
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the [●] and the Capitalisation Issue, the Controlling Shareholders will control the exercise of voting rights of [40.8]% of the Shares eligible to vote in the general meeting of our Company (assuming the [●] is not exercised). Save and except for their interest in our Company, the Controlling Shareholders have no interest in any other companies as at the Latest Practicable Date which (i) held interests in our business during the Track Record Period and ceased to hold such interests after the Corporate Reorganisation; or (ii) may, directly or indirectly, compete with our Group’s business.

NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders, Wing Move, Win Honour, Public Success, Glory Wish, Mr. Zhang Hebin, Mr. Kang Hong, Mr. Sun Yankun and Ms. Pei Zhilan (collectively the “Covenantors”) have entered into a deed of non-competition (the “Non-competition Deed”) in favour of our Company, pursuant to which the Covenantors have undertaken to our Company (for itself and for the benefit of its subsidiaries) that each of them would not, and would procure that their respective associates (except any members of our Group) would not, during [●], directly or indirectly, either on its or his or her own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, principal, partner, director, employee, consultant, agent or otherwise) any business which is or may be in competition, whether directly or indirectly, with the principal business of any member of our Group from time to time (the “Restricted Business”). Such non-competition undertaking does not apply where:

- (a) any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business has first been offered or made available to our Company, and at the request of our Company, the offer should include: (i) terms of offer between our Company and such third party, or (ii) terms for our Company to engage in the Restricted Business with the Covenantor and/or its/his/her associates, and our Company, after review and approval by the independent non-executive Directors, has declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party or together with the Covenantor and/or its/his/her associates, provided that the principal terms by which the Covenantor (or his or her relevant associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to our Company; or

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- (b) having interests in the shares of a company which shares are listed on a recognised stock exchange provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
 - (ii) the total number of the shares held by the Covenantor and/or its/his/her associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and the Covenantor and/or its/his/her associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by the Covenantor and its/his/her associates in aggregate.

If our Company decides and offers to invest, participate, be engaged in and/or operate any Restricted Business with the Covenantor and/or his associates (or any of them, as the case may be), pursuant to (a) above, the Covenantor and/or his associates can invest, participate, be engaged in and/or operate such Restricted Business with our Company. Our Company will comply with the requirements of the Listing Rules in case of such cooperation with the Covenantor and/or his associates (or any of them, as the case may be).

Each of the Covenantors has further undertaken to our Company that, for so long as the Non-competition Deed remains in effect, the Covenantor would:

- (i) promptly provide to our Company such information as our Company may from time to time reasonably request to ascertain compliance by the Covenantor of its/his/her obligations under the Non-competition Deed;
- (ii) allow the independent non-executive Directors to review, at least on an annual basis, the compliance with the Non-competition Deed by the Covenantor, the options, pre-emptive rights or first rights of refusals (if any) provided by the Covenantor on its/his/her existing or future competing businesses;
- (iii) undertake to provide all information necessary for annual review by the independent non-executive Directors and the enforcement of the Non-competition Deed;
- (iv) allow our Company to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Non-competition Deed either through the annual report, or by way of announcements;
- (v) make an annual declaration on compliance with the Non-competition Deed in the annual report of our Company; and
- (vi) where the Covenantor is a controlling shareholder of our Company or a Director, the Covenantor would not vote or be counted in the quorum on any resolution where there is actual or potential conflicting interest on the part of the Covenantor.

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INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective associates after the [●]:

Management Independence

Our Board comprises three executive Directors and three independent non-executive Directors. Mr. Wang, a Controlling Shareholder, is one of our executive Directors and a chairman of the Board.

Save as disclosed above, no other Controlling Shareholder holds any directorship in our Company. Each of our Directors is aware of his or her fiduciary duties as a Director of our Company which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. 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) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders after the [●].

Operational Independence

We have independent access to sources of supplies or raw materials for the production of our grape wine products, as well as independent access to our distributors. We have also established a set of internal controls to facilitate the effective operation of our business. Our Group has registered certain trademarks and is in the process of application for registration of additional trademarks which we utilise in marketing our grape wine products.

In addition, our Directors consider that our operations do not depend on the operation of the Controlling Shareholders for the following reasons:

- (i) there is no competing business between our Group and any of our Controlling Shareholders;
- (ii) there is no connected transaction between any of our Controlling Shareholders or their associates and any member of our Group; and
- (iii) we are not relying on any guarantee provided by any of our Controlling Shareholders in respect of bank borrowings nor have we been given any guarantee for the benefit of any of our Controlling Shareholders.

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On the basis of the matters described in this section, we believe that we are capable of carrying on our business independently of the Controlling Shareholders and their respective associates. Our Group, the Controlling Shareholders and their respective associates do not have any common, nor shared, facilities or resources during the Track Record Period and up to the Latest Practicable Date.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group’s own business needs.

Our Directors confirm that [during the Track Record Period and as at the Latest Practicable Date, none of the Controlling Shareholders had provided any guarantees to our Group]. In addition, our Directors confirm that as at the Latest Practicable Date, all of the loans from Mr. Wang have been repaid in full and our Group do not intend to obtain any further borrowing from any of the Controlling Shareholders. Therefore, there is no financial dependence on the Controlling Shareholders.