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## CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

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### CONTROLLING SHAREHOLDERS

So far as the Directors are aware, immediately following completion of the Placing and the Capitalisation Issue, the following persons individually and/or collectively are entitled to exercise or control the exercise of 30% or more of the voting power at the general meetings of the Company.

<b>Name</b>	<b>Capacity/nature of interests</b>	<b>Number of Shares held immediately after the Placing and the Capitalisation Issue</b>	<b>Approximate percentage of shareholding in the Company immediately after the Placing and the Capitalisation Issue</b>
KMW ( <i>Note 1</i> )	Beneficial owner	240,000,000	75%
Mr. Wong KM ( <i>Note 2</i> )	Interest in a controlled corporation	240,000,000	75%
Ms. Lau LY ( <i>Note 3</i> )	Interest in a controlled corporation	240,000,000	75%

*Notes:*

- (1) The entire issued share capital of KMW is owned as to 50% by Mr. Wong KM and 50% by Ms. Lau LY.
- (2) Mr. Wong KM is deemed to be interested in all the Shares held by KMW by virtue of the SFO.
- (3) Ms. Lau LY is deemed to be interested in all the Shares held by KMW by virtue of the SFO.

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### SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following the completion of the Placing and the Capitalisation Issue, the following person/entities will have interests and/or short positions in Shares or 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, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

<b>Name</b>	<b>Capacity/nature of interests</b>	<b>Number of Shares held immediately after the Placing and the Capitalisation Issue</b>	<b>Approximate percentage of shareholding in the Company immediately after the Placing and the Capitalisation Issue</b>
KMW ( <i>Note 1</i> )	Beneficial owner	240,000,000	75%
Mr. Wong KM ( <i>Note 2</i> )	Interest in a controlled corporation	240,000,000	75%
Ms. Lau LY ( <i>Note 3</i> )	Interest in a controlled corporation	240,000,000	75%

*Notes:*

- (1) The entire issued share capital of KMW is owned as to 50% by Mr. Wong KM and 50% by Ms. Lau LY.
- (2) Mr. Wong KM is deemed to be interested in all the Shares held by KMW by virtue of the SFO.
- (3) Ms. Lau LY is deemed to be interested in all the Shares held by KMW by virtue of the SFO.

### SIGNIFICANT SHAREHOLDERS

So far as the Directors are aware, save for the persons disclosed under the paragraph headed "Substantial Shareholders" in this section, there are no other persons who will immediately following completion of the Placing and the Capitalisation Issue be directly or indirectly interested in five per cent. or more of the voting power at the general meetings of the Company and are therefore regarded as significant shareholders of the Company under the GEM Listing Rules.

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### SHAREHOLDING STRUCTURE

Set out below are the respective shareholding structures of the Company immediately before and after completion of the Placing and the Capitalisation Issue:

Name	Date on which shareholding interest in the Group was first acquired	Number of Shares held immediately before the Placing and the Capitalisation Issue	Approximate percentage of shareholding in the Company immediately before the Placing and the Capitalisation Issue	Number of Shares to be held immediately after completion of the Placing and the Capitalisation Issue	Approximate percentage of shareholding in the Company immediately after completion of the Placing and the Capitalisation Issue
KMW ( <i>Note 1</i> )	10 February 2011	38,000,000	100%	240,000,000	75%
Public ( <i>Note 2</i> )	N/A	N/A	N/A	80,000,000	25%

*Notes:*

- (1) KMW is beneficially owned by Mr. Wong KM and Ms. Lau LY, each of them holding 50% of the entire issued share capital of KMW.
- (2) 80,000,000 Placing Shares are being offered by the Company under the Placing.

### INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Save as otherwise disclosed in the section headed “Connected Transactions” in this prospectus, the Directors do not expect that there will be any other significant transactions between the Group and the Controlling Shareholders upon or immediately after Listing. Having considered the following factors, the Directors believe that the Group is capable of carrying on its business independently of the Controlling Shareholders and their respective associates after the Listing.

#### Financial independence

The Directors are of the view that the Group does not unduly rely on advances from the Controlling Shareholders and related parties for the business operations. Save for the guarantee in relation to the Yuen Long Lease Agreement as disclosed under the paragraph headed “Guarantee in relation to the Yuen Long Lease Agreement” in the section headed “Connected Transactions” in this prospectus, all amounts due to/from and guarantees provided by/to Mr. Wong KM and Ms. Lau LY will be fully settled and released before the Listing. Having considered that (i) the continued provision of guarantee by Ms. Lau LY under the Yuen Long Lease Agreement without the Company’s provision of a replacement guarantee following the Listing would avoid the burden to alter the Yuen Long Lease Agreement; (ii) the Group can

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lease properties at other locations for its restaurant operation without the guarantee provided by Ms. Lau LY; (iii) the Group has independent financial and accounting systems, independent treasury function for receiving cash and making payments and independent access to third party financing; (iv) the Group makes financial decisions according to the Group's own business needs; (v) the amounts due to/from the Controlling Shareholders will be fully settled before Listing; and (vi) the Group has sufficient committed banking facilities to fund its operations, the Directors consider that the Group can operate independently of the Controlling Shareholders from the financial perspective. As at the Latest Practicable Date, the Group had total banking facilities of approximately HK\$21,500,000, of which approximately HK\$21,491,000 were utilised. One of the banking facilities are guaranteed by the Controlling Shareholders as at the Latest Practicable Date and such guarantee will be replaced by corporate guarantee from the Company upon Listing.

### **Operational Independence**

Despite that the Group will have various continuing connected transactions with the Controlling Shareholders after Listing as disclosed in the section headed "Connected Transactions" in this prospectus, having considered that (i) the Group has independent access to suppliers for its restaurant business and maintained a total had 48 approved suppliers as at the Latest Practicable Date; (ii) the Group has other suppliers for each of the categories of food ingredients and raw materials; and (iii) the Group can lease properties at other locations for its restaurant operation without the guarantees provided by Ms. Lau LY; (iv) the Group has established its own set of organisational structure made up of individual departments, each with specific areas of responsibilities; (v) the Group has independent access to customers for its restaurant business; and (vi) the Group has established a set of internal controls to facilitate the effective operation of its business, the Directors consider that the Group can operate independently of the Controlling Shareholders from the operational perspective.

### **Management Independence**

#### ***Board***

To ensure that the Group can operate independently from the Controlling Shareholders, certain corporate governance measures have been adopted. The Board comprises five Directors, which include two executive Directors, namely Mr. Wong KM and Ms. Lau LY and three independent non-executive Directors, namely Mr. Yu Ka Ho, Mr. Li Fu Yeung and Ms. Chiu Man Yee. All the independent non-executive Directors are sufficiently experienced and capable of monitoring the operation of the Group independently of the Controlling Shareholders. Therefore, the Directors are of the view that the interests of the Shareholders can be safeguarded. For details of the Directors, please refer to section headed "Directors, Senior Management and Staff" in this prospectus. Each of the Directors is aware of his or her fiduciary duties as a Director which requires, among other things, that he or she acts for the benefit and in the best interests of the Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event there are conflicts of interests for approving a proposed transaction due to the dual positions of a Director acting as director of

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the Company and another company, pursuant to the relevant provisions of the Articles, the Director shall be absent from the Board meeting and abstain from voting (nor be counted in the quorum) in the resolution(s) of the Board approving such transaction.

### ***Committees***

The Group has established an audit committee and a remuneration committee. Each committee consists of a majority of independent non-executive Directors to monitor the operation of the Group.

The audit committee is responsible for reviewing and supervising the financial reporting process and internal control system of the Group whereas the remuneration committee's role is to ensure that the Directors are properly remunerated without being influenced by the Controlling Shareholders.

### ***Senior Management***

The Group is also managed by the senior management who can work and carry on the business of the Group independently of the Controlling Shareholders. For details of the Group's senior management, please refer to the section headed "Directors, Senior Management and Staff" in this prospectus.

Having considered the above factors, the Directors are satisfied that they are able to perform their roles in the Company independently, and the Directors are of the view that the Group is capable of managing the business independently of the Controlling Shareholders after the Listing.

## **UNDERTAKINGS**

Each of the Company and the Controlling Shareholders has given certain undertakings in respect of the Shares (including those as required by Rules 13.16A(1) and 13.19 of the GEM Listing Rules, where applicable) to the Company, the Sponsor, the Lead Manager, the Underwriters and the Stock Exchange, details of which are set out under the paragraph headed "Undertakings" in the section headed "Underwriting" in this prospectus.

## **COMPETING INTERESTS**

U Cellar is owned as to 50% by Mr. Wong KM and 50% by Ms. Lau LY. Each of Mr. Wong KM and Ms. Lau LY is a director of U Cellar, an executive Director and a Controlling Shareholder. U Cellar is a connected person for the purpose of GEM Listing Rules. For details of the continuing connected transactions between U Cellar and the Group, please refer to the section headed "Connected Transactions" in this prospectus.

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U Cellar has been principally engaged in the business of supply and retail of wine in Hong Kong, including the operation of a retail wine shop, since commencement of business in May 2009. Since the Group's establishment in 2006 until the Latest Practicable Date, the Group had not been engaged in such business. The Group's restaurants have offered and will continue to offer wine to their customers. The Directors believe that any competition between the business of U Cellar and the Group's business is remote as (a) the nature of business of U Cellar and the Group is different given that U Cellar is in the business of supply and retail of wine and the Group is in the business of operating Chinese restaurants; (b) U Cellar and the Group target different customers since U Cellar targets retail customers, wholesale customers and wine connoisseurs while the Group's restaurants target wedding banquet customers and ordinary diners; (c) the Group's restaurants and the retail wine shop operated by U Cellar charge the same price for the wine; and (d) a 10% service charge is charged on any wine which the customer consumes in the restaurant and this service charge policy applies to all customers regardless of whether he orders the wine from the restaurant or brings the wine he purchases from elsewhere (whether or not from an Independent Third Party).

Save as disclosed above, none of the Controlling Shareholders, substantial shareholders of the Company and Directors is interested in any business that competes, or is likely to compete, directly or indirectly, with the business of the Group.

### NON-COMPETITION UNDERTAKINGS

Each of Mr. Wong KM and Ms. Lau LY as covenantor (each a "**Covenantor**", collectively, "**Covenantors**") executed the Deed of Non-competition in favour of the Company (for itself and as trustee for its subsidiaries) and confirms that other than his/her interest in the Company and those disclosed in this prospectus, none of them is engaged in any business which, directly or indirectly, competes or may compete with the business of the Company or any of its subsidiaries, or has any interest in such business.

In accordance with the Deed of Non-competition, each Covenantor undertakes that, from the Listing Date and ending on the occurrence of the earliest of (i) the date on which the Shares cease to be listed on GEM (other than suspension of trading of the Shares of the Company for any other reason); (ii) the date on which the Covenantors cease to be interested in 30% or more of the entire issued share capital of the Company; or (iii) the date on which the Covenantors beneficially own or become interested jointly or severally in the entire issued share capital of the Company (the "**Restricted Period**"):

#### 1. Non-competition

He/she will not, and will use his/her best endeavours to procure any Covenantor, his/her associates (collectively, "**Controlled Persons**") and any company directly or indirectly controlled by the Covenantor (the "**Controlled Company**") not to, either on his/her own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company

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(except members of the Group) to conduct any business which, directly or indirectly, competes or may compete with the business of the Company or any of its subsidiaries in Hong Kong or the PRC and such other places as the Company or any of its subsidiaries may conduct or carry on business from time to time, including the operation of Chinese restaurant and the provision of Chinese wedding banquet and dining services for large-scale events, but for the avoidance of doubt, excluding the ownership of interests by the Covenantors in U Cellar as mentioned above (the “**Restricted Business**”).

The Deed of Non-competition does not apply if a Covenantor owns any interest not exceeding five per cent. of the issued shares in any company conducting any Restricted Business (the “**Relevant Company**”), and such company or its holding company is listed in any recognised stock exchange (as defined under the SFO), notwithstanding that the business conducted by the Relevant Company constitutes or might constitute competition with the business of the Company or any of its subsidiaries, provided that (i) the shareholding of any one holder (and his/her associate, if applicable) in the Relevant Company is more than that of a Covenantor and/or his/her associates at any time; and (ii) the total number of the relevant Covenantors’ representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to his/her shareholding in the Relevant Company.

### 2. New business opportunity

If any Covenantor and/or any Controlled Company is offered or becomes aware of any business opportunity directly or indirectly to engage in or own a Restricted Business (the “**New Business Opportunity**”):

- (a) he/she shall promptly notify the Company of such New Business Opportunity in writing and refer the same to the Company for consideration, and shall provide the relevant information to the Company in order to enable it to make an informed assessment of such opportunity; and
- (b) he/she shall not, and shall procure that his/her Controlled Persons or Controlled Companies not to, invest or participate in any project and New Business Opportunity, unless such project and New Business Opportunity shall have been rejected by the Company and the principal terms of which the Covenantor or his/her Controlled Persons or Controlled Companies invest or participate in are no more favourable than those made available to the Company.

A Covenantor may only engage in the New Business Opportunity if (i) a notice is received by the Covenantor from the Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the “**Non-acceptance Notice**”); or (ii) the Non-acceptance Notice is not received by the Covenantor within 10 days after the proposal of the New Business Opportunity is received by the Company.

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### 3. General Undertaking

In order to ensure the performance of the above non-competition undertakings, the Covenantors will:

- (a) as required by the Company, provide all information necessary for the independent non-executive Directors to conduct annual examination with regard to the compliance of the terms of the Deed of Non-competition and the enforcement of it;
- (b) procure the Company to disclose to the public either in the annual report of the Company or issuing a public announcement in relation to any decisions made by the independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-competition and the enforcement of it;
- (c) where the independent non-executive Directors shall deem fit, make a declaration in relation to the compliance of the terms of the Deed of Non-competition in the annual report of the Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-competition and the enforcement of it are in accordance with the requirements of the GEM Listing Rules; and
- (d) that during the period when the Deed of Non-competition is in force, fully and effectually indemnify the Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warrant or undertaking made under the Deed of Non-competition.

Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not count towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity. The remaining non-interested Directors will be responsible for assessing the New Business Opportunities and making the decision as to whether or not to take up any particular New Business Opportunity.

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon (a) the Listing Division granting the listing of, and the permission to deal in, the Shares in issue and to be issued as described in this prospectus, and (b) the Listing and dealings in the Shares on GEM taking place.

The obligations of the Covenantors under the Deed of Non-competition will remain in effect until the date on which the Shares cease to be listed on GEM (other than suspension of trading of the Shares of the Company for any other reason).

As the Convenantors have given non-competition undertakings in favour of the Company, and none of them have interests in other businesses that compete or are likely to compete with the business of the Group save as disclosed above, the Directors are of the view that they are capable of carrying on the Group's business independently of the Convenantors following the Listing.

Save as disclosed above, none of the Convenantors and the Directors has interests in any business which competes or is likely to compete with the business of the Group.