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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**

#### **THE MASTER PURCHASE AGREEMENT**

The Board announces 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. The Raw Materials are (i) grapes and grape juice (including unprocessed wines), as well as (ii) auxiliary materials (sugar, rose water and packaging materials).

#### **LISTING RULES IMPLICATIONS**

As set out in the announcement of the Company dated 11 September 2020, Tianjin Food became the sole shareholder of Famous Ever (which in turn holds approximately 44.7% of the issued share capital of the Company) on 9 September 2020. Accordingly, 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 of the Company under Chapter 14A of the Listing Rules.

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.

A circular containing, among other things, (i) details of the Master Purchase Agreement; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 30 November 2020 in accordance with the Listing Rules.

The Board is pleased to announce that on 9 November 2020, the Company and Tianjin Food entered into the Master Purchase Agreement. Set out below are the major terms of the Master Purchase Agreement:

## **THE MASTER PURCHASE AGREEMENT**

### **Date**

9 November 2020

### **Parties**

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

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

### **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.

### **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**

As a general principle, 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 with at least two Independent Third Party suppliers of same or similar materials during the same period; (b) regularly obtain price quotations through phone, email or physical enquires through face-to-face meetings with at least two sizable Independent Third Party suppliers; and (c) conduct 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](http://www.xinfadi.com.cn) 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 Muitian Technology (沐甜科技) ([www.msweet.com.cn](http://www.msweet.com.cn)) for sugar price and ZhuoChuang Information (卓創諮訊) ([www.sci99.com](http://www.sci99.com)) 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 obtain the best 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.

### **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**”):

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

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
<b>Historical transaction amounts (approximately)</b>	HK\$10,000,000	HK\$9,500,000	HK\$14,400,000	HK\$15,000,000

Based on the above, the Directors (excluding the independent non-executive Directors whose view will express their opinion in the 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 company 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.

## **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 region, 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.

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 (excluding the independent non-executive Directors who will express their opinion in the 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 date of this announcement, Famous Ever holds approximately 44.7% of the issued share capital of the Company. 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.

## **GENERAL**

The EGM will be held by the Company for the Independent Shareholders to consider and, if thought fit, to approve the Master Purchase Agreement and the transactions contemplated thereunder. Tianjin Food and its associates (including Famous Ever) shall abstain from voting at the EGM to be convened to consider the resolution(s) approving the abovementioned continuing connected transactions.

For the purpose of the EGM, an Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders on the Master Purchase Agreement and the transactions contemplated thereunder. An Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Master Purchase Agreement; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 30 November 2020 in accordance with the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the content otherwise requires, the following expressions have the following meanings:

“associates”	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”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held and if thought fit, to approve the Master Purchase Agreement and the transactions contemplated thereunder (including the Annual Purchase Caps)
“Famous Ever”	Famous Ever Group Limited, a controlling shareholder of the Company as at the date of this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	the independent committee of the Board formed to consider the Master Purchase Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	the independent financial adviser appointed to advise the Independent Shareholders and the Independent Board Committee in relation to the Master Purchase Agreement
“Independent Shareholders”	Shareholders other than Tianjin Food and its associates (including Famous Ever)
“Independent Third Party(ies)”	party(ies) which is(are) third party independent of the Group and its connected persons
“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 the Raw Materials by the Group from Tianjin Food Group
“PRC”	the People’s Republic of China, which for the purpose of this announcement 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)
“Share(s)”	share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“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 announcement, where indicated, denote for identification only.*

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

Hong Kong, 9 November 2020

*As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Wan Shoupeng, Mr. Li Guanghe and Mr. Huang Manyou, three non-executive Directors, namely, Mr. Heriard-Dubreuil Francois, Mr. Wong Ching Chung and Mr. Robert Luc, and three independent non-executive Directors, namely, Dr. Zhang Guowang, Mr. Yeung Ting Lap Derek Emory and Mr. Sun David Lee.*