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Great Wall Terroir  
長 城 天 下

**Great Wall Terroir Holdings Limited**  
**長城天下控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 524)**

## **CHANGE IN USE OF NET PROCEEDS FROM RIGHTS ISSUE**

Reference is made to the prospectus of Great Wall Terroir Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 12 November 2021 (the “**Prospectus**”), the announcements of the Company dated 7 October 2021 and 3 December 2021 (the “**Announcements**”) and the annual report of the Company for the year ended 31 December 2021 (the “**Annual Report**”) respectively. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus, the Announcements and the Annual Report.

On 6 December 2021, the Company completed a rights issue at a subscription price of HK\$0.1 per rights share on the basis of one (1) rights share for every five (5) shares held by the qualifying shareholders (the “**Shareholders**”) of the Company on the record date of 10 November 2021 (the “**November Rights Issue**”). The net proceeds from the November Rights Issue after deduction of professional fees and other relevant expenses amounted to approximately HK\$25.0 million (the “**Net Proceeds**”).

## **PROPOSED USE OF NET PROCEEDS**

As disclosed in the Prospectus, the Company intended to apply the Net Proceeds in the following manner:

- (a) approximately HK\$2.1 million in and towards funding tender submissions, supplier deposits and other payments necessary to the performance of projects that have been, and may be, awarded to the Group's telecommunication business;
- (b) approximately HK\$10.8 million towards repayment of outstanding loan in the principal amount of HK\$10,500,000 from Mr. Cheung Siu Fai, executive director (the "**Director(s)**") of the Company, and accrued interest thereon;
- (c) approximately HK\$5.1 million towards the general working capital of the Group for up to 3 months from May 2022 to July 2022, including operating expenses and administrative expenses, salary expenses and rental expenses, and selling expenses; and
- (d) the remainder of approximately HK\$7 million towards future investment opportunities in businesses (the "**Complementary Businesses**") that can complement and/or expand the Group's core business.

## CHANGE IN USE OF NET PROCEEDS

As at 31 May 2022, the Group had utilised approximately HK\$12.4 million, representing approximately 49.6% of the Net Proceeds, and the remaining balance of the Net Proceeds was approximately HK\$12.6 million. On 5 July 2022, the board (the “**Board**”) of Directors resolved to change the proposed use of Net Proceeds. Details of the original allocation of the Net Proceeds, revised allocation of the Net Proceeds, utilised Net Proceeds as at 31 May 2022 and unutilised Net Proceeds as at 31 May 2022 are set out as follows:

	Original allocation of the Net Proceeds <i>HK\$'million</i> <i>(approximately)</i>	Revised allocation of the Net Proceeds <i>HK\$'million</i> <i>(approximately)</i>	Utilised Net Proceeds as at 31 May 2022 <i>HK\$'million</i> <i>(approximately)</i>	Unutilised Net Proceeds as at 31 May 2022 <i>HK\$'million</i> <i>(approximately)</i>
Funding tender submissions, supplier deposits and other payments for projects awarded to the Group’s telecommunication business	2.1	2.1	0.3	1.8
Repayment of loan owing to Mr. Cheung Siu Fai	10.8	10.8	10.8	–
General working capital, including operating and administrative expenses, salary and rental expenses	5.1	5.1	1.3	3.8
Future investment opportunities in the Complementary Businesses	7.0	–	–	–
E-Commerce platform focusing on wine	–	7.0	–	7.0
	<u>25.0</u>	<u>25.0</u>	<u>12.4</u>	<u>12.6</u>

## **REASONS FOR CHANGE IN USE OF NET PROCEEDS**

The prolonged Coronavirus Disease 2019 (“**COVID-19**”) has continuously posed challenges to the global economy and imposed restrictions on cross-border and international travel in particular originating from or destinating to Hong Kong. Russia’s invasion of Ukraine in the first half of 2022 has also led to serious disruption of the global supply chain and worsened the operating environment of businesses. In light of the increasing uncertainties over the global economic environment and business outlook brought about by COVID-19 and the Russian invasion of Ukraine, there have been fewer opportunities in the market to invest in the Complementary Businesses. Having evaluated a number of investment targets, the Board has eventually considered them inappropriate and decided not to proceed to invest in those investment targets, for various reasons including difficulties encountered in the process of completing due diligence on those investment targets and having failed to reach an agreement on the major terms of investment. Accordingly, the Board has decided to put on hold the investment in the Complementary Businesses, and as a result, an amount of approximately HK\$7.0 million included in the unutilised Net Proceeds is left idle.

Since the outbreak of COVID-19 in 2020, the Government of the Hong Kong Special Administrative Region has imposed various protective measures, ranging from social distancing to restriction on travelling, in order to prevent transmission of COVID-19. These measures have changed people’s shopping habits from visiting physical stores to online shopping, leading to the rapid development of e-Commerce business sector in Hong Kong. The Board sees that the change in shopping habits is of a long-term nature and hence will not be reversed even when the pandemic ceases. On the other hand, the market value of the wine industry in Hong Kong has seen continuous robust growth over the last decade despite a mild drop in 2020 due to impact of COVID-19. Increased disposable income drives people in Hong Kong to consume wine more often at social events or engage in sale and distribution of premium wine. People are more willing to spend on specialty wines and on collection, vintages and rare wines. While global wine production has recorded a downward trend especially in Europe which is caused by poor harvests, climatic change and decreasing vineyard areas, this has in turn continued to push up the average price of wine per bottle. The Board believes that the wine market of Hong Kong will have a healthy growth in the foreseeable future.

With the unutilised Net Proceeds, the Company has been looking for opportunities to expand its information technology business and intending to invest in business in the information technology sector that could complement and utilise the Group's existing capabilities and technology in the telecommunications and information technology sectors. Based on the above, although the recent growth in the e-Commerce business sector focuses primarily on FMCG (fast moving consumer goods) and electronic products, the Board is of the view that investing in an e-Commerce platform on wine represents a good opportunity to capitalise on the market trend, diversify the Group's revenue streams and generate better returns for the Shareholders.

To leverage on the Group's experience in information technology and align the Group's business with the market trend, the Group intends to develop and establish an e-Commerce platform on wine (the "**Platform**") with value-added service offerings, which will allow users of the Platform (the "**Users**") to buy and sell their wine online without the restrictions of time and location, while the Group will collect platform fees from boutique wine merchants and individual wine collectors onboard the Platform. The Platform will offer a vast selection of wine, especially some unique and exclusive wine from most of the key wine producing countries, along with order placement, payment collection and local product delivery services. Apart from providing an e-Commerce platform for sale and distribution of wine, the Platform will also provide value-added services such as interim warehousing service and wine inspection service. The Platform is expected to commence operation in the fourth quarter of 2022, subject to final system testing and implementation, and assuming there are no other delays.

The Board, having considered that putting on hold the investment in the Complementary Businesses will result in unutilised Net Proceeds of approximately HK\$7.0 million being left idle, resolved to reallocate the Net Proceeds of approximately HK\$7.0 million originally intended for future investment opportunities in the Complementary Businesses to finance the development and maintenance of the Platform, including payment of various costs associated with development and initial marketing of the Platform, including purchasing an initial inventory of wine on market for display and sale on the Platform as part of its marketing campaign at launch, in order to utilise the Net Proceeds in a more effective way and to facilitate efficient allocation of the Company's financial resources.

The Board is of the view that the reallocation of the Net Proceeds which is in line with the business strategy of the Group is more favourable to the Group's long term business development and in the best interest of the Company and the Shareholders as a whole. The aforementioned change in the use of the Net Proceeds will not have any material adverse effect on the existing business and operations of the Group. The Directors will continuously revisit the plan for the use of the unutilised Net Proceeds and may amend such plan where necessary, so as to cope with the changing market conditions and strive for better business performance of the Group. Save as disclosed in this announcement, there are no other changes in the use of the Net Proceeds.

**Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

By Order of the Board  
**Great Wall Terroir Holdings Limited**  
**Cheung Siu Fai**  
*Chairman and Executive Director*

Hong Kong, 6 July 2022

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Cheung Siu Fai (chairman) and Mr. Hui Chun Wai Henry, and three independent non-executive Directors, namely Mr. Fong Wai Ho, Mr. Chow Hiu Tung and Mr. Cheung Sze Ming.*