.

On 10 December 2025, the Offeror executed the Share Charges in favour of the First Vendor in respect of 287,945,000 Shares, the Second Vendor in respect of 121,226,000 Shares and the Third Vendor in respect of 3,465,000 Shares (in aggregate, the "**Charged Shares**") as continuing security for payment of the secured obligations of the Offeror with respect to the deferred payment of the Second Instalment Consideration. The Offeror undertakes that the Charged Shares shall represent no less than 51% of the total issued shares of the Company at all times.

On 15 December 2025, the Offeror, Mr. Yang and the First Vendor entered into the Deed of Undertaking, pursuant to which both the Offeror and Mr. Yang undertake to the First Vendor that they would not sell, transfer, dispose of or encumber any of the Charged Shares without the prior written consent of the First Vendor.

Immediately before Completion, save for the Sale Shares owned by the Vendors and the 8,000,000 Share Options held by Ms. Judy Chan, the Offeror, Mr. Yang or the parties acting in concert with them did not own, control or have direction over any Shares or any outstanding options, derivatives, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which are convertible and exchangeable into Shares.

Upon Completion, the Offeror and the parties acting in concert with it are interested in 589,480,000 Shares, representing approximately 73.63% of the total issued share capital of the Company. Pursuant to Rule 26.1 and Rule 13.5 of the Takeovers Code, the Offeror is required to make mandatory unconditional cash offers to acquire (i) the Offer Shares, being all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror) and (ii) to cancel all the outstanding Share Options.

As at the Latest Practicable Date, the Company has (i) a total of 800,600,000 Shares in issue; and (ii) 12,400,000 outstanding Share Options conferring rights to subscribe for 12,400,000 new Shares with an exercise price of HK$0.170 to HK$0.186 per Share Option, all of which have been granted pursuant to the Share Option Scheme. Save for the Share Options mentioned above, the Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into the Shares or which confer rights to require the issue of Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into the Shares or which confer rights to require the issue of Shares.

The purpose of this Composite Document is to provide you with, among other things, (i) information relating to the Group, the Offeror and the Offers; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the terms of the Offers and as to acceptance of the Offers; and (iii) the letter from Red Sun Capital, the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee in relation to the Offers.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Chow Christer Ho, Dr. Cheung Chai Hong, Mr. James Douglas Richard Field, Mr. Chan Tsz King Vincent and Mr. Kong Chi Hang Maurice has been established by the Company, to advise the Independent Shareholders in relation to the terms and conditions of the Offers, in particular as to whether the Offers are fair and reasonable and as to the acceptance of the Offers. The above-named non-executive and independent non-executive Directors have no direct or indirect interest in the Offers. It is considered appropriate for them to be members of the Independent Board Committee in this regard.

You are advised to read the "Letter from the Independent Board Committee" addressed to the Independent Shareholders, the "Letter from the Independent Financial Adviser" and the additional information contained in the Appendices to this Composite Document before taking any action in respect of the Offers.

MANDATORY UNCONDITIONAL CASH OFFERS

The terms of the Offers as set out in the "Letter from the Joint Financial Advisers" are extracted below. You are recommended to refer to the "Letter from the Joint Financial Advisers" and the Forms of Acceptance for further details.

Somerley Capital and Eddid Capital, on behalf of the Offeror, are making the Offers on the following terms in accordance with Rule 26.1 of the Takeovers Code:

The Share Offer

For each Offer Share .... HK$0.12491 in cash

As at the Latest Practicable Date, none of the Offeror, Mr. Yang or parties acting in concert with any of them had received any irrevocable commitment to accept or not to accept the Offers.

The Offer Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all Encumbrances and together with all rights attaching thereto, including but not limited to all rights to any dividend and distribution declared, made or paid on or after the date on which the Offers are made, being the date of this Composite Document.

The Offer Price of HK$0.12491 per Offer Share is equal to the purchase price per Sale Share paid and payable by the Offeror pursuant to the Sale and Purchase Agreement. The Offers are unconditional in all respects. The Share Offer is extended to all Independent Shareholders in accordance with the Takeovers Code.

The Option Offer

For cancellation of each Share Option . . . . HK$0.0001 in cash

Pursuant to Rule 13 of the Takeovers Code, the Offeror will make an appropriate cash offer to the Optionholders for the cancellation of the Share Options. The Option Offer Price would normally be the see-through price which represents the amount by which the Share Offer Price per Offer Share exceeds the exercise price of each Share Option. Under the Option Offer, as the exercise price of all outstanding Share Options exceeds the Share Offer Price, the "see-through" price is negative and the Option Offer Price is set at the nominal amount of HK$0.0001 per Share Option.

The Option Offer is extended to all Optionholders (whether their respective Share Options are vested or not) in accordance with the Takeovers Code. Following acceptance of the Option Offer, the Share Options together with all rights attaching thereto will be entirely cancelled and renounced.

The Offers are unconditional in all respects and are not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

Further details regarding the Offers, including the terms and procedures for acceptance of the Offers are set out in the "Letter from the Joint Financial Advisers" and Appendix I to this Composite Document and the accompanying Forms of Acceptance.

INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands with limited liability. The Shares are listed on GEM. The principal activity of the Company is investment holding. The Group is an award-winning, established wine maker based in Shanxi Province, the PRC. Since commencing operations in 1997, the Group has been committed to making quality, value for money wine, catering to a wide range of customer taste and pricing preferences. The Group's portfolio of wine products targets at various consumers, from executive clientele and corporate customers with higher spending power to the more price-conscious mass market.

Set out below is a summary of the financial information of the Group for (i) each of the three financial years ended 31 December 2022, 2023 and 2024 as extracted from the annual reports of the Company for the years ended 31 December 2023 and 2024 and for (ii) the six months ended 30 June 2024 and 2025 as extracted from the interim report of the Company for the six months ended 30 June 2025:

	For the six months ended 30 June		**For the year ended 31 December**		
	2025	**2024**	**2024**	**2023**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	18,775	16,583	34,553	64,985	62,119
Profit/(Loss) before income tax	(2,571)	(2,425)	(35,336)	11,461	887
Proft/(Loss) for the year/period	(2,901)	(3,531)	(41,018)	10,220	(598)

The unaudited consolidated net assets of the Group attributable to Shareholders as at 30 June 2025 was approximately RMB89,721,000.

Your attention is drawn to the further details of the information of the Group as set out in Appendices II and V to this Composite Document.

SHAREHOLDING STRUCTURE

The table below sets out the shareholding structure of the Company (i) immediately before Completion; (ii) immediately after Completion and as at the Latest Practicable Date; and (iii) immediately after Completion (assuming all Share Options have been exercised):

	Immediately before Completion		**Immediately after Completion and as at the Latest Practicable Date**		**Immediately after Completion (assuming all Share Options have been exercised)**	
	Number of Shares held	*Approximate percentage of interest in the Company (%)*	*Number of Shares held*	*Approximate percentage of interest in the Company (%)*	*Number of Shares held*	*Approximate percentage of interest in the Company (%)*
Offeror and parties acting in concert with it *(Note 1)*	–	–	589,480,000	73.63	589,480,000	72.51
– First Vendor	411,350,000	51.38	–	–	–	–
– Second Vendor	173,180,000	21.63	–	–	–	–
– Third Vendor	4,950,000	0.62	–	–	–	–
– Ms. Judy Chan *(Note 2)*	–	–	–	–	8,000,000	0.98
Independent Shareholders	211,120,000	26.37	211,120,000	26.37	215,520,000	26.51
Total	800,600,000	100.00	800,600,000	100.00	813,000,000	100.00

Notes:

1. As each of the Vendors will receive deferred payment of part of the Consideration from the Offeror subsequent to Completion, each of the Vendors is treated as providing financing or financial assistance to the Offeror in connection with the acquisition of the Sale Shares and is therefore presumed to be acting in concert with the Offeror under Class (9) of the definition of "acting in concert" under the Takeovers Code.

2. Ms. Judy Chan, being the sole shareholder of the First Vendor and an executive Director, holds 8,000,000 Share Options. Save for Ms. Judy Chan, no other Directors are interested in the Shares or Share Options.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed "Information on the Offeror" in the "Letter from the Joint Financial Advisers" as set out in this Composite Document.

FUTURE INTENTIONS OF THE OFFEROR AND THE BOARD REGARDING THE GROUP

Your attention is drawn to the section headed "Intention of the Offeror in relation to the Group" in the "Letter from the Joint Financial Advisers" as set out in this Composite Document. The Offeror intends to continue the Group's existing principal business of the Group following the close of the Offers. The Offeror will conduct a detailed review of the existing principal business operations and financial position of the Group. Based on the review results, the Offeror will formulate business strategies for the Group's future development, and may explore other business opportunities from time to time and consider whether any acquisition or disposal of assets, fund-raising activity or business restructuring plan should be pursued with a view to achieving business diversification and/or long-term business growth of the Group. Notwithstanding the above, as at the Latest Practicable Date, the Offeror has no specific proposal for any acquisition or disposal of assets, fund-raising activity or business restructuring in relation to the Group and has not entered into any specific agreement or arrangement with the Group in connection therewith. In the event that any suitable opportunity for such corporate actions arises, further announcement(s) will be made by the Company in accordance with the GEM Listing Rules and the Takeovers Code as and when appropriate.

Save for the proposed change of the Board composition as detailed in the section sub-headed "Changes to the composition of the Board" under the "Letter from the Joint Financial Advisers" as set out in this Composite Document, as at the Latest Practicable Date, the Offeror had no intention to (i) discontinue the employment of any employees of the Group; or (ii) dispose of or re-deploy the fixed assets of the Company other than those in its ordinary and usual course of business.

The Board is aware of the intention of the Offeror in respect of the Group and is willing to render reasonable co-operation with the Offeror which is in the best interests of the Company and the Shareholders as a whole.

PUBLIC FLOAT AND MAINTENANCE OF THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that:

(a) if, at the close of the Offers, the Stock Exchange believes that:

  (i) a false market exists or may exist in the trading of the Shares; or

  (ii) an orderly market does not exist or may not exist;

  it will consider exercising its discretion to suspend dealings in the Shares; and

(b) if, at the close of the Offers, the Company has a Significant Public Float Shortfall (as defined in rule 17.37F of the GEM Listing Rules), then:

  (i) the Stock Exchange will add a designated marker to the stock name of the Shares; and

  (ii) the Stock Exchange will cancel the listing of the Shares if the Company fails to re-comply with Rule 17.37B of the GEM Listing Rules for a continuous period of 12 months from the commencement of the Significant Public Float Shortfall.

The Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the new Directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange that if, at the close of the Offers, the Company fails to comply with the requirement of Rule 17.37B of the GEM Listing Rules, they will take appropriate steps to ensure the Company's compliance with Rule 17.37B of the GEM Listing Rules at the earliest possible moment.

RECOMMENDATION

Your attention is drawn to the "Letter from the Independent Board Committee" set out on pages 38 to 40 of this Composite Document and the "Letter from the Independent Financial Adviser" set out on pages 41 to 63 of this Composite Document, which contain, among other things, their advice in relation to the Offers and the principal factors considered by them in arriving at their recommendation.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the Appendices to this Composite Document. You are also recommended to read carefully Appendix I to this Composite Document and the accompanying Forms of Acceptance for further details in respect of the procedures for acceptance of the Offers. You are reminded to read carefully the "Letter from the Joint Financial Advisers", the "Letter from the Board", the "Letter from the Independent Board Committee" and the letter of advice by the Independent Financial Adviser to the Independent Board Committee in respect of the Offers as set out in the "Letter from the Independent Financial Adviser" as contained in this Composite Document before deciding whether or not to accept the Offers. If you are in doubt about your position in connection with the Offers, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

Yours faithfully,
By order of the Board
Grace Wine Holdings Limited

Judy Chan
Chairlady, Chief Executive Director and Executive Director