
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Dynasty Fine Wines Group Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

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Dynasty Fine Wines Group Limited 王朝酒業集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 828)

CONTINUING CONNECTED TRANSACTIONS, RE-ELECTION OF DIRECTORS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the board of directors of Dynasty Fine Wines Group Limited (the “Company”) is set out on pages 3 to 16 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 17 to 18 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 and 35 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 17/F, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong on 29 December 2020, at 3:00 p.m. is set out on pages 44 to 46 of this circular. A form of proxy for use at the extraordinary general meeting of the Company is enclosed with this circular.

Whether or not you are able to attend the extraordinary general meeting of the Company, you are requested to complete the accompanying form of proxy in accordance with instructions printed thereon and return it to the share registrar of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time for holding the extraordinary general meeting of the Company or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting of the Company or any adjournment thereof should you so wish.

Your attention is drawn to the section headed “PRECAUTIONARY MEASURES FOR THE EGM” on page ii of this circular for measures to try to prevent and control the spread of the COVID-19 pandemic at the extraordinary general meeting.

11 December 2020

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.2 degrees Celsius may be denied entry into the EGM venue or be required to leave the EGM venue.
- (ii) All attendees must wear surgical face masks inside the EGM venue at all times.
- (iii) Each attendee being assigned a designated seat at the time of registration to ensure social distancing.
- (iv) No refreshments will be served, and there will be no corporate gifts.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety and consistent with COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, the Company strongly encourages Shareholders to appoint the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

The proxy form is attached to the circular for Shareholders who opt to receive physical circulars. Alternatively, the proxy form can be downloaded from the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.dynasty-wines.com. If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate in order to minimise any risk to Shareholders and others attending the EGM and to comply with any requirements or recommendations of any government agencies from time to time.

The Company seeks the understanding and cooperation of all Shareholders to minimise the risk of community spread of COVID-19.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Dynasty Fine Wines Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 17/F, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong at 3:00 p.m. on 29 December 2020 or any adjournment thereof for the purpose of considering, and if thought fit, approving the Master Purchase Agreement and the transactions contemplated thereunder and the re-election of Directors
“Famous Ever”	Famous Ever Group Limited, a controlling shareholder of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Dr. Zhang Guowang, Mr. Yeung Ting Lap Derek Emory and Mr. Sun David Lee, formed to advise the Independent Shareholders in respect of the Master Purchase Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Octal Capital Limited or Octal Capital, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Shareholders and the Independent Board Committee in relation to the Master Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Tianjin Food and its associates (including Famous Ever)

DEFINITIONS

“Independent Third Party(ies)”	party(ies) which is(are) third party independent of the Group and its connected persons
“Latest Practicable Date”	7 December 2020, being the latest practicable date prior to the bulk-printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Purchase Agreement”	the master purchase agreement dated 9 November 2020 entered into between the Company and Tianjin Food in relation to the purchase of Raw Materials by the Group from Tianjin Food Group
“PRC”	the People’s Republic of China, which for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Raw Materials”	the raw materials to be purchased by the Group from Tianjin Food Group pursuant to the Master Purchase Agreement, being (i) grapes and grape juice (including unprocessed wines); and (ii) auxiliary materials (sugar, rose water and packaging materials)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holder(s) of the Shares
“Shares”	share(s) in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Food”	天津食品集團有限公司 (Tianjin Food Group Co Ltd*), a limited company established under the laws of the PRC
“Tianjin Food Group”	Tianjin Food and its subsidiaries and/or its associates
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

* *The English or Chinese translations in this circular, where indicated, denote for identification only.*



Dynasty Fine Wines Group Limited
王朝酒業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 828)

Executive Directors:

Mr. Wan Shoupeng (*Chairman*)
Mr. Li Guanghe
Mr. Huang Manyou

Non-executive Directors:

Mr. Heriard-Dubreuil Francois (*Vice Chairman*)
Mr. Wong Ching Chung
Mr. Robert Luc

Independent non-executive Directors:

Dr. Zhang Guowang
Mr. Yeung Ting Lap Derek Emory
Mr. Sun David Lee

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Principal place of business
in Hong Kong:*

Units E&F, 16/F
China Overseas Building
139 Hennessy Road
Wanchai
Hong Kong

11 December 2020

To the Shareholders,

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS,
RE-ELECTION OF DIRECTORS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The Board announced that on 9 November 2020, the Company entered into the Master Purchase Agreement with Tianjin Food in relation to the possible purchase of the Raw Materials from Tianjin Food Group until 31 December 2022.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) details of the Master Purchase Agreement; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the re-election of Directors; and (v) the notice of the EGM.

THE MASTER PURCHASE AGREEMENT

Date

9 November 2020

Parties

Purchaser: the Company (for itself and on behalf of its subsidiaries)

Supplier: Tianjin Food (for itself and on behalf of its subsidiaries and/or its associates)

As at the Latest Practicable Date, Tianjin Food, through Famous Ever, held approximately 44.7% of the issued share capital of the Company. Thus, Tianjin Food is a connected person of the Company under the Listing Rules.

Term

From 9 November 2020 and ending on 31 December 2022, subject to satisfaction of the conditions precedent set out below.

Subject matter of purchase

The Master Purchase Agreement is a master agreement which governs the purchase of the Raw Materials (being (i) grapes and grape juice (including unprocessed wines); and (ii) auxiliary materials (sugar, rose water and packaging materials)) by the Group from Tianjin Food Group. Pursuant to the Master Purchase Agreement, the Group agreed to purchase the Raw Materials from Tianjin Food Group, and Tianjin Food Group agreed to sell the Raw Materials to the Group.

The Group and Tianjin Food Group will enter into separate purchase order for each purchase, which shall stipulate the product quality, price as well as quantity for each purchase, provided the terms of such order are consistent with the Master Purchase Agreement.

LETTER FROM THE BOARD

Conditions precedent

The transactions contemplated under the Master Purchase Agreement are conditional upon:

- (a) the passing of the necessary resolution(s) by the Shareholders (other than those who are required to abstain from voting under the Listing Rules) at the EGM to approve the Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Purchase Caps); and
- (b) all necessary consents and approvals required to be obtained by the Group and Tianjin Food in respect of the Master Purchase Agreement and the transactions contemplated thereunder having been obtained.

None of the conditions precedent above can be waived. If any of the above conditions precedent has not been satisfied on or before 31 December 2020 or such later date to be agreed by the parties in writing, the Master Purchase Agreement shall cease and determine. Neither party shall have any obligations and liabilities towards each other under the Master Purchase Agreement, save for any antecedent breaches of the terms thereof.

Pricing policy

Pursuant to the Master Purchase Agreement, the terms (including the price and payment terms) of each purchase order shall be agreed between the Group and Tianjin Food Group based on normal commercial terms after arm's length negotiations, and the price/payment terms (including credit terms) for each purchase of the Raw Materials by the Group shall be no less favourable than the price/payment terms (including credit terms) offered to the Group by the Independent Third Parties of same or similar products.

In assessing the price of the Raw Materials to be provided by Tianjin Food Group to the Group, the Group will obtain the prevailing or historical market price through various channels including but not limited to, (a) comparison of price obtained from at least two Independent Third Party suppliers of same or similar raw materials during the same period; (b) regularly obtaining price quotations through phone, email or physical enquires through face-to-face meetings with at least two sizable Independent Third Party suppliers; and (c) conducting market research on a regular basis based on the market data provided by various independent market data providers, in particular:

(i) in respect of grapes and grape juice (including unprocessed wines)

The purchase price of grapes and grape juice (including unprocessed wines) shall make reference to the regional particularity and variety characteristics of grape producing area distributed for domestic wine making after taking into account the long-term relationship with the Group and with reference to the competitive purchasing situation in the same industry. The Group referred to the trend of grape price at Beijing Xinfadi www.xinfadi.com.cn (“**Xinfadi Website**”) and Huinong Web www.cnhnb.com (“**Huinong Website**”) for comparison with purchase price of same or similar grapes.

LETTER FROM THE BOARD

(ii) in respect of auxiliary materials

The Group will make reference to the price on the Muitian Technology (沐甜科技) (www.msweet.com.cn) (“**Msweet Website**”) for sugar price and ZhuoChuang Information (卓創諮訊) (www.sci99.com) (“**Sci99 Website**”) for price of packaging materials.

The Xinfadi Website, Huinong Website, Msweet Website and Sci99 Website provide up-to-date daily pricing information of grapes, sugar and packaging materials respectively. The staff of purchasing department will check the relevant market prices data of the Raw Materials from these websites every month and report to the person-in-charge for review and to maintain a record of the data.

Based on the prevailing or historical market price for the Raw Materials and the aforesaid recorded data of the same or similar Raw Materials, the Group will compare, make reference to the recorded data and negotiate terms of quotations with Tianjin Food Group after taking into account factors including the lowest price quotations, quality of products, technical advantages and proximity to the location of the winery of the Group. The Group will endeavour to agree the reasonable commercial terms from Tianjin Food Group after comprehensive assessment.

Termination

The Master Purchase Agreement may be terminated automatically in the following event:

- (1) upon receiving the written notice by Tianjin Food Group from the Group that the Group having failed to obtain the Shareholders’ approval in accordance with the applicable rules and requirements;
- (2) any party to the Master Purchase Agreement having declared bankrupt;
- (3) any party to the Master Purchase Agreement having been wound-up (other than for merger or reorganisation);
- (4) any party to the Master Purchase Agreement having ceased operation or will cease operation; or
- (5) there being amendment to the terms of the Master Purchase Agreement in accordance with the Listing Rules which are in breach of the commercial intention of the parties and not acceptable to the parties.

During the term of the Master Purchase Agreement, if one party persistently or materially in breach of the terms of the Master Purchase Agreement and/or the Listing Rules and fails to ratify the breach within 30 days after receiving the written notice from the non-defaulting party, the non-defaulting party shall have the right to terminate the Master Purchase Agreement by serving a written notice to the defaulting party.

LETTER FROM THE BOARD

Proposed annual caps and basis

The table below sets out the proposed annual caps for the price payable by the Group to Tianjin Food Group for purchase of the Raw Materials (the “**Annual Purchase Caps**”):

	From 1 December 2020 to 31 December 2020*	For the year ending 31 December 2021	For the year ending 31 December 2022
Proposed annual caps	HK\$11,200,000	HK\$26,500,000	HK\$27,600,000

* *Given the Master Purchase Agreement is conditional upon, among other things, the passing of the necessary resolution(s) by the Independent Shareholders at the EGM, such Annual Purchase Cap will effectively cover the period from the date of satisfaction of the conditions precedent set out in the Master Purchase Agreement to 31 December 2020.*

The Annual Purchase Caps were arrived at after considering and taking into account the following factors:

- (a) the prevailing or historical market price of the Raw Materials;
- (b) the expected demand of the Group on the Raw Materials during the term of the Master Purchase Agreement determined based on the estimated maximum number of orders to be placed by the Group to Tianjin Food Group; and
- (c) the historical transaction amounts of purchase of the Raw Materials from Tianjin Food Group for the three years ended 31 December 2019 and the eight months ended 31 August 2020.

The historical transaction amounts of purchase of the Raw Materials from Tianjin Food Group for the three years ended 31 December 2019 and the eight months ended 31 August 2020 were as follows:

	From the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019	For the eight months ended 31 August 2020
Historical transaction amounts (approximately)	HK\$10,000,000	HK\$9,500,000	HK\$14,400,000	HK\$15,000,000

The Group did not have any purchase transaction of Raw Materials from Tianjin Food Group since 9 September 2020, being the date of Tianjin Food became the sole shareholder of Famous Ever, and would not have any purchase transaction of Raw Materials from Tianjin Food Group until the close of the EGM.

LETTER FROM THE BOARD

The table below sets forth a breakdown of (i) the historical transaction amount of the Raw Materials for each of the three years ended 31 December 2019 and the eight months ended 31 August 2020; and (ii) the respective Annual Purchase Caps for the one month ending 31 December 2020 and each of the two years ending 31 December 2022 (the “CCT Period”):

	Historical transaction amount of the Raw Materials (approximately)				Annual Purchase Caps			
	For the year ended 31 December			For the eight months ended	For the one month ending	For the year ending		
	2017	2018	2019	31 August 2020	31 December 2020	2021	2022	
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Grapes	0.9	1.1	1.5	0.0	2.8	2.8	2.8	
Grape juice (including unprocessed wines)	0	0	5.1	11.2	5.7	18.0	19.1	
Auxiliary materials (including rose water, sugar and packaging materials)	9.1	8.4	7.8	3.8	2.7	5.7	5.7	
Total	10.0	9.5	14.4	15.0	11.2*	26.5	27.6	

* The total sum of the transaction amount of HK\$15 million for the eight months ended 31 August 2020 together with proposed Annual Purchase Cap of HK\$11.2 million for the one month ending 31 December 2020 is linear to the proposed Annual Purchase Caps for the years ending 31 December 2021 and 2022 with 1%–4% annual growth. The Group did not have any purchase transaction of Raw Materials from Tianjin Food Group since 9 September 2020, being the date of Tianjin Food became the sole shareholder of Famous Ever, and would not have any purchase transaction of Raw Materials from Tianjin Food Group until the close of the EGM.

The Annual Purchase Caps are prepared on the basis of multiplying the estimated price of the Raw Materials by the estimated quantity of the Raw Materials to be purchased, being determined based on the factors abovementioned.

(I) Grapes

Estimated quantity

When arriving at the Annual Purchase Caps for grapes, the Group has principally taken into account (i) a purchase order placed by the Group with Tianjin Food Group in October 2020 amounting to approximately HK\$2.8 million to cater for the production schedule of the Group’s white wine products (the “White Wine Product”); (ii) the expected continuous stable demand for the grapes supplied by Tianjin Food Group after 2020 taking into account the expected stable demand of the White Wine Product for the two years ending 31 December 2022; and (iii) the prevailing market price of grapes in determining the Annual Purchase Caps for grapes for the CCT Period.

LETTER FROM THE BOARD

Having considered that (i) the amount of the purchase order of grapes for the one month ending 31 December 2020; and (ii) the expected stable demand of the White Wine Product for 2021 and 2022, the Directors are of the view that the estimated quantity of grapes to be purchased from Tianjin Food Group for the CCT Period is justifiable.

Estimated price

In arriving at the Annual Purchase Caps for grapes, the estimated purchase price is determined with reference to the prevailing and historical market price. The estimated price of grapes in arriving at the Annual Purchase Caps for the one month ending 31 December 2020 is based on the price of grape as quoted in the purchase order placed to Tianjin Food Group which has also made reference to the price of grapes obtained from the Xinfadi Website. Moreover, the Directors estimated the price of grapes for the Annual Purchase Caps for 2021 and 2022 based on the average purchase price of grapes for the year ended 31 December 2019 and the prevailing market price of grapes as quoted in the purchase order, which is generally stable during the period. Having considered that (i) the estimated price of grapes for the one month ending 31 December 2020 is referenced to the purchase order placed to Tianjin Food Group; and (ii) the estimated price of grapes in arriving at the Annual Purchase Caps for 2021 and 2022 is referenced to the prevailing and historical price of grapes, the Directors are of the view that the estimated price of grapes for the CCT Period is justifiable.

(II) Grape juice (including unprocessed wines)

The purchase of grape juice from Tianjin Food Group made in 2019 was for replenishment of grape juice inventory as well as the Group's new red wine products (the "**Red Wine Products**") to be launched in 2021 which requires the grape juice supplied by Tianjin Food Group, and the Group continued to purchase grape juice from Tianjin Food Group for the eight months ended 31 August 2020 as a result of the expected increase in sales of the Red Wine Products in 2020 and onwards. To cater for the planned production schedule of the Red Wine Products, the Group placed purchase order of grape juice in 2020 amounting to approximately HK\$16.9 million with Tianjin Food Group for the Group's production plan in 2020, representing an estimated growth of approximately 231% over the transaction amount in 2019. The Annual Purchase Caps of grape juice (including unprocessed wines) for 2021 of approximately HK\$18.0 million and 2022 of approximately HK\$19.1 million represent an annual growth rate of approximately 7% and 6% respectively.

When arriving at the Annual Purchase Caps for grape juice (including unprocessed wines), the Group has principally taken into account (i) the remaining grape juice amounting to HK\$5.7 million of the purchase order placed by the Group and expected to be delivered in December 2020 to cater for the production schedule of the Red Wine Products; (ii) the expected increasing demand for the Red Wine Products during 2020 and onwards; (iii) the growth rate of purchasing grape juice (including unprocessed wines) from Tianjin

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Food Group will become moderate in 2022 after the acceleration of the market demand of the Red Wine Products in previous years; and (iv) the prevailing and historical market price of grape juice in determining the Annual Purchase Caps for grapes for the CCT Period.

Estimated quantity

The grape juice (including unprocessed wines) from Tianjin Food Group with distinctive character and stable quality is one of the major components in producing the Red Wine Products. Moreover, the Group has placed purchase order to Tianjin Food Group for purchasing approximately 2.3 million liters of grape juice (including unprocessed wines) which is expected to be delivered in December 2020. Approximately 1.6 million liters has been delivered to the Group up to 31 August 2020 and the remaining grape juice (including unprocessed wines) of approximately 0.7 million liters amounting to approximately HK\$5.7 million will be delivered in December 2020. Having considered that (i) the amount of the remaining purchase order of the Annual Purchase Caps of grape juice (including unprocessed wines) for the one month ending 31 December 2020; and (ii) the expected increasing demand of the Red Wine Products for 2020 and onwards, the Directors are of the view that the estimated quantity of grape juice (including unprocessed wines) to be purchased from Tianjin Food Group for the CCT Period is justifiable.

Estimated price

The estimated price of grape juice (including unprocessed wines) from Tianjin Food Group for the CCT Period is mainly with reference to the prevailing and historical price of grape juice (including unprocessed wines). The estimated price of grape juice in arriving at the Annual Purchase Caps for the one month ending 31 December 2020 is based on the price of grape juice (including unprocessed wines) as quoted in the purchase order which has also made reference to the price of grape or grape juice (including unprocessed wines) obtained from the Huinong Website. The Directors estimated the price of grape juice (including unprocessed wines) for the Annual Purchase Caps for 2021 and 2022 taking into consideration of the average purchase price of grape juice (including unprocessed wines) for the year ended 31 December 2019 and the prevailing market price of grape juice (including unprocessed wines) as quoted in the purchase order, which is generally stable during the period. Having considered that (i) the estimated price of grape juice (including unprocessed wines) for the one month ending 31 December 2020 is referenced to the purchase order placed to Tianjin Food Group; and (ii) the estimated price of grape juice (including unprocessed wines) in arriving at the Annual Purchase Caps for 2021 and 2022 is referenced to the prevailing and historical price of grape juice (including unprocessed wines), the Directors are of the view that the estimated price of grape juice (including unprocessed wines) for the CCT Period is justifiable.

(III) Auxiliary materials

During the eight months ended 31 August 2020, the purchase of auxiliary materials (including rose water, packaging materials and sugar) from Tianjin Food Group was approximately HK\$3.8 million. Based on the production schedule of the Group of which

LETTER FROM THE BOARD

Jiuxiang Rose Liqueurs will not be produced, the Group will not further purchase rose water from Tianjin Food Group starting from 2021. The expected transaction amount of auxiliary materials (including packaging materials and sugar) purchased from Tianjin Food Group for the year ending 31 December 2020 of approximately HK\$6.5 million represents a decrease by approximately 17% to the transaction amount for the year ended 31 December 2019, and each of the Annual Purchase Caps for the years ending 31 December 2021 and 2022 of approximately HK\$5.7 million represents a further decrease by approximately 12% to the Annual Purchase Caps for the year ending 31 December 2020. The underlying reasons are that, when arriving at the Annual Purchase Caps for auxiliary materials (including packaging materials and sugar), the Group has principally taken into account (i) the purchase order placed by the Group to Tianjin Food Group to cater for the production schedule of the wine products of the Group; (ii) the expected further diversification on auxiliary materials (including packaging materials and sugar) to be performed; and (iii) the prevailing and historical market price of auxiliary materials (including packaging materials and sugar) in determining the Annual Purchase Caps for auxiliary materials for the CCT Period.

Estimated quantity

Based on the purchase order of auxiliary materials (including packaging materials and sugar) placed by the Group to Tianjin Food Group, the auxiliary materials (including packaging materials and sugar) are expected to be delivered in December 2020 to meet the planned production schedule. Moreover, the auxiliary materials (including sugar and packaging materials) are relatively common raw materials when compared to grapes and grape juice which are classified into different types according to different quality, sugar level and flavour, the Group could effectively diversify its sourcing channels to reduce reliance on major supplier. The Directors are of the view that the purchase of auxiliary materials (including packaging materials and sugar) from Tianjin Food Group will decrease for the year ending 31 December 2021 and maintain at the same level for the year ending 31 December 2022. Having considered that (i) the amount of the purchase order of the Annual Purchase Caps of auxiliary materials (including sugar and packaging materials) for the one month ending 31 December 2020; and (ii) the Group's effort on diversification of sourcing auxiliary materials (including sugar and packaging materials) for 2020 and onwards, the Directors are of the view that the estimated quantity of auxiliary materials (including sugar and packaging materials) to be purchased from Tianjin Food Group for the CCT Period is justifiable.

Estimated price

The price level of auxiliary materials (including sugar and packaging materials) was generally stable during the three years ended 31 December 2019 and the eight months ended 31 August 2020. Moreover, the estimated price of auxiliary materials (including packaging materials and sugar) in arriving at the Annual Purchase Caps for the one month ending 31 December 2020 is based on the price of packaging materials and sugar as quoted in the purchase order which has also made reference to the price of packaging materials and sugar obtained from Sci99 Website and Msweet Website

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respectively. The Directors estimated the price of auxiliary materials (including packaging materials and sugar) to be constant for the CCT Period. Having considered that (i) the estimated price of auxiliary materials (including sugar and packaging materials) for the one month ending 31 December 2020 is referenced to the purchase order placed to Tianjin Food Group; and (ii) the estimated price of auxiliary materials (including sugar and packaging materials) in arriving at the Annual Purchase Caps for 2021 and 2022 is referenced to the prevailing and historical price of auxiliary materials (including sugar and packaging materials), the Directors are of the view that the estimated price of auxiliary materials with reference to historical average price for the CCT Period is justifiable.

Based on the above, the Directors (including the independent non-executive Directors whose view is expressed in the letter from the Independent Board Committee set out on pages 17 to 18 of this circular) considered the Annual Purchase Caps are fair and reasonable.

INFORMATION OF THE GROUP AND TIANJIN FOOD GROUP

The Group is principally engaged in the manufacturing and sale of the wine products.

Tianjin Food is a company established in the PRC with limited liability and Tianjin Food Group is principally engaged in (i) modern agriculture, animal husbandry and fisheries; (ii) production and processing of food; (iii) warehousing, logistics and trade services; and (iv) real estate development. Before entering into the Master Purchase Agreement, Tianjin Food Group supplied the Raw Materials to the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE MASTER PURCHASE AGREEMENT

Tianjin Food Group is a sizable enterprise in Tianjin and has a stable supply of the Raw Materials to the Group. In respect of the purchase of grapes, Tianjin Food Group has a muscat planting base in Beidagang, Tianjin Binhai New Area, where the base has superior production conditions and its high grape quality is beneficial for the Group for production of quality wine. In relation to the purchase of grape juice (including unprocessed wines), Tianjin Food Group has brewing facilities located in Tianjin Jizhou district which is close to the winery of the Group that can avoid delay in transportation and other logistics. Also, Tianjin Food Group follows the guidance and advices provided by the Group in the process of grape harvesting and pressing which can ensure the quality of grape juice (including unprocessed wines) is within the Group's standard. For procurement of packaging materials and sugar, Tianjin Food Group provides feasible technical advice and able to deliver the Raw Materials on prescribed time schedule, in addition to stable quality and low transportation cost.

The Company considers that the purchase of the Raw Materials from Tianjin Food Group by the Group are conducted in the Group's ordinary and usual course of business based on the commercial needs of the Group.

LETTER FROM THE BOARD

The Company expects that the transactions contemplated under the Master Purchase Agreement will contribute to the business of the Group through providing a stable supply of the raw materials required in the production process and operations of the Group.

Based on the above, the Directors (including the independent non-executive Directors whose view is expressed in the letter from the Independent Board Committee set out on pages 17 to 18 of this circular) consider that the entering into of the Master Purchase Agreement together with the transactions contemplated thereunder (including the Annual Purchase Caps) are in the ordinary and usual course of business of the Group and the terms are on normal commercial terms which have been arrived at after arm's length negotiations between the parties thereto, and that the terms thereof and the Annual Purchase Caps are fair and reasonable, and that the entering into of the Master Purchase Agreement is in the interests of the Company and the Independent Shareholders as a whole.

INTERNAL CONTROL

The Company adopts the following internal control measures to ensure that the transactions contemplated under the Master Purchase Agreement are conducted on normal commercial terms and that the prices/payment terms (including the credit terms) are not less favourable than the prices/payment terms (including the credit terms) offered by other Independent Third Parties:

- (i) The Company will supervise the continuing connected transactions in accordance with the procedures set forth in the Company's internal control policy on continuing connected transactions.
- (ii) The finance department of the Company shall monitor and ensure that the departments overseeing the operation of the Company in connection with Master Purchase Agreement will review and assess on a regular basis whether the transactions thereunder are conducted in accordance with the terms of the Master Purchase Agreement and the Annual Purchase Caps are not exceeded.
- (iii) In addition, staff of audit department responsible for the internal control will check the relevant documents provided by the purchasing department against the purchase invoices for transactions contemplated under the Master Purchase Agreement and other relevant documents on a perpetual basis.
- (iv) The independent non-executive Directors shall, and the Company shall engage its external auditors to, conduct annual reviews of the continuing connected transactions entered into by the Group and the Annual Purchase Caps in accordance with the requirements of the Listing Rules.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Famous Ever held approximately 44.7% of the issued share capital of the Company. As at the Latest Practicable Date, Tianjin Food was ultimately wholly owned by Tianjin Municipal People's Government of the PRC. Save for (i) the transactions contemplated under the Master Purchase Agreement; and (ii) de minimis

LETTER FROM THE BOARD

transactions with (a) Tianjin Food in relation to sales of wine products, processing and assembling and purchase of consumable goods; and (b) a subsidiary of Tsinlien Group Company Limited (being another indirect wholly-owned subsidiary of Tianjin Municipal People's Government of the PRC) in relation to the purchase of consumable goods; and save as disclosed in note 2 to section 2(b) of Appendix II to this circular, as at the Latest Practicable Date, the ultimate beneficial owner of Tianjin Food did not have any shareholding or business relationship with the Company and its connected persons. As set out in the announcement of the Company dated 11 September 2020, Tianjin Food became the sole shareholder of Famous Ever on 9 September 2020. Accordingly, Tianjin Food is a connected person of the Company under the Listing Rules. The transactions contemplated under the Master Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Mr. Wan Shoupeng, an executive Director and chairman of the Company, is also a director and general manager of Tianjin Food. Mr. Li Guanghe, an executive Director and general manager of the Company, is also a supervisor of a subsidiary of Tianjin Food. Mr. Huang Manyou, an executive Director, is also a director of certain subsidiaries of Tianjin Food. All of them have abstained from voting at the Board meeting approving the transactions contemplated under the Master Purchase Agreement. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Director has a material interest in the transactions and therefore no other Director is required to abstain from voting at the Board meeting approving the transactions contemplated under the Master Purchase Agreement.

As one or more of the applicable percentage ratios in respect of the Annual Purchase Caps under the Master Purchase Agreement exceeds 5%, the continuing connected transactions contemplated under the Master Purchase Agreement are subject to the reporting, announcement and the Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. Tianjin Food, Famous Ever and their respective associates (which together were interested in approximately 44.7% of the issued share capital of the Company as at the Latest Practicable Date) shall abstain from voting at the EGM to consider the resolution(s) approving the Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Purchase Caps).

Octal Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Purchase Agreement. The Independent Board Committee, comprising all the independent non-executive Directors, has been established by the Company to advise the Independent Shareholders as to whether the terms of the Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Purchase Caps) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

RE-ELECTION OF DIRECTORS

Mr. Wan Shoupeng and Mr. Huang Manyou were appointed as executive Directors with effect from 1 October 2020. Pursuant to article 86(3) of the articles of association of the Company, any Director appointed by the Board to fill a casual vacancy on the Board

LETTER FROM THE BOARD

shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that general meeting. Therefore, Mr. Wan Shoupeng and Mr. Huang Manyou shall retire from their office at the EGM and, being eligible, will offer themselves for re-election at the EGM. Biographical details of Mr. Wan Shoupeng and Mr. Huang Manyou are set out in Appendix I to this circular.

EGM

A notice convening the EGM to be held at 17/F, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong at 3:00 p.m. on 29 December 2020 is set out on pages 44 to 46 of this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the form of proxy and return it to the office of the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting. Completion and return of the form of proxy will not prevent you from attending and voting at the EGM or any adjourned meeting should you so wish.

For the purpose of ascertaining and determining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from 22 December 2020 to 29 December 2020, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the right to attend and vote at the EGM, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 21 December 2020 for registration of transfer.

An announcement will be made by the Company after the EGM regarding the results of the EGM pursuant to the requirements of the Listing Rules.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 17 to 18 of this circular and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 19 to 35 of this circular.

The Directors (including the independent non-executive Directors whose view is expressed in the letter from the Independent Board Committee set out on pages 17 to 18 of this circular) consider the terms of the Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Purchase Caps) are fair and reasonable, entered in the ordinary course of business of the Group and are on normal commercial terms, and the entering into of the Master Purchase Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the

LETTER FROM THE BOARD

Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Purchase Caps).

In addition, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the re-election of Mr. Wan Shoupeng and Mr. Huang Manyou respectively.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
for and on behalf of the Board
Dynasty Fine Wines Group Limited
Wan Shoupeng
Chairman



Dynasty Fine Wines Group Limited

王朝酒業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 828)

11 December 2020

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to the circular dated 11 December 2020 (the “**Circular**”) of Dynasty Fine Wines Group Limited (the “**Company**”) of which this letter forms part. Terms used in this letter shall have the meanings as defined in the Circular unless the context requires otherwise.

We, being the independent non-executive Directors, have been appointed to form the Independent Board Committee to advise you as to whether the terms of the Master Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the entering into of the Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Purchase Caps) is in the interests of the Company and the Shareholders as a whole. Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board as set out on pages 3 to 16 of the Circular and the letter from Octal Capital Limited as set out on pages 19 to 35 of the Circular which contain, among other things, their advice, recommendations to us regarding the terms of the Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Purchase Caps) and the principal factors and reasons taken into consideration for their advice and recommendations.

RECOMMENDATION

Having taken into account the advice and recommendations of Octal Capital Limited and the principal factors and reasons taken into consideration by them in arriving at their opinion, we consider that the terms of the Master Purchase Agreement and the transactions

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

contemplated thereunder (including the Annual Purchase Caps) are fair and reasonable as far as the Shareholders are concerned, entered in the ordinary course of business of the Group and are on normal commercial terms, and the entering into of the Master Purchase Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Purchase Caps).

Dr. Zhang Guowang

Yours faithfully,

Mr. Yeung Ting Lap

Mr. Sun David Lee

Derek Emory

Independent Board Committee

LETTER FROM OCTAL CAPITAL

The following is the letter of advice from Octal Capital Limited to the Independent Board Committee and Independent Shareholders prepared for the purpose of inclusion in this circular.



Octal Capital Limited
801–805, 8th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

11 December 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Master Purchase Agreement, and the transactions contemplated thereunder and the respective related annual caps for the one month ending 31 December 2020 and each of the two years ending 31 December 2022 (the “**CCT Period**”), particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the shareholders of the Company dated 11 December 2020 (the “**Circular**”) and in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

According to the announcement of the Company dated 9 November 2020 (the “**Announcement**”), the Company entered into the Master Purchase Agreement with Tianjin Food in relation to the possible purchase of the Raw Materials from Tianjin Food Group.

As at the Latest Practicable Date, Tianjin Food is the sole shareholder of Famous Ever (which in turn holds approximately 44.7% of the issued share capital of the Company). Tianjin Food is a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Master Purchase Agreement constitute continuing connected transactions (the “**Continuing Connected Transactions**”) of the Company under Chapter 14A of the Listing Rules.

In this connection, the Company will seek the Independent Shareholders’ approval for the Continuing Connected Transactions and the respective annual caps at the EGM, at which resolutions to be proposed at the EGM will be taken by poll. In addition, the Independent Board Committee has been established to advise the Independent Shareholders whether the terms and conditions of the Master Purchase Agreement and the respective annual caps are fair and reasonable, and whether the Continuing Connected Transactions and the respective annual caps are on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the

LETTER FROM OCTAL CAPITAL

Independent Shareholders as a whole. In this regard, we have been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

We are not connected with the Directors, chief executives and substantial shareholders of the Company, the Group, Tianjin Food Group or their respective associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, there was no engagement between the Company and us. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group, Tianjin Food Group or the Directors, chief executives and substantial shareholders of the Company or Tianjin Food or any of its subsidiaries or their respective associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussions with the management of the Company regarding the Group, the Continuing Connected Transactions, the Master Purchase Agreement and the respective annual caps including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Tianjin Food Group and their respective associates nor have we carried out any independent verification of the information supplied.

MASTER PURCHASE AGREEMENT

Principal factors and reasons considered

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders with regard to the Master Purchase Agreement and transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Business overview of the Group

The Group is principally engaged in the manufacture and sale of wines products, including red wines and white wines. The raw materials of the Group's products are mainly grapes and grape juice (including unprocessed wines), yeast and additives and packaging materials. The production bases of the Group are located in Tianjin with an annual capacity of 50,000 tonnes (equivalent to approximately 66.7 million bottles).

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The Group produced a wide range of wine products under the “Dynasty” brand. The Group released two new series of wine products during the year 2019, namely “Dynasty Air Dry Red Wine” series and Dynasty “Classic” wine series.

The table below is a summary of the consolidated financial performance of the Group for the two years ended 31 December 2019 and the six months ended 30 June 2020.

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)		(unaudited)	
Red wines	260,719	221,097	98,907	57,061
White wines	81,784	76,164	32,554	31,138
Others	<u>2,430</u>	<u>5,072</u>	<u>714</u>	<u>1,687</u>
Total revenue	344,933	302,333	132,175	89,886
Cost of sales	<u>(251,877)</u>	<u>(224,284)</u>	<u>(82,822)</u>	<u>(63,251)</u>
Gross profit	<u>93,056</u>	<u>78,049</u>	<u>49,353</u>	<u>26,635</u>
Gross profit margin	27.0%	25.8%	37.3%	29.6%
(Loss)/profit attributable to the owners of the Company	(78,668)	(72,943)	(32,191)	142,681

Source: Annual reports and interim reports of the Company

For the year ended 31 December 2019 compared to 2018

The Group’s total revenue decreased from approximately HK\$344.9 million for the year ended 31 December 2018 (“**FY2018**”) to approximately HK\$302.3 million for the year ended 31 December 2019 (“**FY2019**”), representing a decrease of approximately 12.4%. The sale of red wines decreased from approximately HK\$260.7 million for FY2018 to approximately HK\$221.1 million for FY2019, representing a decrease of approximately 15.2%, while the sale of white wines decreased from approximately HK\$81.8 million for FY2018 to approximately HK\$76.2 million for FY2019, representing a decrease of approximately 6.8%. The decrease in sale of both red wines and white wines was mainly due to the economic growth slowdown in the PRC, as well as impact of decrease in sales of imported wines and increase in reimbursement of marketing expenses to distributors during FY2019. The Group’s average ex-winery sales price of red and white wine products under the “Dynasty” brand was stable for FY2019.

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The Group recorded gross profit of approximately HK\$78.0 million for FY2019, representing a decrease of approximately HK\$15.0 million or 16.1% as compared to that of FY2018. The gross profit margin decreased from approximately 27.0% for the FY2018 to 25.8% for FY2019, mainly due to the increase in impairment allowance of inventories during FY2019.

The loss attributable to the owners of the Company decreased from approximately HK\$78.7 million for FY2018 to approximately HK\$72.9 million for FY2019. The decrease was mainly due to the increase in costs and expenses savings mainly including employee benefit expenses and storage expenses.

For the six months ended 30 June 2020 compared to 2019

The Group's total revenue decreased from approximately HK\$132.2 million for the six months ended 30 June 2019 ("**1H2019**") to approximately HK\$89.9 million for the six months ended 30 June 2020 ("**1H2020**"), representing a decrease of approximately 32.0%. The sale of red wines decreased from approximately HK\$98.9 million for 1H2019 to approximately HK\$57.1 million for 1H2020, representing a decrease of approximately 42.3%, while the sale of white wines slightly decreased from approximately HK\$32.6 million for 1H2019 to approximately HK\$31.1 million for 1H2020, representing a decrease of approximately 4.6%. The decrease in sale of both red wines and white wines was mainly due to the outbreak of coronavirus pneumonia (the "**COVID-19**") as well as business/government banquets and family gatherings in the national markets greatly reduced as a result of the restrictions imposed regarding the epidemic prevention and control policies and the adverse impact of the COVID-19 on consumer sentiment. The Group's average ex-winery sales price of red and white wine products under the "Dynasty" brand was stable for 1H2020.

The Group recorded gross profit of approximately HK\$26.6 million for 1H2020, representing a decrease of approximately HK\$22.8 million or 46.2% as compared to that of 1H2019. The gross profit margin decreased from approximately 37.3% for 1H2019 to 29.6% for 1H2020, mainly due to the decrease in revenue and the increase in raw material costs.

The Group recorded profit attributable to the owners of the Company amounted to approximately HK\$142.7 million for 1H2020 and loss attributable to the owners of the Company amounted to approximately HK\$32.2 million for 1H2019. The turnaround from loss to profit was mainly due to the gain from the disposal of chateau and the related facilities of the Group recognised in January 2020, for detail, please refer to the announcement of the Company dated 23 July 2018.

2. Background of Tianjin Food

Tianjin Food is a company established in the PRC with limited liability and is indirectly interested in approximately 44.7% of the issued share capital of the Company. Tianjin Food Group is principally engaged in (i) modern agriculture, animal

husbandry and fisheries; (ii) production and processing of food; (iii) warehousing, logistics and trade services; and (iv) real estate development. Before entering into the Master Purchase Agreement, Tianjin Food Group has supplied the Raw Materials to the Group.

3. Reasons for and benefits of Master Purchase Agreement

The principal raw materials required by the Group in producing wine products are grapes and grape juice (including unprocessed wines), yeast and additives as well as packaging materials. Grapes and grape juice (including unprocessed wines) accounted for approximately 44% and 43% of the Group's cost of sales during FY2018 and FY2019 respectively. The Group has purchased grapes and grape juice (including unprocessed wines) from Tianjin Food Group since 2011 and 1999 respectively, while Tianjin Food Group was not a connected party of the Group until the completion of change of shareholding structure of the intermediate controlling shareholder of the Company as at 9 September 2020. During FY2018 and FY2019, the Group purchased grapes and grape juice (including unprocessed wines) from Tianjin Food Group of approximately HK\$1.1 million and HK\$6.6 million respectively, representing a growth rate of approximately five times over the period. The significant increase in purchase from Tianjin Food Group over the period was mainly due to the fact that (i) the grapes and grape juice (including unprocessed wines) supplied by Tianjin Food Group meeting the Group's requirements in terms of price, quality and reliability; and (ii) the increasing demand of some of the Group's wine products which require the grapes and grape juice (including unprocessed wines) supplied by Tianjin Food Group.

In view of the purchase of grapes and grape juice (including unprocessed wines), the quality of grapes is the crucial to the wine production. As stated in the Circular, Tianjin Food Group has a muscat planting base in Beidagang, Tianjin Binhai region, where superior production conditions and its high grape quality are beneficial for the Group for production of quality wine. Based on our discussion with the Group, before commencement of business relationship with Tianjin Food Group, we understand that the Group mainly purchased grapes and grape juice (including unprocessed wines) from grape suppliers located in Ningxia and Xinjiang, with transaction amount of approximately RMB28.2 million and RMB29.1 million during FY2018 and FY2019, respectively. It would normally take approximately two to fifteen days for these suppliers to deliver grapes and grape juice (including unprocessed wines) to the Group subject to the weather conditions. On the other hand, the Tianjin Food Group's farms are located in Tianjin, where the order of grapes and grape juice (including unprocessed wines) made by the Group could be delivered to the Group within a day. Taking into account that the Tianjin Food Group's farms are in close proximity to the winery of the Group and the grapes and grape juice (including unprocessed wines) supplied from Tianjin Food Group consistently meet quality requirements set by the Group, the procurement of grapes and grape juice (including unprocessed wines) from Tianjin Food Group not only maintains the stable quality of grapes and grape juice (including unprocessed wines), but also reduces the Group's lead time and cost of transportation and storage. Furthermore, Tianjin Food Group will continue to

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follow the guidance and advices provided by the Group in the process of grape harvesting and pressing which can ensure that the quality of grape juice (including unprocessed wines) meets the Group's standard.

Beside grapes and grape juice (including unprocessed wines), the Group has purchased auxiliary materials (including sugar and packaging materials) from Tianjin Food Group since 1995. During FY2018 and FY2019, the Group purchased auxiliary materials (including sugar and packaging materials) from Tianjin Food Group amounted to approximately HK\$8.4 million and HK\$7.8 million respectively. The decrease in purchase of auxiliary materials from Tianjin Food Group is mainly attributable to the Group's effort on diversification of source channels. By entering into the Master Purchase Agreement, the Group would be provided an alternative source in acquiring auxiliary materials, and therefore is in the interest of the Group.

Having considered (i) the close proximity of the Tianjin Food Group's farms to the Group's winery; (ii) Tianjin Food Group following the Group's production guidance to ensure quality of grape and grape juice (including unprocessed wines) supplied to the Group; (iii) Tianjin Food Group's feasible technical advice in associated with purchase of Raw Materials; and (iv) Tianjin Food Group representing an alternative source of purchasing auxiliary materials (including sugar and packaging materials), we concur with the Directors that there is a commercial rationale for the Group to enter into the Master Purchase Agreement.

4. Terms of the Master Purchase Agreement

The Master Purchase Agreement shall become effective from 9 November 2020 and ending on 31 December 2022. Set out below are the major principal terms of the Master Purchase Agreement:

(a) Pricing policy

Pursuant to the Master Purchase Agreement, the terms (including the price and payment terms) of each purchase order shall be agreed between the Group and Tianjin Food Group based on normal commercial terms after arm's length negotiations, and the price/payment terms (including credit terms) for each purchase of the Raw Materials by the Group shall be no less favourable than the price/payment terms (including credit terms) offered to the Group by the Independent Third Parties of same or similar products.

In assessing the price of the Raw Materials to be provided by Tianjin Food Group to the Group, the Group will obtain the prevailing or historical market price through various channels including but not limited to, (a) comparison of price obtained from at least two Independent Third Party suppliers of same or similar materials during the same period; (b) regularly obtaining price quotations through phone, email or physical enquires through face-to-face meetings with at

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least two sizable Independent Third Party suppliers; and (c) conducting market research on a regular basis based on the market data provided by various independent market data providers, in particular:

- (i) in respect of grapes and grape juice (including unprocessed wines)

The purchase price of grapes and grape juice (including unprocessed wines) shall make reference to the regional particularity and variety characteristics of grape producing area distributed for domestic wine making after taking into account the long-term relationship with the Group and with reference to the competitive purchasing situation in the same industry. The Group referred to the trend of grape price at Beijing Xinfadi www.xinfadi.com.cn (“**Xinfadi Website**”) and Huinong Web www.cnhnb.com (“**Huinong Website**”) for comparison with purchase price of same or similar grapes.

- (ii) in respect of auxiliary materials

The Group will make reference to the price on the Mui Tian Technology (沐甜科技) (www.msweet.com.cn) (“**Msweet Website**”) for sugar price and ZhuoChuang Information (卓創諮訊) (www.sci99.com) (“**Sci99 Website**”) for price of packaging materials.

Based on the prevailing or historical market price for the Raw Materials, the Group will compare and negotiate terms of quotations with Tianjin Food Group after taking into account factors including the lowest price quotations, quality of products, technical advantages and proximity to the location of the winery of the Group. The Group will endeavour to agree the reasonable commercial terms from Tianjin Food Group after comprehensive assessment.

In regard to grapes, based on our discussion with the Group, we understand that the Group has entered into long-term agreement with Tianjin Food Group and Independent Third Parties in procurement of grapes, whereas the long-term agreement with Tianjin Food Group has been replaced by the Master Purchase Agreement. We have obtained the long-term agreements on a sampling basis and note that they followed the similar pricing basis where the purchase price would be determined based on the market conditions and not less than the floor price of RMB1 per Jin (a unit of weight, equal to 0.5 kilogram) if the sugar level of grapes meets the minimum requirement set by the Group. Moreover, we understand that, before placing orders of grapes to suppliers, including Tianjin Food Group and Independent Third Parties, it is a normal practice that the purchasing department of the Group would refer to Xinfadi Website for the pricing information of grapes. We noted that Xinfadi Website contains updated daily pricing information of agricultural products. According to Xinfadi Website, the company operating Xinfadi Website has approximately 1,500 staff and Xinfadi wholesale market achieved transaction turnover of approximately

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RMB131.9 billion in 2019. Moreover, we understand from the management of the Company that Xinfadi Website, being independent of and not connected with the Company and its connected persons, is one of the internet platforms widely recognised by the players in the PRC agricultural industry regarding trading and pricing information. Based on above, we concur with the Directors that Xinfadi Website is a market-recognised platform which could provide an indicative price reference for agricultural products. Moreover, the purchasing department would also refer to the prices of recent purchases of grapes by the Group from Independent Third Parties. Based on the information gathered by the purchasing department, the management of the Group would assess and rank suppliers against the Group's requirements (mainly including quality and sugar level of grapes), and the purchasing department would further negotiate with suppliers to get the favourable price, with priority being given the lowest price offered.

To assess the pricing policies in purchasing grapes of the Group, we have obtained and reviewed invoices of grapes supplied by both Tianjin Food Group and Independent Third Parties to the Group which accounted for over 50% of the total purchase of grapes for FY2019. Taking into account no grapes have been purchased by the Group in 2020 and up to the Latest Practicable Date, the above samples represent latest purchase records of grapes of the Group and cover the majority of the total purchase of grapes for FY2019, therefore we consider the above samples are sufficient to support our view on the terms of pricing policy for grapes. Based on the samples, we noted that the prices of grapes with similar sugar level purchased from Tianjin Food Group have been no less favourable than those offered by Independent Third Parties.

In regard to grape juice (including unprocessed wines) and auxiliary materials (including sugar and packaging materials), we understand that the Group would not enter into long-term agreement with suppliers. The purchasing department of the Group would request price quotations from suppliers for comparison and monitor relevant market price from Huinong Website (for grape juice (including unprocessed wines)), Msweet Website (for sugar) and Sci99 Website (for packaging materials). For Huinong Website, we noted that it is an online platform focusing on agricultural market in the PRC and is mainly engaged in trading and pricing information services for agricultural products. The company operating Huinong Website was established in 2013 and Huinong Website commenced operation in the same year. For Msweet Website, we noted that it provides updated daily pricing information and analysis report of sugar products. Based on our research on the background of the company operating Msweet Website, we understand that it is ultimately owned by State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal. For Sci99 Website, we noted that it provides updated pricing information and analysis report of different industrial commodities, mainly including chemicals, plastics, non-ferrous metals and renewable resources.

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The company operating Sci99 Website has approximately 1,300 employees and established cooperation relationship with large corporations in many countries, mainly including the PRC, United States, Germany, France, Russia and India. Moreover, we understand from the management of the Company that Huinong Website, Msweet Website and Sci99 Website, being independent of and not connected with the Company and its connected persons, are widely recognised by the players in the PRC regarding trading and pricing information of agricultural products, sugar and industrial commodities respectively. Based on above, we concur with the Directors that Huinong Website, Msweet Website and Sci99 Website are market-recognised platforms which could provide an indicative price reference for agricultural products, sugar and industrial commodities respectively. Based on the discussion with the management of the Company, we noted that the purchasing department of the Group has obtained at least two quotations from Independent Third Parties to compare the price and terms offered. The purchasing department would prepare a summary with comparison of price and terms offered by suppliers. Based on the terms in the quotations, historical purchase transactions and recent market price, the management of the Group would assess and rank suppliers against the Group's requirements, and the purchasing department would further negotiate with suppliers to get the more favourable price, with priority being given the lowest price offered.

To assess the pricing policies in purchasing grape juice (including unprocessed wines) and auxiliary materials (including sugar and packaging materials) of the Group, we have obtained and reviewed contracts and quotations of grape juice (including unprocessed wines) and auxiliary materials (including sugar and packaging materials) supplied by both Tianjin Food Group and Independent Third Parties to the Group which accounted for over 50% of each of total purchase of grape juice (including unprocessed wines) and auxiliary materials (including sugar and packaging materials) for FY2019 and the eight months ended 31 August 2020. We considered that the above samples are sufficient to support our view on the terms of each of the pricing policies as they (i) cover the majority of each of total purchase of grape juice (including unprocessed wines) and auxiliary materials (including sugar and packaging materials) of the Group for FY2019 and eight months ended 31 August 2020; and (ii) represent recent major purchase records of grape juice (including unprocessed wines) and auxiliary materials (including sugar and packaging materials) of the Group. As observed from the contracts and quotations of similar transactions provided by the Group, the price of grape juice (including unprocessed wines) and auxiliary materials (including sugar and packaging materials) charged by Tianjin Food Group have been no less favourable than those offered by Independent Third Parties.

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(b) Credit terms

Pursuant to the Master Purchase Agreement, invoices shall be issued by Tianjin Food Group upon each delivery of grapes, grape juice (including unprocessed wines), auxiliary materials (including sugar and packaging materials), which shall be settled by the Group annually before the Spring Festival of the following year (for grapes and grape juice), within 30 days since invoice date (for sugar) and within 90 days since invoice date (for packaging materials), and such payment terms would be no less favourable to the Group than those available to the Group from Independent Third Parties. In this regard, we reviewed both the Group's long-term agreements for grapes and purchase agreements for grape juice (including unprocessed wines) and auxiliary materials (sugar and packaging materials) entered into with Tianjin Food Group or Independent Third Parties, and noted that the credit period offered by Independent Third Parties for the respective Raw Materials are both similar or shorter than the credit period offered by Tianjin Food Group as set out in the Master Purchase Agreement.

Having considered that (i) the price of the Raw Materials would be determined with reference to the prevailing or historical market prices quoted by Independent Third Parties; and (ii) the credit period offered by Tianjin Food Group for the respective Raw Materials are similar or longer than that offered by Independent Third Parties, we concur with the Directors that the pricing terms and payment terms of the Master Purchase Agreement were determined on normal commercial terms which are no less favourable to the Group than those available to the Group from Independent Third Parties.

(c) Annual Purchase Caps

Based on the information provided by the Group, the table below sets forth a breakdown of the historical transacted amount of the Raw Materials for each of the three years ended 31 December 2019 and the eight months ended 31 August 2020 and the respective Annual Purchase Caps for the CCT Period:

	Historical transacted amount of the Raw Materials (approximately)			Annual Purchase Caps			
	For the year ended 31 December			For the eight months ended	For the one month ending	For the year ending	
	2017	2018	2019	31 August 2020	31 December 2020	31 December 2021	2022
	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)
Grapes	0.9	1.1	1.5	0.0	2.8	2.8	2.8
Grape juice (including unprocessed wines)	0	0	5.1	11.2	5.7	18.0	19.1
Auxiliary materials (including rose water, sugar and packaging materials)	9.1	8.4	7.8	3.8	2.7	5.7	5.7
Annual Purchase Caps	10.0	9.5	14.4	15.0	11.2*	26.5	27.6

* The total sum of the transaction amount of HK\$15 million for the eight months ended 31 August 2020 together with proposed Annual Purchase Cap of HK\$11.2 million for the one month ending 31 December 2020 is linear to the proposed Annual Purchase Caps for the years ending 31 December 2021 and 2022 with 1%–4% annual growth. According to the Letter from the Board, the Group did not have any purchase transaction of Raw Materials from Tianjin Food Group since 9 September 2020, being the date of Tianjin Food became the sole shareholder of Famous Ever, and would not have any purchase transaction of Raw Materials from Tianjin Food Group until the close of the EGM.

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As set out in the letter from the Board, the Annual Purchase Caps were determined with reference to (a) the prevailing or historical market price of the Raw Materials; (b) the expected demand of the Group on the Raw Materials during the term of the Master Purchase Agreement determined based on the estimated maximum number of orders to be placed by the Group to Tianjin Food Group; and (c) the historical transaction amounts of purchase of the Raw Materials from Tianjin Food Group for the three years ended 31 December 2019 and the eight months ended 31 August 2020. In this regard, we have obtained a list of estimated purchase of Raw Materials by each member of the Group and understand that the Annual Purchase Caps are determined on the basis of multiplying the estimated price of Raw Materials by the estimated quantity of Raw Materials to be purchased, being determined based on the factors abovementioned.

Grapes

We noted that the historical purchase amount of grapes from Tianjin Food Group increased by around 22% for FY2018 and subsequently increased by around 36% for FY2019. We were advised by the Group that the increases were due to satisfactory quality of grapes supplied by Tianjin Food Group and the increasing demand of one of the Group's white wine products (the "**White Wine Product**"). We have discussed with the Group regarding the underlying reasons and noted that, when arriving at the Annual Purchase Caps for grapes, they have principally taken into account (i) a purchase order placed by the Group to Tianjin Food Group in October 2020 amounting to approximately HK\$2.8 million to cater for the production schedule of the White Wine Product; (ii) the expected continuous stable demand for the grapes supplied by Tianjin Food Group after 2020 taking into account the expected stable demand of the White Wine Product for the years ending 31 December 2021 and 2022; and (iii) the prevailing market price of grapes in determining Annual Purchase Caps for grapes for the CCT Period.

In this regard, we have discussed with the Group and understand that the harvest season of grapes in Tianjin Food Group's farms normally commences from September of each year, thus there was no purchase transaction of grapes from Tianjin Food Group during the eight months ended 31 August 2020. We have obtained the purchase order of grapes placed by the Group to Tianjin Food Group and noted that the Group has ordered approximately 650,000 kilogram of grapes from Tianjin Food Group which is expected to deliver in December 2020 in order to meet the planned production schedule. Having considered that (i) the amount of the purchase order accounted for over 90% of the Annual Purchase Caps of grapes for the one month ending 31 December 2020; and (ii) the expected stable demand of the White Wine Product for 2021 and 2022, we are of the view that the estimated quantity of grapes to be purchased from Tianjin Food Group for the CCT Period is justifiable.

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In arriving at the Annual Purchase Caps for grapes, the estimated purchase price is determined with reference to the prevailing and historical market price. Based on the information provided by the Group, we noted that the estimated price of grapes in arriving at the Annual Purchase Caps for the one month ending 31 December 2020 is based on the price of grape as quoted in the purchase order which is also made reference to the price of grapes obtained from Xinfadi Website. Moreover, the Directors estimated the price of grapes for the Annual Purchase Caps for 2021 and 2022 based on the average purchase price of grapes for FY2019 and the prevailing market price of grapes as quoted in the purchase order, which are generally stable during the period. Having considered that (i) the estimated price of grapes for the one month ending 31 December 2020 is reference to the purchase order placed to Tianjin Food Group; and (ii) the estimated price of grapes in arriving at the Annual Purchase Caps for 2021 and 2022 is reference to the prevailing and historical price of grapes, we are of the view that the estimated price of grapes for the CCT Period is justifiable.

Grape juice (including unprocessed wines)

The Group has purchased grape juice (including unprocessed wines) since 2019. The purchase of grape juice from Tianjin Food Group during FY2019 and the eight months ended 31 August 2020 were approximately HK\$5.1 million and HK\$11.2 million respectively. We were advised by the Group that the purchase of grape juice from Tianjin Food Group made in 2019 were due to replenishment of inventory of grape juice as well as the Group's new red wine products (the "**Red Wine Products**") to be launched in 2021 which requires the grape juice supplied by Tianjin Food Group and continued to purchase grape juice from Tianjin Food Group for the eight months ended 31 August 2020 as a result of the expected increase in sales of the Red Wine Products in 2020 and onwards. To cater for the planned production schedule of the Red Wine Products, the Group placed purchase order of grape juice in 2020 amounting to approximately HK\$16.9 million to Tianjin Food Group for the Group's production plan in 2020, representing an estimated growth of approximately 231% over the transaction amount in 2019. The Annual Purchase Caps of grape juice (including unprocessed wines) for 2021 of approximately HK\$18.0 million and 2022 of approximately HK\$19.1 million represent an annual growth rate of approximately 7% and 6% respectively. We have discussed with the Group regarding the underlying reasons and noted that, when arriving at the Annual Purchase Caps for grape juice (including unprocessed wines), the Group has principally taken into account (i) the remaining grape juice amounting to HK\$5.7 million of the purchase order expected to deliver in December 2020 to cater for the production schedule of the Red Wine Products; (ii) the expected increasing demand for the Group's Red Wine Products during 2020 and onwards; (iii) the growth rate of purchasing grape juice (including unprocessed wines) from Tianjin Food Group will become moderate in 2022 after the acceleration of the market demand of the Group's Red Wine

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Products in previous years; and (iv) the prevailing and historical market price of grape juice in determining Annual Purchase Caps for grapes for the CCT Period.

In this regard, we have discussed with the Group and understand that the grape juice (including unprocessed wines) from Tianjin Food Group with distinctive character and stable quality is one of the major components in producing the Red Wine Products. Moreover, we have obtained the purchase order of grape juice (including unprocessed wines) placed by the Group to Tianjin Food Group and noted that the Group has placed purchase order to Tianjin Food Group for purchasing approximately 2.3 million liters of grape juice (including unprocessed wines) which is expected to deliver in 2020. We understand from the Group that approximately 1.6 million liters has been delivered to the Group up to 31 August 2020 and the remaining grape juice (including unprocessed wines) of approximately 0.7 million liters amounting to approximately HK\$5.7 million will be delivered in December 2020. Having considered that (i) the amount of the remaining purchase order accounted for over 90% of the Annual Purchase Caps of grape juice (including unprocessed wines) for the one month ending 31 December 2020; and (ii) the expected increasing demand of the Red Wine Products for 2020 and onwards, we are of the view that the estimated quantity of grape juice (including unprocessed wines) to be purchased from Tianjin Food Group for the CCT Period is justifiable.

We understand from the management of the Group that the estimated price of grape juice (including unprocessed wines) from Tianjin Food Group for the CCT Period mainly with reference to the prevailing and historical price of grape juice (including unprocessed wines). Based on the information provided by the Group, we noted that the estimated price of grape juice in arriving at the Annual Purchase Caps for the one month ending 31 December 2020 is based on the price of grape juice (including unprocessed wines) as quoted in the purchase order which is also made reference to the price of grape juice (including unprocessed wines) obtained from Huinong Website. The Directors estimated the price of grape juice (including unprocessed wines) for the Annual Purchase Caps for 2021 and 2022 taking into consideration of the average purchase price of grape juice (including unprocessed wines) for FY2019 and the prevailing market price of grape juice (including unprocessed wines) as quoted in the purchase order, which are generally stable during the period. Having considered that (i) the estimated price of grape juice (including unprocessed wines) for the one month ending 31 December 2020 is reference to the purchase order placed to Tianjin Food Group; and (ii) the estimated price of grape juice (including unprocessed wines) in arriving at the Annual Purchase Caps for 2021 and 2022 is reference to the prevailing and historical price of grape juice (including unprocessed wines), we are of the view that the estimated price of grape juice (including unprocessed wines) for the CCT Period is justifiable.

Auxiliary materials

The Group's purchase of auxiliary materials (including rose water, packaging materials and sugar) from Tianjin Food Group for the three years ended 31 December 2019 were approximately HK\$9.1 million, HK\$8.4 million and HK\$7.8 million respectively. We were advised by the Group that the decreasing trend of the purchase of auxiliary materials (including packaging materials and sugar) from Tianjin Food Group during the past three years was mainly attributable to the decrease in purchase of packaging materials from Tianjin Food Group partly offset by the purchase of sugar from Tianjin Food Group in 2019. The decrease in purchase of packaging materials was mainly due to the Group's effort on diversification of sourcing channels, while the purchase of sugar from Tianjin Food Group in 2019 was mainly due to competitive pricing of sugar offered by Tianjin Food Group. During the eight months ended 31 August 2020, the purchase of auxiliary materials (including rose water, packaging materials and sugar) from Tianjin Food Group was approximately HK\$3.8 million. Based on the Annual Purchase Caps of the auxiliary materials, we noted from the management of the Company that the Group will not purchase rose water from Tianjin Food Group during the CCT period and the expected transaction amount of auxiliary materials (including packaging materials and sugar) purchased from Tianjin Food Group for the year ending 31 December 2020 of approximately HK\$6.5 million represents a decrease by approximately 17% over the transaction amount for FY2019, and each of the Annual Purchase Caps for the years ending 31 December 2021 and 2022 of approximately HK\$5.7 million represents a further decrease by approximately 12% over the Annual Purchase Caps for the year ending 31 December 2020. We have discussed with the Group regarding the underlying reasons and noted that, when arriving at the Annual Purchase Caps for auxiliary materials (including packaging materials and sugar), the Group has principally taken into account (i) the purchase order placed by the Group to Tianjin Food Group amounting to approximately HK\$2.3 million to cater for the production schedule of the wine products of the Group; (ii) the expected further diversification on auxiliary materials (including packaging materials and sugar) to be performed; and (iii) the prevailing and historical market price of auxiliary materials (including packaging materials and sugar) in determining Annual Purchase Caps for auxiliary materials for the CCT Period.

In this regard, we have obtained the purchase order of auxiliary materials (including packaging materials and sugar) placed by the Group to Tianjin Food Group and noted that the auxiliary materials (including packaging materials and sugar) are expected to deliver in December 2020 to meet the planned production schedule. Moreover, we understand that the auxiliary materials (including sugar and packaging materials) are relatively common raw materials when compared to grapes and grape juice which are classified into different types according to different quality, sugar level and flavour, the Group could effectively diversify its sourcing channels to reduce

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reliance on major supplier. The Directors are of the view that the purchase of auxiliary materials (including packaging materials and sugar) from Tianjin Food Group will decrease for the year ending 31 December 2021 and maintain at the same level for the year ending 31 December 2022. Having considered that (i) the amount of the purchase order accounted for over 80% of the Annual Purchase Caps of auxiliary materials (including sugar and packaging materials) for the one month ending 31 December 2020; and (ii) the Group's effort on diversification of sourcing auxiliary materials (including sugar and packaging materials) for 2020 and onwards, we are of the view that the estimated quantity of auxiliary materials (including sugar and packaging materials) to be purchased from Tianjin Food Group for the CCT Period is justifiable.

Based on our discussion with the management of the Group, we noted that the price level of auxiliary materials (including sugar and packaging materials) was generally stable during the three years ended 31 December 2019 and the eight months ended 31 August 2020. Moreover, the estimated price of auxiliary materials (including packaging materials and sugar) in arriving at the Annual Purchase Caps for the one month ending 31 December 2020 is based on the price of packaging materials and sugar as quoted in the purchase order which is also made reference to the price of packaging materials and sugar obtained from Sci99 Website and Msweet Website respectively. The Directors estimated the price of auxiliary materials (including packaging materials and sugar) to be constant for the CCT Period. Having considered that (i) the estimated price of auxiliary materials (including sugar and packaging materials) for the one month ending 31 December 2020 is reference to the purchase order placed to Tianjin Food Group; and (ii) the estimated price of auxiliary materials (including sugar and packaging materials) in arriving at the Annual Purchase Caps for 2021 and 2022 is reference to the prevailing and historical price of auxiliary materials (including sugar and packaging materials), we are of the view that the estimated price of auxiliary materials with reference to historical average price for the CCT Period is justifiable.

Conclusion

Having considered that, in particular, the reasons and factors discussed above in relation to our assessment of the Annual Purchase Caps, we are of the view that the Annual Purchase Caps for the CCT Period are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of both the Company and Independent Shareholders as a whole.

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Internal control measures

Since the annual caps under the Master Purchase Agreement for the CCT Period are expected to represent more than 5% for one or more of the applicable percentage ratios under the Listing Rules and are expected to exceed HK\$10.0 million each, the transactions under the Master Purchase Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The Company will therefore seek the approval by the Independent Shareholders for the Continuing Connected Transactions and the respective annual caps.

We have discussed with the management of the Company and noted that the Company has adopted several internal control measures to monitor the pricing and terms of the transactions contemplated under the Master Purchase Agreement. The following arrangements are proposed to monitor the non-exempt continuing connected transactions:

- (i) The Company will supervise the continuing connected transactions in accordance with the procedures set forth in the Company's internal control policy on continuing connected transactions.
- (ii) The finance department of the Company shall monitor and ensure that the departments overseeing the operation of the Company in connection with Master Purchase Agreement will review and assess on a regular basis whether the transactions thereunder are conducted in accordance with the terms of the Master Purchase Agreement and the Annual Purchase Caps are not exceeded.
- (iii) In addition, staff of audit department responsible for the internal control will check the relevant documents provided by the purchasing department against the purchase invoices for transactions contemplated under the Master Purchase Agreement and other relevant documents on a perpetual basis.
- (iv) The independent non-executive Directors shall, and the Company shall engage its external auditors to, conduct annual reviews of the continuing connected transactions entered into by the Group and the Annual Purchase Caps in accordance with the requirements of the Listing Rules.

For our due diligence purpose and to review the internal control procedures in relation to price setting and monitoring of the Annual Purchase Caps, we have obtained and reviewed samples of assessment summaries for historical related party transactions in relation to purchases of goods prepared by the personnel in the finance department, which accounted for more than 50% of the total related party transactions for FY2019. Taking into account the above samples represent majority of the total related party transactions for FY2019, we consider the sample size is sufficient for us to assess whether the Group has adequate internal control measure on connected transactions. The assessment summaries reflected the comparison of prices of raw materials offered by the relevant related party of the Group against those offered by independent third parties. Based on our review, we noted that the samples are in compliance with the internal control measures of the Company and that the Company has put in place internal control measures to ensure that the transactions are conducted fairly and reasonably.

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Based on above, we consider that the Company has taken appropriate and adequate measures to govern the Group in carrying out the transactions under the Master Purchase Agreement, thereby safeguarding the interests of the Company and the Shareholders thereunder.

RECOMMENDATION

Having considered the above principal factors and reasons, we concur with the Directors' view that (i) the Continuing Connected Transactions are carried out in the ordinary and usual course of business of the Group; (ii) the terms of Master Purchase Agreement are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned; (iii) the Continuing Connected Transactions are in the interests of the Company and the Independent Shareholders as a whole; and (iv) the basis of determining the Annual Purchase Caps for the CCT Period in respect of Master Purchase Agreement are fair and reasonable. Accordingly, we would recommend the Independent Shareholders, and advise the Independent Board Committee to recommend to the Independent Shareholders, to vote in favor of the Continuing Connected Transactions and the respective annual caps thereof at the EGM.

Yours faithfully,
For and on behalf of
Octal Capital Limited
Alan Fung **Wong Wai Leung**
Managing Director *Executive Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and is also a responsible officer Type 9 (asset management) regulated activities. Mr. Wong has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Takeovers Code.

The following are biographical details of the executive Directors who will offer themselves for re-election at the EGM:

(1) Mr. Wan Shoupeng (“Mr. Wan”)

Mr. Wan, aged 47, senior engineer (正高級工程師), was appointed as the executive Director and the chairman of the Company in October 2020. Mr. Wan is also a chairman of nomination committee of the Company. He is currently the deputy secretary of communist party committee, a director and general manager of Tianjin Food, a controlling shareholder of the Company.

Mr. Wan was appointed as a director and the chairman of a subsidiary of the Company, namely, Sino-French Joint-Venture Dynasty Winery Limited, in September 2020. Mr. Wan graduated from Nanjing University of Economics (南京經濟學院) with a bachelor’s degree in food engineering in 1997. After graduation, he worked in the Technology Development Department of Tianjin Food Research Institute (天津市食品研究所) from 1997 to 2001. From 2001 to 2007, he successively held the positions of assistant to general manager and deputy manager at Tianjin Limin Condiment Brewing Group Company Limited (天津市利民調料釀造集團有限公司). From November 2007 to March 2020, he held various senior management positions at Tianjin Limin Condiment Company Limited (天津市利民調料有限公司), including the deputy secretary of communist party committee, deputy general manager and general manager, and his last positions were secretary of the communist party committee and chairman of Tianjin Limin Condiment Company Limited (天津市利民調料有限公司). He further studied in Tianjin University of Science and Technology and obtained a master’s degree in food science and engineering in 2006, and subsequently obtained a doctorate degree in biotechnology and food engineering in 2015. From 2013 to 2015, he also acted as chief engineer (總工程師) of Tianjin Ershang Group Company Limited (天津二商集團有限公司). He joined Tianjin Food Group Company Limited in 2015 and served as chief engineer (總工程師) and subsequently a member of communist party committee. Mr. Wan has extensive experience in the food industry in the PRC and management.

Mr. Wan has entered into a service contract with the Company for a term of three years with effect from 1 October 2020, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company, provided that either party may terminate the service contract by serving two months’ notice. Under the service contract, Mr. Wan is not entitled to any director’s fee. Such emoluments were determined by the Board having regard to Mr. Wan’s duties and responsibilities.

(2) Mr. Huang Manyou (“Mr. Huang”)

Mr. Huang, aged 55, accountant, was appointed as the executive Director in October 2020. Mr. Huang is also a member of remuneration committee of the Company. He is currently member of communist party committee, a director and deputy general manager of Sino-French Joint-Venture Dynasty Winery Limited and a director of Tianjin Dynasty Winery Sales Company Limited, both are subsidiaries of the Company.

After graduating from Tianjin Second Commercial School (天津第二商業學校) majored in financial statistics in 1985, Mr. Huang worked successively in Tianjin Poultry and Egg Company (天津市禽蛋公司) and Tianjin Frozen Food Company (天津市冷凍食品公司) until 1995, during which he studied business management at Tianjin Xinhua Staff College (天津新華職工大學) with a diploma degree. In following years from 1995 to 2017, he held various management positions in Tianjin Lida Group Company Limited (天津立達集團有限公司) including accounting manager, assistant to the general manager, and his last positions were deputy chief accountant and head of finance department. During the period from 2008 to 2011, he graduated from the Party School of the Central Committee (中央黨校), majoring in economics and management for postgraduate. Since December 2018, he has been a director of Tianjin Haihe Dairy Company Limited (天津海河乳業有限公司), Tianjin Wang Chao United Holding Company Limited (天津市王朝聯合實業有限公司), Tianjin Heavenly Palace Winery Company Limited (天津天宮葡萄酒有限公司) and Liaoning Wang Chao Wunushan Icewine Company Limited (遼寧王朝五女山冰酒莊有限公司) respectively. These companies currently are subsidiaries of Tianjin Food, a controlling shareholder of the Company. Mr. Huang has extensive experience in financial accounting and management. He joined the Group in August 2017.

Mr. Huang has entered into a service contract with the Company for a term of three years with effect from 1 October 2020, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company, provided that either party may terminate the service contract by serving two months' notice. Under the service contract, Mr. Huang is not entitled to any director's fee. Such emoluments were determined by the Board having regard to Mr. Huang's duties and responsibilities.

Save as disclosed above and as at the Latest Practicable Date, none of the Directors who are proposed for re-election at the EGM (i) had any relationship with any other Directors, senior management, substantial or controlling shareholders of the Company; (ii) held any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; (iii) had any interest in the Shares within the meaning of Part XV of the SFO; and (iv) held any other positions in any members of the Group. There is no other information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules in respect of the re-election of the above retiring Directors and there are no other matters that need to be brought to the attention of the Shareholders in relation to the re-election of the above retiring Directors.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders and persons having 5% or more interests

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2019, being the date to which the latest audited consolidated accounts of the Company have been made up) or had any options in respect of such securities:

Long positions:

Name	Name of company in which interests or short positions were held	Nature of interest	Number of shares/ Amount of registered capital	Approximate percentage of shareholding
Famous Ever	The Company	Beneficial owner	558,000,000 Shares	44.70%
Tianjin Food (<i>Note 1</i>)	The Company	Interest in controlled corporation	558,000,000 Shares	44.70%

Name	Name of company in which interests or short positions were held	Nature of interest	Number of shares/ Amount of registered capital	Approximate percentage of shareholding
Tsinlien Group Company Limited (“ Tsinlien ”) (Note 2)	The Company	Beneficial owner	21,922 Shares	0.01%
Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司) (“ Bohai ”) (Note 2)	The Company	Interest in controlled corporation	558,021,922 Shares	44.71%
Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司) (“ Tsinlien Investment Holdings ”) (Note 2)	The Company	Interest in controlled corporation	558,021,922 Shares	44.71%
Remy Pacifique Limited (Note 3)	The Company	Beneficial owner	336,528,000 Shares	26.96%
Remy Concord Limited (Note 3)	The Company	Interest in controlled corporation	336,528,000 Shares	26.96%
Remy Cointreau Services S.A.S. (Note 3)	The Company	Interest in controlled corporation	336,528,000 Shares	26.96%
Remy Cointreau S.A. (Note 3)	The Company	Interest in controlled corporation	336,528,000 Shares	26.96%
Orpar S.A. (Note 3)	The Company	Interest in controlled corporation	336,528,000 Shares	26.96%
Andromede S.A.S. (Note 3)	The Company	Interest in controlled corporation	336,528,000 Shares	26.96%
Tsinlien Investment Holdings (Note 4)	Tianjin Tianyang Grape Winery Company Limited (天津天陽葡萄釀酒有限公司)	Interest in controlled corporation	RMB13,304,000	32%
Chiping District Tianyuan Grape Winery Company Limited (茌平縣天苑葡萄釀酒有限公司)	Shandong Yu Huang Grape Wine Company Limited (山東玉皇葡萄釀酒有限公司)	Beneficial owner	RMB2,400,000	35%

Name	Name of company in which interests or short positions were held	Nature of interest	Number of shares/ Amount of registered capital	Approximate percentage of shareholding
Shanghai Huaao Assets Management Company Limited (上海華傲資產經營有限公司)	Shanghai Dynasty Wine Cellar Company Limited (上海王朝窖藏葡萄酒有限公司)	Beneficial owner	RMB2,940,000	49%

Notes:

- (1) Famous Ever is a direct wholly-owned subsidiary of Tianjin Food. By virtue of the SFO, Tianjin Food is deemed to be interested in the same parcel of Shares in which Famous Ever is interested.
- (2) Tianjin Food and Tsinlien are both wholly-owned subsidiaries of Bohai which is wholly-owned by Tsinlien Investment Holdings. By virtue of the SFO, Tsinlien Investment Holdings and Bohai are deemed to be interested in the same parcel of Shares in which Tianjin Food and Tsinlien are interested. Tsinlien Investment Holdings is ultimately wholly owned by Tianjin Municipal People's Government of the PRC, which is the ultimate beneficial owner of Tianjin Food. Mr. Wan Shoupeng, an executive Director and chairman of the Company, is also a director and general manager of Tianjin Food. Mr. Li Guanghe, an executive Director and general manager of the Company, is also a supervisor of Tianjin Jia Li He Livestock Co., Ltd. (天津嘉立荷牧業集團有限公司), a subsidiary of Tianjin Food. Mr. Huang Manyou, an executive Director, is also a director of Tianjin Haihe Dairy Company Limited (天津海河乳業有限公司), Tianjin Wang Chao United Holding Company Limited (天津市王朝聯合實業有限公司), Tianjin Heavenly Palace Winery Company Limited (天津天宮葡萄酒有限公司) and Liaoning Wang Chao Wunushan Icewine Company Limited (遼寧王朝五女山冰酒莊有限公司), all being subsidiaries of Tianjin Food.
- (3) Remy Concord Limited is entitled to exercise or control the exercise of all the voting power at general meetings of Remy Pacifique Limited. Remy Cointreau Services S.A.S. is entitled to exercise or control the exercise of all the voting power at general meetings of Remy Concord Limited. Remy Cointreau S.A. is entitled to exercise or control the exercise of approximately 93% of the voting power at general meetings of Remy Cointreau Services S.A.S.. Orpar S.A. is entitled to exercise or control the exercise of approximately 47% of the voting power at general meetings of Remy Cointreau S.A.. Orpar S.A. is also entitled to exercise or control the exercise of approximately 70% of the voting power at general meetings of Recopart, which is entitled to exercise or control the exercise of approximately 18% of the voting power at general meetings of Remy Cointreau S.A., Andromede S.A.S. is entitled to exercise or control the exercise of all the voting power at general meetings of Orpar S.A.. By virtue of Part XV of the SFO, each of Remy Concord Limited, Remy Cointreau Services S.A.S., Remy Cointreau S.A., Orpar S.A. and Andromede S.A.S. is deemed to be interested in the Shares held by Remy Pacifique Limited. Mr. Heriard-Dubreuil Francois, a non-executive Director, who is also a director and/or an employee of Andromede S.A.S., Orpar S.A., Remy Cointreau S.A., Remy Concord Limited and Remy Pacifique Limited.
- (4) Tianjin Tianyang Grape Winery Sales Company Limited (天津天陽葡萄酒銷售有限公司), a member of the Group, is wholly-owned by Tianjin Tianyang Grape Winery Company Limited (天津天陽葡萄酒釀酒有限公司), which in turn is owned as to 60% by the Group and as to approximately 32% by Tianjin Food, which is wholly-owned by Bohai. Bohai is wholly-owned by Tsinlien Investment Holdings.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2019, being the date to which the latest audited consolidated accounts of the Company have been made up) or who had any options in respect of such securities.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, there was no service contract or any proposed service contract between any of the Directors or proposed Directors and the Company or any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2019, being the date to which the latest audited consolidated accounts of the Company have been made up), excluding contracts expiring or determinable by the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2019, being the date to which the latest audited consolidated accounts of the Company have been made up) within a year without payment of any compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close associates was interested in any business (apart from the Group's business) which competed or might compete either directly or indirectly with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling Shareholder).

5. MATERIAL INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in the assets which had been, since 31 December 2019, the date to which the latest published audited consolidated accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2019, being the date to which the latest audited consolidated accounts of the Company have been made up), or were proposed to be acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2019, being the date to which the latest audited consolidated accounts of the Company have been made up).

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2019, being the date to which the latest audited consolidated accounts of the Company have been made up).

6. EXPERT AND CONSENT

The Independent Financial Adviser, Octal Capital Limited, a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Octal Capital Limited did not have (i) any shareholding in any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2019, being the date to which the latest audited consolidated accounts of the Company have been made up) or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2019, being the date to which the latest audited consolidated accounts of the Company have been made up); or (ii) any interests, directly or indirectly, in any assets which had been, since 31 December 2019, being the date to which the latest audited consolidated accounts of the Company have been made up, acquired, disposed of or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2019, being the date to which the latest audited consolidated accounts of the Company have been made up), or were proposed to be acquired, disposed of or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2019, being the date to which the latest audited consolidated accounts of the Company have been made up).

7. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there has been no material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Company have been made up.

8. GENERAL

The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at Units E& F, 16/F, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong during 10:00 a.m. to 6:00 p.m. on any Business Day, from the date of this circular up to and including the date of the EGM:

- (a) the Master Purchase Agreement;
- (b) the letter from the Independent Board Committee;
- (c) the letter from Octal Capital Limited;
- (d) the written consent referred to in the paragraph headed “Expert and Consent” in this appendix; and
- (e) this circular.



Dynasty Fine Wines Group Limited

王朝酒業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 828)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**EGM**”) of Dynasty Fine Wines Group Limited (the “**Company**”) will be held at 17/F, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong on 29 December 2020 (Tuesday) at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (i) the master purchase agreement (the “**Master Purchase Agreement**”, a copy of which has been produced to the meeting marked “**A**” and signed by the chairman of the meeting for the purpose of identification) dated 9 November 2020 entered into between Dynasty Fine Wines Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) and 天津食品集團有限公司 (Tianjin Food Group Co Ltd*) (“**Tianjin Food**”, together with its subsidiaries and associates “**Tianjin Food Group**”) in relation to the purchase of certain raw materials from the Tianjin Food Group by the Group be and is hereby approved, confirmed and ratified; and
- (ii) the proposed annual purchase caps (the “**Annual Purchase Caps**”) for the continuing connected transactions contemplated under the Master Purchase Agreement for the period from 1 December 2020 to 31 December 2020 and the two years ending 31 December 2022 as set out below be and are hereby approved, confirmed and ratified:

	For 1 December 2020 to 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
Annual Purchase Caps	HK\$11,200,000	HK\$26,500,000	HK\$27,600,000

NOTICE OF EGM

- (iii) the directors of the Company be and are hereby authorised on behalf of the Company to do all such things and sign, seal, execute, perfect and deliver all such documents as they may in their discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation and/or give effect to any matters relating to the Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Purchase Caps).”
2. To re-elect Mr. Wan Shoupeng as executive Director with immediate effect; and
 3. To re-elect Mr. Huang Manyou as executive Director with immediate effect.

By order of the Board
Dynasty Fine Wines Group Limited
Wan Shoupeng
Chairman

Hong Kong, 11 December 2020

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

Units E&F, 16/F
China Overseas Building
139 Hennessy Road
Wanchai
Hong Kong

Notes:

1. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
2. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power of attorney or other authority, shall be delivered to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the EGM and, in such event, the form of proxy shall be deemed to be revoked.
3. The register of shareholders of the Company will be closed from 22 December 2020 to 29 December 2020, both days inclusive, during which period no transfer of Shares will be effected. In order to determine entitlement to attend and vote at the EGM, all transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 21 December 2020.

NOTICE OF EGM

4. Where there are joint registered holders of any share of the Company (the “Share”), any one of such joint holder may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders be present at the EGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. A form of proxy for the EGM will be enclosed with the circular.
6. In view of the ongoing COVID-19 pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM, including:
 - compulsory temperature checks
 - compulsory wearing of surgical face masks
 - each attendee being assigned a designated seat at the time of registration to ensure social distancing
 - no distribution of corporate gifts and refreshments

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. In the interest of all stakeholders’ health and safety and consistent with COVID-19 guidelines for prevention and control, the Company strongly encourages shareholders to appoint the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

7. As at the date of this notice, the executive directors of the Company are Mr. Wan Shoupeng, Mr. Li Guanghe and Mr. Huang Manyou; the non-executive directors of the Company are Mr. Heriard-Dubreuil Francois, Mr. Wong Ching Chung and Mr. Robert Luc, and the independent non-executive directors of the Company are Dr. Zhang Guowang, Mr. Yeung Ting Lap Derek Emory and Mr. Sun David Lee.