
HISTORY AND CORPORATE STRUCTURE

INTRODUCTION

Our Company was incorporated in Bermuda on 21 August 2008 as the holding company of our Group. Fullest Power is the directly wholly-owned subsidiary of our Company, while Rich Treasure is the directly wholly-owned subsidiary of Fullest Power. Fullest Power and Rich Treasure were incorporated on 19 May 2006 and 18 July 2008, respectively. They are both investment holding companies and were established for the purpose of holding our Company’s interest in Tongtian Winery, which is the directly wholly-owned subsidiary of Rich Treasure. Tongtian Winery is the sole operating company within our Group, and is engaged in our principal business of the production and sales of grape wines.

OUR HISTORY AND DEVELOPMENT

The history of our Group dates back to the preparation for the establishment of Tongtian Winery in November 2000 as a limited liability company in the PRC by our chairman and chief executive officer, Mr. Wang, with the help of his family members. Mr. Wang had perceived a trend towards the increase in consumption of grape wines in the PRC as the preferred alcoholic beverage, instead of traditional alcohols such as baijiu (grain-based Chinese “white” wine) or beer. In particular, Mr. Wang recognised the potential for sweet wines produced from the indigenous mountain grape varieties (the *vitis amurensis* variety) unique to the Tonghua region, and developed a vision to become the foremost producer of PRC wine based on these unique local grape varieties. Mr. Wang was supported by a group of key managers, and with whom he had worked extensively in the past, including our executive Director, Mr. Zhang Hebin, and our chief winemaker, Ms. Ji Chunhua.

Tongtian Winery was formally established as a limited liability company in the PRC on 9 January 2001. Tongtian Winery was converted into a joint stock limited company in August 2001, when the group of key managers joined Mr. Wang as shareholders of Tongtian Winery. As part of national and regional government policy in encouraging the production of goods unique to the PRC, our “Tongtian” (“通天”) label was conferred the “PRC Public Recommended Brand” award (全國公眾推薦名優品牌) jointly by the China Socio-Economic Strategy Consultation Centre (中國社會經濟決策諮詢中心) and the Famous Brand Protection and Inspection Institute (名牌產品市場保護調查所) in 2001. Tongtian Winery also received the “China Famous and Premium Wine” award (中國名優葡萄酒) conferred by the China Food Industry Association (中國食品工業協會) in the same year. As a testament to the market acceptance of our products as well as our successful marketing strategies, we were conferred the Asia-Pacific Satisfactory Consumer Products Award (亞太地區消費者滿意產品) by the China International Food Industry Association (中國國際食品工業協會) in November 2002.

The year 2003 marked the next phase of our expansion. In October 2003, Tongtian Winery relocated to newly constructed factory premises in Dong’an Village, Kuaidamao Town, Tonghua County, Jilin Province, the PRC. The new production facilities included a new fully automated wine bottling processing line as well as ten 100-tonne wine storage tanks, twenty 50-tonne tanks and fifteen 30-tonne tanks which, together with leased storage tanks with a total capacity of approximately 8,000 tonnes, increased our storage capacity to approximately

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10,450 tonnes. That year, we also acquired the land and factory premises of a winery facility in Changchuan Village, Qingshi Town, Ji’An City covering approximately 6,555 sq.m. This winery facility, as located in proximity to the neighbouring vineyards, gave us the crucial ability to immediately process our own raw grape juice from freshly harvested grapes.

In the face of increasing demand for our grape wine products, and so as to secure our supply of grapes, in March 2004, Tongtian Winery entered into 20-year long-term supply agreements with selected local grape farmers in the Ji’An region whose vineyards produced grapes of the requisite quality. As at the Latest Practicable Date, our Group had entered into long-term supply agreements with [173] local grape farmers with surrounding vineyards covering an area of approximately [14,577,408] sq.m.

In May 2004, we further expanded our Tonghua production facility with the installation of 18 additional 100-tonne wine storage tanks and 23 additional 50-tonne dual-purpose tanks, as well as the addition of one more fully automated wine bottling processing line to support the increase in our wine production capacity. Our production capacity was then increased to our current capacity of approximately 19,000 tonnes of wine per annum. By the end of 2004, our distribution network comprised 36 distributors marketing our range of 12 wine products to 16 provinces and municipal cities in the PRC.

In 2004, our grape wine products were recognised as “Wine of Excellent Quality” (優秀葡萄酒) by the Expert Committee of the Grape and Fruit Wine, China Food Industry Association (中國食品工業協會葡、果酒專家委員會). In recognition of our environmentally friendly business practices and production quality, five of our “Tongtian” (“通天”) and “Tongtian Hong” (“通天紅”) labeled wine product ranges, including our ice wines and dry wines, were conferred the “Green Food-Class A” certification (綠色食品A級標準) by the China Green Food Development Centre (中國綠色食品發展中心) in September 2004, as a result of which we were allowed to include the “Green Food” logo on the labels of our ice wine products.

In April 2005, we began our next phase of expansion with the installation of 22 additional 100-tonne wine storage tanks. Our “Tongtian” label of wine products also received the “Famous Product of Jilin Province” award (吉林省名牌產品) in 2005, thereby consolidating our status as one of the leading PRC producers of grape wines and in particular, sweet wines based in Jilin Province.

In October 2006, we were also awarded the Geographic Indication Protected Products of the PRC (中華人民共和國地理標誌保護產品) (“GI Products”) by the Association for Geographic Indication Protected Products of Jilin Province (吉林省地理標誌產品保護協會). The GI Products mark is a quality mark that the state grants to an enterprise to use on their labels for approved products from specified areas at origin in the PRC, which in our case represents a recognition of our grape wine products made from indigenous *vitis amurensis* grapes from the Tonghua region.

In April 2007, Tongtian Winery was converted into a wholly-owned foreign enterprise in preparation towards the [●] of our Group. For further details of such conversion, please refer to the section headed “History and Corporate Structure – Our Corporate Reorganisation” of this document.

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As a continued affirmation of the quality of our products, in December 2007 the “Green Food – Class A” certification (綠色食品A級標準) by the China Green Food Development Centre (中國綠色食品發展中心) for some of our “Tongtian” (“通天”) and “Tongtian Hong” (“通天紅”) labelled wine product ranges were renewed for another three years.

As a testament to the prominence and popularity of our grape wine products, we were awarded both the “Top 500 Brands of the PRC” (中國品牌500強) and the “Top 10 PRC Grape Wine Industry Brands” award (中國葡萄酒行業十大品牌) by the China Market Brands Strategy Forum Organising Committee (中國市場品牌戰略論壇組委會) in March 2008.

In [September 2007], we also commenced construction of additional facilities at our Tonghua production facility to further expand our production capacity. Upon completion of the additional facilities which we expect to achieve by the end of 2010, we expect our annual production capacity to increase by an additional 20,000 tonnes.

As at the Latest Practicable Date, we offer a wide range of [18] different kinds of grape wine products in the categories of sweet wine and dry wine, and our distribution network comprises [71] distributors marketing our products to [19] provinces and [3] municipal cities (namely, Beijing, Chongqing and Shanghai) in the PRC.

OUR CORPORATE REORGANISATION

Set out below is the shareholding structure of Tongtian Winery owned by Mr. Wang and certain founding members since its establishment as a joint-stock limited company in August 2001 and immediately prior to the Corporate Reorganisation:

Name of shareholder	Percentage shareholding in Tongtian Winery (%)
Mr. Wang (<i>Note 1</i>)	72.0
Mr. Zhang Hebin (<i>Note 2</i>)	10.0
Mr. Kang Hong (<i>Note 3</i>)	6.0
Mr. Sun Yankun (<i>Note 4</i>)	6.0
Ms. Pei Zhilan (<i>Note 5</i>)	6.0

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Notes:

- (1) Of the 72% of the entire equity interest in Tongtian Winery beneficially owned by Mr. Wang, 38.77% was registered and held in his own name and the remaining 33.23% was registered in and held upon trust for Mr. Wang by his nominees (namely, as to 11.23% by Ms. Wang Lijuan (王麗娟), 5% by Mr. Liu Chongshan (劉崇山), 5% by Mr. Sun Shuang (孫雙), 1% by Mr. Zhang Bairui (張百瑞), 1% by Mr. Wen Hongbo (溫洪波), 1% by Mr. Yan Yuli (閻玉禮), 1% by Mr. Kong Xiangge (孔祥閣), 1% by Mr. Yu Dazhou (于大洲), 1% by Mr. Qin Hongshu (秦洪樹), 1% by Ms. Lv Zhihui (呂智惠) and 5% by Ms. Wang Lijun (王麗君)).

Ms. Wang Lijuan, being one of the founding management team members of Tongtian Winery and an executive Director, is the sister of Mr. Wang and Ms. Wang Lijun (one of the nominees of Mr. Wang) and the spouse of Mr. Wen Hongbo (one of the nominees and the brother-in-law of Mr. Wang). The remaining nominees, who are Independent Third Parties, are friends of Mr. Wang.

- (2) Of the 10% of the entire equity interest in Tongtian Winery beneficially owned by Mr. Zhang Hebin, 5% was registered and held in his own name and the remaining 5% was registered in and held upon trust for him by his nominee (namely, Mr. Wang Dechen (王德臣), a friend of Mr. Zhang Hebin and an Independent Third Party).
- (3) Of the 6% of the entire equity interest in Tongtian Winery beneficially owned by Mr. Kang Hong, 5% was registered and held in his own name and the remaining 1% was registered in and held upon trust for him by his nominee (namely, Ms. Ji Chunhua (紀春花), the spouse of Mr. Kang Hong).

Ms. Ji Chunhua is one of the founding management team members of Tongtian Winery and one of the senior management of our Group.

- (4) Of the 6% of the entire equity interest in Tongtian Winery beneficially owned by Mr. Sun Yankun, 5% was registered and held in his own name and the remaining 1% was registered in and held upon trust for him by his nominee (namely, Mr. Wan Hui (萬輝), a friend of Mr. Sun Yankun and an Independent Third Party).
- (5) Of the 6% of the entire equity interest in Tongtian Winery beneficially owned by Ms. Pei Zhilan, 5% was registered and held in her own name and the remaining 1% was registered in and held upon trust for her by her nominee (namely, Mr. Shen Chengbo (沈成波), the brother-in-law of Ms. Pei Zhilan).
- (6) In the preparation of its establishment as a joint-stock limited company in the PRC, Tongtian Winery accepted the recommendation from Tonghua Municipal Economic Committee (通化市經濟委員會) (“TMEC”) to have 20 members as promoters or founding members of Tongtian Winery on its establishment as a joint-stock limited company, which was the usual and recommended practice adopted by TMEC. Accordingly, the nominee arrangements were entered into by the relevant shareholders with their respective nominees so that Tongtian Winery would have the suggested number of shareholders at that time. As advised by Jingtian & Gongcheng, our Company’s PRC legal advisers, the nominee arrangements are legal, valid and enforceable under the PRC laws.
- (7) Save as disclosed above, there was no past or present relationship, business or otherwise, between the nominees and our Group, our Shareholders, Directors, members of its senior management or their respective associates.

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The companies comprising our Group underwent a reorganisation to rationalise our corporate structure in preparation for the [●], and as a result, our Company became the holding company of our Group. The Corporate Reorganisation involved the following steps:

(a) Incorporation of Fullest Power

Fullest Power was incorporated on 19 May 2006 in the BVI as an investment holding company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each (“Fullest Power Shares”). Upon incorporation, an aggregate of 50,000 Fullest Power Shares were allotted and issued, for cash at par, to certain founding members of Tongtian Winery, in the proportion set out in the table below:

Name (Note)	Number of Fullest Power Shares	Percentage shareholding in Fullest Power (%)
Mr. Wang	36,000	72.0
Mr. Zhang Hebin	5,000	10.0
Mr. Kang Hong	3,000	6.0
Mr. Sun Yankun	3,000	6.0
Ms. Pei Zhilan	3,000	6.0
Total	50,000	100.0

Note: Save for (i) Mr. Wang and Mr. Zhang Hebin who are executive Directors and (ii) the shareholders’ relationship of the founding members named above in Tongtian Winery, the founding members named above have no relationship with each other and each of them is not connected with our Company, its connected persons or their respective associates.

(b) Acquisition and conversion of Tongtian Winery into a wholly-owned foreign enterprise

On 21 August 2006, Fullest Power entered into an equity transfer agreement with the founding members of Tongtian Winery and, where relevant, their respective nominees, to acquire the entire equity interest in Tongtian Winery (which was then a joint-stock limited company) for an aggregate consideration of RMB87,110,000 (which was determined with reference to the net asset value of Tongtian Winery as at 31 December 2005 as valued by Jilin Zhongtian Certified Public Accountants Co., Ltd. (吉林中天會計師事務所有限公司), an independent valuer, and satisfied in full by cash).

The acquisition of the entire equity interest in Tongtian Winery by Fullest Power was approved on 28 August 2006 when the Department of Commerce of Jilin Province (吉林省商務廳) issued the Approval on the Acquisition of the Equity Interests in Tonghua Tongtian Winery Company Limited (《關於通化通天酒業股份有限公司股權併購的批復》)

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numbered Ji Shang Wai Zi Zi 【2006】 No.122 (吉商外資字【2006】122號). Under the Approval, the registered capital of US\$10,848,100 was required to be paid up within six months from the issuance of the new business licence to Tongtian Winery in respect of its conversion into a wholly foreign-owned enterprise.

The establishment of Tongtian Winery as a wholly-owned foreign enterprise with a total investment and registered capital of US\$10,848,100 was approved on 5 September 2006 when Jilin Provincial People’s Government issued the Certificate of Approval for Establishment of Enterprises with Foreign Investments in the PRC numbered Shang Wai Zi Ji Fu Zi 【2006】 No.0039 (商外資吉府字【2006】0039號). On 24 April 2007, Tonghua Municipal Administration for Industry and Commerce (通化市工商行政管理局) issued the business license numbered Qi Du Ji Tong Zong Fu Zi Di No.000300 (企獨吉通總副字第000300號) to Tonghua Winery, pursuant to which, Tonghua Winery was duly converted into a wholly-owned foreign enterprise.

Following the abovementioned approvals, Fullest Power’s contribution towards Tongtian Winery’s registered capital requirements of US\$10,848,100 was financed by funds advanced as to US\$4,683,704 by Youth Group, US\$2,054,802 by Crystal Planet, US\$2,054,802 by Add Noble and US\$2,054,802 by Top Star Fortune (collectively, the “Foreign Investor Loan”) at the request of Mr. Wang under four separate loan agreements all dated 12 September 2007 entered into by Mr. Wang with each of the Foreign Investors. The Foreign Investor Loan was unsecured and carried interest at the rate of 1% over the prevailing best lending rate quoted by The Hongkong & Shanghai Banking Corporation Limited per annum.

According to the capital verification report Tong Wei Kuai Jian (Yan) Zi 【2007】 No.067 (通威會鑒(驗)字【2007】067號) dated 24 September 2007 and the capital verification report Tong Wei Kuai Jian (Yan) Zi 【2007】 No.068 (通威會鑒(驗)字【2007】068號) dated 30 September 2007 issued by Tonghua Tianwei Certified Public Accountants Co., Ltd., the registered capital of Tongtian Winery in the amount of US\$10,848,100 was fully paid up on 28 September 2007 and is completed within six months from the issuance of the new business licence of Tongtian Winery in respect of its conversion into a wholly-owned foreign enterprise. As advised by Jingtian & Gongcheng, our Company’s PRC legal advisers, the payment of such registered capital was duly made in accordance with the applicable rules and regulations of the PRC.

Following completion of the contribution towards the registered capital of Tongtian Winery, Fullest Power became indebted to Mr. Wang for the principal amount of US\$10,848,100 (the “Fullest Power Loan”). The Fullest Power Loan was fully settled on 28 November 2008, as further described in paragraph (h) below.

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(c) Transfer of Fullest Power Shares to Foreign Investors

On 12 September 2007, Mr. Wang entered into a series of sale and purchase agreements with each of the Foreign Investors for the acquisition by the Foreign Investors of an aggregate of 21% of the then total issued share capital of Fullest Power (representing 10,500 Fullest Power Shares) from Mr. Wang at an aggregate consideration of US\$8,630,168, in the following manner:

Foreign Investor	Number of Fullest Power Shares transferred	Percentage (%)	Consideration (US\$)
Youth Group (<i>Notes 1 and 5</i>)	3,000	6	2,465,762
Crystal Planet (<i>Notes 2 and 5</i>)	2,500	5	2,054,802
Add Noble (<i>Notes 3 and 5</i>)	2,500	5	2,054,802
Top Star Fortune (<i>Notes 4 and 5</i>)	2,500	5	2,054,802
Total	<u>10,500</u>	<u>21</u>	<u>8,630,168</u>

Notes:

- (1) Youth Group is a company incorporated in the BVI and is solely and beneficially owned by Mr. Tai Kwok Leung, Alexander (“Mr. Alexander Tai”). Mr. Alexander Tai is a passive financial investor and does not hold any directorship or management position within our Group. Mr. Alexander Tai is the brother of Mr. Tai Hon Leung, Henry, the sole and beneficial owner of Add Noble, one of the Foreign Investors. Mr. Alexander Tai became acquainted with Mr. Wang in social events and came to know about our Group after their acquaintance.
- (2) Crystal Planet is a company incorporated in the BVI and is solely and beneficially owned by Ms. Kam Kwok Fong (“Ms. Kam”). Ms. Kam is a passive financial investor and does not hold any directorship or management position within our Group. Ms. Kam became acquainted with Mr. Wang and came to know about our Group through the introduction of Mr. Alexander Tai.
- (3) Add Noble is a company incorporated in the BVI and is solely and beneficially owned by Mr. Tai Hon Leung, Henry (“Mr. Henry Tai”). Mr. Henry Tai is a passive financial investor and does not hold any directorship or management position within our Group. Mr. Henry Tai is the brother of Mr. Alexander Tai, the sole and beneficial owner of Youth Group, one of the Foreign Investors. Mr. Henry Tai became acquainted with Mr. Wang and came to know about our Group through the introduction of Mr. Alexander Tai.
- (4) Top Star Fortune is a company incorporated in the BVI and is solely and beneficially owned by Mr. Hsu Ching-Hao (“Mr. Hsu”). Mr. Hsu is a passive financial investor and does not hold any directorship or management position within our Group. Mr. Hsu became acquainted with Mr. Wang in social events and came to know about our Group after their acquaintance.
- (5) Save as disclosed above, there was no past or present relationship, business or otherwise, between the Foreign Investors and our Group, its Shareholders, Directors, members of its senior management or their respective associates.

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The aggregate consideration of US\$8,630,168 for the above acquisition of Fullest Power Shares was determined on willing buyer and willing seller basis and with reference to 21% of the profit after taxation of Tongtian Winery for the year ended 31 December 2006 of approximately RMB66 million (or approximately US\$8,219,208) and a price earnings multiple of approximately 5 times of the profit after taxation of Tongtian Winery. The 5 times earnings multiple was the agreed basis of valuation of the 21% interest.

The consideration payable by each Foreign Investor was satisfied by means of setting off against an equivalent amount of its respective portion of the Foreign Investor Loan advanced to Mr. Wang. The balance of Foreign Investor Loan in the amount of US\$2,217,932 (the repayment date of which was 31 March 2009 and is extendable at the sole discretion of Youth Group until repayment) due from Mr. Wang to Youth Group remained to be repaid as at the Latest Practicable Date. The balance of the Foreign Investor Loan, which is a personal loan between Mr. Wang and Youth Group, will continue to accrue interest until repayment. Mr. Wang will repay the balance of the Foreign Investor Loan by his personal resources.

(d) Incorporation of Rich Treasure

Rich Treasure was incorporated in Hong Kong on 18 July 2008 as an investment holding company with an authorised capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each, of which ten ordinary shares of HK\$1.00 each were allotted and issued or transferred at par to Fullest Power on 20 August 2008.

(e) Incorporation of our Company and change in currency denomination

Our Company was incorporated in Bermuda on 21 August 2008 as an exempted company and the holding company of our Group. As at the date of incorporation, our Company had an authorised share capital of S\$20,000 initially divided into 200,000 ordinary shares with a par value of S\$0.10 each, of which 100,000 ordinary shares with a par value of S\$0.10 each were allotted and issued nil paid by our Company to Up Mount on 8 September 2008.

On 5 June 2009, the denomination of the par value of the ordinary shares in our Company was changed from S\$0.10 each to HK\$0.01 each. Accordingly, the authorised share capital of our Company became HK\$107,200 comprising 10,720,000 ordinary shares of HK\$0.01 each, and the issued share capital of our Company became HK\$53,600 divided into 5,360,000 Shares.

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(f) Acquisition of Tongtian Winery by Rich Treasure from Fullest Power

On 27 August 2008, Rich Treasure entered into an equity transfer agreement with Fullest Power pursuant to which Fullest Power agreed to transfer the entire equity interest in Tongtian Winery to Rich Treasure at the consideration of US\$10,848,100 (equivalent to the registered and paid-up capital of Tongtian Winery as at the date of the equity transfer agreement) which was settled by the allotment and issue of an aggregate of 9,990 ordinary shares of HK\$1.00 each in the capital of Rich Treasure, credited as fully paid, to Fullest Power, upon completion of the transfer. The transfer was approved on 22 September 2008 when the Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the PRC (《中華人民共和國台港澳僑投資企業批准證書》), “Certificate of Approval”) numbered Shang Wai Zi Ji Fu Zi 【2006】 No.0039 (商外資吉府字【2006】 0039號) was issued by People’s Government of Jilin Province (吉林省人民政府) to Tongtian Winery.

Following completion of the abovementioned transfer, Tongtian Winery became the wholly-owned subsidiary of Rich Treasure, which was in turn the wholly-owned subsidiary of Fullest Power.

(g) Increase in authorised share capital of Fullest Power

On 28 November 2008, the directors of Fullest Power approved the increase of the authorised share capital of Fullest Power from US\$50,000 to US\$100,000 by the creation of an additional 50,000 new Fullest Power Shares of US\$1.00 each.

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(h) Capitalisation of the Fullest Power Loan

On 28 November 2008, the full amount of the Fullest Power Loan was capitalised by the allotment and issue of an aggregate of 50,000 Fullest Power Shares, credited as fully paid, at the request and as directed by Mr. Wang as follows: (i) 25,500 Fullest Power Shares to Mr. Wang, (ii) 5,000 Fullest Power Shares to Mr. Zhang Hebin, (iii) 3,000 Fullest Power Shares to Mr. Kang Hong, (iv) 3,000 Fullest Power Shares to Mr. Sun Yankun, (v) 3,000 Fullest Power Shares to Ms. Pei Zhilan, (vi) 3,000 Fullest Power Shares to Youth Group, (vii) 2,500 Fullest Power Shares to Crystal Planet, (viii) 2,500 Fullest Power Shares to Add Noble and (ix) 2,500 Fullest Power Shares to Top Star Fortune.

Following this, the shareholding structure of Fullest Power was as follows:

Name of shareholder of Fullest Power	Number of Fullest Power Shares	Percentage shareholding in Fullest Power (%)
Mr. Wang	51,000	51.0
Mr. Zhang Hebin	10,000	10.0
Mr. Kang Hong	6,000	6.0
Mr. Sun Yankun	6,000	6.0
Ms. Pei Zhilan	6,000	6.0
Youth Group	6,000	6.0
Crystal Planet	5,000	5.0
Add Noble	5,000	5.0
Top Star Fortune	5,000	5.0
Total	100,000	100.0

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(i) Transfer of Fullest Power Shares to the investment holding companies of the founding members of Tongtian Winery

On 28 November 2008, each of Mr. Wang, Mr. Zhang Hebin, Mr. Kang Hong, Mr. Sun Yankun and Ms. Pei Zhilan transferred all their respective 51,000, 10,000, 6,000, 6,000 and 6,000 Fullest Power Shares to their respective investment holding companies (namely, Up Mount, Wing Move, Win Honour, Public Success and Glory Wish) at nil consideration (the “Exchange”).

Immediately upon completion of the Exchange, the shareholding structure of Fullest Power was as follows:

Name of shareholder of Fullest Power	Number of Fullest Power Shares	Percentage shareholding in Fullest Power (%)
Up Mount	51,000	51.0
Wing Move	10,000	10.0
Win Honour	6,000	6.0
Public Success	6,000	6.0
Glory Wish	6,000	6.0
Youth Group	6,000	6.0
Crystal Planet	5,000	5.0
Add Noble	5,000	5.0
Top Star Fortune	5,000	5.0
Total	100,000	100.0

(j) Increase in authorised share capital of our Company

On 28 October 2009, Up Mount, the then sole shareholder of our Company, approved the increase in our authorised share capital of HK\$107,200 comprising 10,720,000 Shares to HK\$100,000,000 comprising 10,000,000,000 Shares by the creation of an additional 9,989,280,000 Shares.

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(k) Acquisition of Fullest Power

On 28 October 2009, our Company (as purchaser), and all the shareholders of Fullest Power (as vendors) entered into a share swap agreement (the “Share Swap Agreement”). Pursuant to the Share Swap Agreement, our Company acquired the entire issued and paid-up share capital of Fullest Power comprising 100,000 Fullest Power Shares from the shareholders of Fullest Power. The consideration for the acquisition was satisfied by (i) crediting as fully paid, at par, the [●] nil-paid ordinary shares of HK\$0.01 each in our Company held by Up Mount and (ii) the allotment and issue of an aggregate of [●] new ordinary shares of HK\$0.01 each in the capital of our Company, credited as fully paid. Immediately after completion of the Share Swap Agreement on 28 October 2009, the resultant shareholding of our Company was as follows:

Name of allottee	Number of Shares Issued to the allottee	Percentage of the issued and paid capital of our Company (%)
Up Mount	[●]	51.0
Wing Move	[●]	10.0
Win Honour	[●]	6.0
Public Success	[●]	6.0
Glory Wish	[●]	6.0
Youth Group	[●]	6.0
Add Noble	[●]	5.0
Crystal Planet	[●]	5.0
Top Star Fortune	[●]	5.0
Total	[●]	100.0

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SAFE REGISTRATION

According to the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Return Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Vehicle (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the “SAFE Circular 75”), which was issued by SAFE on 21 October 2005, and effective on 1 November 2005:

- domestic residents who plan to establish or control an overseas special purpose vehicle must conduct foreign exchange registration with the local foreign exchange authority;
- domestic residents who have contributed their assets or shares of a domestic enterprise into an overseas special purpose vehicle, or have raised funds overseas after such contribution, must conduct foreign exchange registration for the modification of the record concerning the overseas special purpose vehicle with the local foreign exchange authority; and
- domestic residents who are the shareholder of an overseas special purpose vehicle are required to go through registration for the modification of the record with the local foreign exchange authority within 30 days from the date of any major capital change event, such as an increase/decrease of capital, share transfer, share swap, merger or division, long-term equity or debt investment or foreign guarantee where no round-trip investment is involved.

Our PRC legal advisers, Jingtian & Gongcheng, have advised that Mr. Wang, Mr. Zhang Hebin, Mr. Kang Hong, Mr. Sun Yankun and Ms. Pei Zhilan, being the relevant beneficial shareholders of our Group and domestic residents of the PRC, have completed their foreign exchange registration of overseas investments at the Jilin Branch of SAFE and confirmed that the requirements stipulated in SAFE Circular 75 have been satisfied.

OUR CORPORATE REORGANISATION AND THE RULES ON THE MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

Under the Rules on the Acquisition of Domestic Enterprises by Foreign Investors in the PRC (關於外國投資者併購境內企業的規定) (the “M&A Rules”) promulgated by PRC governmental and regulatory agencies on 8 August 2006, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic company thereby converting it into an foreign-invested enterprise, or subscribes for new equity via an increase of registered capital thereby converting it into a foreign-invested enterprise; (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. The acquisition shall be based on the appraisal result on the equity or assets to be acquired. According to Article 15 of the M&A Rules, where parties to an acquisition are related including where the control is only de facto,

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the parties must “provide an explanation on the purpose of the acquisition and whether the appraisal result is consistent with fair market value”. Avoiding this requirement by using trusts, nominees, or other means is prohibited.

Our PRC legal advisers, Jingtian & Gongcheng, have advised that the acquisition by Fullst Power of the equity interests in Tongtian Winery does not fall within the scope of the above regulated activities, as the acquisition of the entire equity interests in Tongtian Winery was approved by Jilin Provincial People’s Government on 5 September 2006, which is before 8 September 2006, being the effective date of the M&A Rules. Our PRC legal advisers, Jingtian & Gongcheng, have advised that all approvals or permits required under PRC laws and regulations in connection with each stage of the Corporate Reorganisation and the [●] of our Company have been obtained.

CORPORATE STRUCTURE

Set out below is the shareholding structure of our Group after the Corporate Reorganisation and immediately prior to the Capitalisation Issue and the [●]:

