

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of [Redacted] and the Capitalisation Issue without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [Redacted] and any options which may be granted under the Share Option Scheme, the following persons collectively are entitled to exercise or control the exercise of 30% or more of the voting power at the general meetings of our Company and are therefore regarded as Controlling Shareholders under the GEM Listing Rules:

| Name | Capacity/Nature of interest | Immediately after completion of [Redacted] and the Capitalisation Issue | |
|----------------|--|---|-------------------------------|
| | | No. of Shares held | Percentage of shareholding |
| Royal Spectrum | Beneficial owner ^(Note 1) | [Redacted] | [Redacted]% |
| Devoss Global | Interest in controlled corporation ^(Note 2) | [Redacted] | [Redacted]% |
| Mr. Ting | Interest in controlled corporation ^(Note 2) | [Redacted] | [Redacted]% |

Notes:

- The entire issued share capital in Royal Spectrum is legally and beneficially owned as to [Redacted]% by Devoss Global, [Redacted]% by Universal Chinese, and [Redacted]% by Montrachet. Devoss Global is deemed to be interested in the Shares held by Royal Spectrum under Part XV of the SFO.
- The entire issued share capital in Devoss Global is legally and beneficially owned by Mr. Ting. Mr. Ting is deemed to be interested in the Shares in which Devoss Global is interested in under Part XV of the SFO.

So far as our Directors are aware and save for the persons/corporations disclosed above, there are no other entities/persons who will, immediately following completion of [Redacted] and the Capitalisation Issue, have interests and/or short positions in the Shares or underlying Shares of our Company which will be directly interested in 10% or more of the voting rights at general meetings of our Company.

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INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our Group is capable of operating independently of our Controlling Shareholders and their respective associates after [Redacted], on the basis of the following information:

Management independence

The day-to-day management and operation of the business of our Group will be the responsibility of all of the executive Directors and senior management personnel of our Company. Our Board has six Directors comprising three executive Directors and three independent non-executive Directors. Mr. Ting, our executive Director, is also the ultimate Controlling Shareholder of our Company. Save for Mr. Ting, none of the other Directors nor any of the members of the senior management is a Controlling Shareholder.

We consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (a) each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant board meetings of our Company in respect of such transactions and will not be counted in the quorum; and
- (c) our Company has an independent senior management team to carry out business decisions of our Group independently.

Operational independence

Our Group has established our own organisational structure made up of individual departments, each with specific areas of responsibilities for daily operations of our Group. Our Group has not shared any operational resources, such as office premises, sales and marketing and general administration resources with our Controlling Shareholders and its associates. Our Group has also established a set of internal controls to facilitate the effective operation of its business.

During the Track Record Period, we also conducted certain sale and purchase transactions with two related parties, namely, Mr. Ting and Lucky Target. For the years ended 31 March 2014 and 2015, (i) our sales to Mr. Ting and Lucky Target collectively accounted for approximately 0.1% and nil, respectively, of our total revenue, (ii) our purchases from Mr. Ting and Lucky Target collectively accounted for approximately 2.5% and 0.9%, respectively, of our total cost of sales, (iii) our gross profit derived from the sale to Mr. Ting and Lucky Target accounted for approximately HK\$40,000 and HK\$6,000, respectively. The relevant financial figures were insignificant to our Group and as at the

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Latest Practicable Date, there was no other business transaction between our Group and our Controlling Shareholders and their respective associates. For further details in respect of the transactions with Mr. Ting and Lucky Target, please refer to the section headed “Discontinued Connected Transactions — Discontinued connected transactions” in this [Redacted].

Save for selling wine products to our Group, each of Mr. Ting and Lucky Target is not engaged in trading of wine products of other customers.

Save as disclosed above, our suppliers and customers are all independent from our Controlling Shareholders. We do not rely on our Controlling Shareholders or their associates. We have our independent access to our suppliers for the provision of services and materials and we have an independent management team to handle our day-to-day operations.

Financial independence

Our Group has independent financial and accounting systems and makes financial decisions according to its own business needs.

During the Track Record Period, Mr. Ting, our Controlling Shareholder provided a shareholder’s loan with a principal amount of HK\$13.5 million to our Group, which was paid off in January 2015. Details of the shareholder’s loan are disclosed in the section headed “Discontinued Connected Transactions — Discontinued connected transactions” in this [Redacted].

In view all the shareholder’s loan had been paid off and the amount due to Mr. Ting had been fully settled before [Redacted], our Directors are of the view that our Group is not financially dependent on our Controlling Shareholders and/or their respective associates in our business operations and our Group is able to obtain external financing on market terms and conditions for our business operations as and when required.

EXCLUDED BUSINESS

Apart from our Group, during the Track Record Period, a PRC established company indirectly wholly-owned by Mr. Ting, our Controlling Shareholder, had engaged in wine related business in the PRC, where the PRC company had purchased wine products for trading purposes in November 2012 and January 2013, respectively. The PRC company had sold all its wine inventory in May 2015. Since May 2015, the company has no longer been engaged in any wine trading business in the PRC.

INTERESTS OF OUR CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

As at the Latest Practicable Date, our Controlling Shareholders, individually and/or collectively also held interests in (i) investment holding companies; and (ii) companies providing micro-loans, which are not related to wine trading business.

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DEED OF NON-COMPETITION

Each of our Controlling Shareholders (each a “**Covenantor**” and collectively, the “**Covenantors**”) entered into the Deed of Non-competition in favour of our Company on [Redacted], under which each of the Covenantors has irrevocably and unconditionally, jointly and severally, warranted and undertaken to our Company (for ourselves and as trustee for each of its subsidiaries) that:

- (a) each of the Covenantors shall not, and shall procure each of his/its associates and/or companies controlled by him/it, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to the retail sales and wholesales of wine products and other alcoholic beverages as well as wine related services and businesses ancillary to any of the foregoing), in Hong Kong and any other country or jurisdiction to which our Group markets, sells, distributes, supplies or otherwise provides such products and/or in which any member of our Group carries on businesses mentioned above from time to time (the “**Restricted Business**”). Each of the Covenantors has represented and warranted to our Group that neither he/it nor any of his/its associates is currently interested, involved or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise than through our Group;
- (b) if each of the Covenantors and/or any of his/its associates is offered or becomes aware of any project or new business opportunity (“**New Business Opportunity**”) that relates to the Restricted Business, whether directly or indirectly, he/it shall: (i) promptly in any event not later than seven days notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; and (ii) use his/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its associates; and
- (c) if our Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within 30 business days (the “**30-day Offering Period**”) after receipt of notice from the Covenantors, the Covenantors and/or his/its associates shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord. The Covenantors also agree to extend the 30 business days to a maximum of 60 business days if our Company requires so by giving a written notice to the Covenantors within the 30-day Offering Period.

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In addition, upon [Redacted], each of the Covenantors has also undertaken:

- (a) in favour of our Company to provide our Company and our Directors from time to time (including our independent non-executive Directors) with all information necessary, including but not limited to monthly turnover records and any other relevant documents considered necessary by our independent non-executive Directors, for the annual review by our independent non-executive Directors with regard to compliance of the terms of the Deed of Non-competition and the enforcement of the non-competition undertakings in the Deed of Non-competition;
- (b) to provide to our Group, (if necessary) after the end of each financial year of our Company, a declaration made by each of the Covenantors which shall state whether or not the Covenantors have during that financial year complied with the terms of the Deed of Non-competition, and if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of our Company for the relevant financial year, such annual declaration shall be consistent with the principles of making voluntary disclosures in the corporate governance report; and
- (c) to our Company to allow our Directors (including our independent non-executive Directors), their respective representatives and the auditors to have sufficient access to the records of the Covenantor and his/its close associates to ensure their compliance with the terms and conditions under the Deed of Non-competition.

Further, each of the Covenantors has undertaken that during the period in which he/it and/or his/its associates, individually or taken as a whole, remains as a Controlling Shareholder:

- (i) he/it will not invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by our Group from time to time unless pursuant to the provisions stipulated in the Deed of Non-competition;
- (ii) he/it will not solicit any existing or then existing employee of our Group for employment by him/it or his/its associates (excluding our Group);
- (iii) he/it will not without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/its knowledge in his/its capacity as our Controlling Shareholder for any purposes; and
- (iv) he/it will procure his/its associates (excluding our Group) not to invest or participate in any project or business opportunity mentioned above unless pursuant to the provisions stipulated in the Deed of Non-competition.

The above undertakings (i) and (iv) are subject to the exception that any of the Covenantors and their respective associates (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Business or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after

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review and approval by our Directors (including our independent non-executive Directors without the attendance by any Director with beneficial interest in such project or business opportunities, in which resolutions have been duly passed by the majority of our independent non-executive Directors), confirmed its rejection to be involved or engaged, or to participate, in the relevant Restricted Business and provided also that the principal terms on which that the relevant Covenantor or the relevant associate of the Covenantors invests, participates or engages in the Restricted Business are substantially the same as or not more favourable than those disclosed to our Company. Subject to the above, if the relevant Covenantor or the relevant associate of the Covenantors decides to be involved, engaged, or participated in the relevant Restricted Business, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to our Company and our Directors as soon as practicable.

The non-competition undertaking will take effect from the date on which dealings in the Shares first commence on GEM and will cease to have any effect upon the earliest of the date on which (i) such Covenantors and his/its associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital in our Company directly or indirectly or cease to be deemed as our Controlling Shareholder and do not have power to control the Board or there is at least one other independent Shareholder other than the Covenantors and his/its respective associates holding more Shares than the Covenantors and his/its respective associates taken together; or (ii) the Shares cease to be listed and traded on GEM or other recognised stock exchange.

In order to strengthen the corporate governance and to effectively monitor the observance under the Deed of Non-competition in respect of the potential conflict of interests between our Group and the Covenantors, upon [Redacted]:

- (1) our Company will disclose in the annual reports the compliance and enforcement of the undertakings by the Covenantors in respect of the Deed of Non-competition and the appropriate action to be taken by our Company;
- (2) our Company will disclose the details and basis of the decisions on the matters reviewed by the independent non-executive Directors in relation to the compliance and enforcement of arrangement of the New Business Opportunity in the annual reports;
- (3) our independent non-executive Directors will be responsible for deciding, in the absence of any executive Director (except as invited by our independent non-executive Directors to assist them or provide any relevant information, but in no circumstances shall our executive Director(s), who participate in such meeting, be counted towards the quorum or allowed to vote in such meeting), whether or not to take up, or whether or not to allow any Covenantor(s) or his/its associate(s) to participate in, a New Business Opportunity referred to us under the terms of the Deed of Non-competition from time to time and if so, any conditions to be imposed;
- (4) our Board will ensure reporting any event relating to potential conflict of interests to our independent non-executive Directors as soon as practicable when it realises or suspects any event relating to potential conflict of interests may occur during the daily operations;

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- (5) following the reporting of any event relating to potential conflict of interests, our Board will hold a management meeting to review and evaluate the implications and risk exposures of such event and the compliance of the GEM Listing Rules in order to monitor any irregular business activities and alert the Board, including our independent non-executive Directors, to take any precautions actions; and
- (6) in the event that there is any potential conflict of interest relating to the business of our Group between our Group and our Controlling Shareholders, the interested Directors, or as the case may be, our Controlling Shareholders would, according to the Articles or the GEM Listing Rules, be required to declare his/its interests and, where required, abstain from in the relevant board meeting and/or general meeting voting on the transaction and not count as quorum where required.

RULE 11.04 OF THE GEM LISTING RULES

Our Controlling Shareholders and our Directors do not have any interest in a business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

UNDERTAKINGS

Our Company and each of our Controlling Shareholders has given certain undertakings in respect of our Shares, the Sole Sponsor and the Underwriters, details of which are set out in the section headed “Underwriting — Underwriting arrangements and expenses — Undertakings” in this [Redacted].

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of our Shareholders:

- (1) the Articles provide that a Director shall not be counted in the quorum or vote on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless in certain circumstances as expressly stated in the Articles;
- (2) our audit committee will review, on an annual basis, compliance with the Deed of Non-competition given by our Controlling Shareholders;
- (3) our Company will obtain (i) an annual written confirmation in respect of our Controlling Shareholders’ compliance with the terms of the Deed of Non-competition, (ii) consent (from each of our Controlling Shareholders) to refer to the said confirmation in our annual reports, and (iii) all information as may reasonably be requested by us and/or our independent non-executive Directors for our review and enforcement of the Deed of Non-competition;

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- (4) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in the annual reports of our Company;
- (5) our independent non-executive Directors may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of our Company;
- (6) our independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/its close associates to be involved in or participate in a Restricted Business and if so, specifying any condition to be imposed; and
- (7) our Company has appointed Innovax Capital Limited as the compliance adviser which shall provide the Company with professional advice and guidance in respect of compliance with the GEM Listing Rules and applicable laws.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders’ approval requirements.

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out above, our Directors believe that the interest of our Shareholders will be protected.