

## CONNECTED TRANSACTIONS

Prior to the Listing, the Group has had business relations with certain entities, which, under the GEM Listing Rules, will be considered as connected persons of the Company immediately upon Listing. Such entities are: (i) Chaoyang Auxillary, (ii) 北京加增食品有限公司 (Beijing Jiazeng Foodstuff Company Limited), (iii) 北京武夷峰茶葉銷售有限公司 (Beijing Wuyifeng Tea Leaves Sales Company Limited), (iv) 北京應廣達食品有限公司 (Beijing Yingguangda Foodstuff Company Limited), (v) Tianjin Jinganghua, (vi) 北京中聯建裝飾工程有限公司 (Beijing Zhonglianjian Construction Company Limited), (vii) Chaopi Jinglong and (viii) Chaopi Flavourings. Chaopi Jinglong and Chaopi Flavourings are non-wholly owned subsidiaries of the Company, and, for the reasons set out in the section headed “Connected transactions” in this prospectus, are deemed connected persons of the Company. The transactions set out in that section between the Group and the above entities will become continuing connected transactions of the Company, within the meaning of the GEM Listing Rules, upon Listing.

The Company has applied for, and the Stock Exchange has granted the Company, a waiver with respect to the continuing connected transactions (as referred to in the section headed “Connected transactions” in this prospectus) from both the announcement requirement under Rule 20.47 and/or the independent shareholders’ approval requirement under Rule 20.48 of the GEM Listing Rules, in each case for the financial years of the Company ending 31 December 2006, 2007 and 2008, on each occasion as such transactions arise following Listing, provided that the said continuing connected transactions are conducted in compliance with the conditions (including the respective applicable caps) imposed by the Stock Exchange. Further details of the above continuing connected transactions as well as the waiver granted by the Stock Exchange and the related caps and conditions are set out in the section headed “Connected transactions” in this prospectus.

## ESCROW ARRANGEMENTS

Under Rule 13.16(1) of the GEM Listing Rules, every Initial Management Shareholder shall place in escrow with an escrow agent and on such terms as are acceptable to the Stock Exchange, all its/his/her Relevant Securities for a period (i) commencing on the date of this prospectus and ending on the date falling 12 months from the Listing Date, or (ii) where that Initial Management Shareholder’s Relevant Securities represent no more than 1% of the issued share capital of the Company as at the Listing Date, commencing on the date of this prospectus and ending on the date falling six months from the Listing Date. Under Rule 13.17(1) of the GEM Listing Rules, every Significant Shareholder shall place in escrow with an escrow agent and on such terms as are acceptable to the Stock Exchange, all its/his/her Relevant Securities for a period commencing on the date of this prospectus and ending on the date falling six months from the Listing Date. All the Initial Management Shareholders and Significant Shareholders are therefore subject to the escrow arrangement under Rules 13.16(1) and 13.17(1) of the GEM Listing Rules.

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## WAIVERS FROM COMPLIANCE WITH THE GEM LISTING RULES

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Moreover, as the Domestic Shares held by the Initial Management Shareholders and the Significant Shareholders are in issue before the Share Offer and, under the relevant laws and regulations of the PRC, such Shares held by each of the Initial Management Shareholders and the Significant Shareholders (being relevant securities for the purposes of Rules 13.16(1) and 13.17(1)) are subject to Article 142 of the Company Law, which provides that the shares of a joint stock limited liability company established under the Company Law and in issue prior to a public offer shall not be transferable within one year after the shares of such company are listed for trading.

Given the above, the Company has applied for a waiver from strict compliance with Rules 13.16(1) and 13.17(1) of the GEM Listing Rules in respect of making physical escrow arrangements with respect to the Domestic Shares held by the Initial Management Shareholders and the Significant Shareholders, and a waiver has been granted by the Stock Exchange on the condition that the Initial Management Shareholders and the Significant Shareholders will undertake to the Company and the Stock Exchange that (i) with respect to the Initial Management Shareholders holding Relevant Securities which represent more than 1% of the issued share capital of the Company as at the Listing Date, they will not dispose of their respective Domestic Shares for a period commencing on the date of this prospectus and ending on the date falling 12 months from the Listing Date; (ii) with respect to the Initial Management Shareholders holding Relevant Securities which represent no more than 1% of the issued share capital of the Company as at the Listing Date, they will not dispose of their respective Domestic Shares for a period commencing on the date of this prospectus and ending on the date falling six months from the Listing Date; (iii) every Significant Shareholder will not dispose of its Relevant Securities for a period commencing on the date of this prospectus and ending on the date falling six months from the Listing Date; and (iv) in the event that any form of physical scrip or title documents representing the respective interests of the relevant Initial Management Shareholders and the Significant Shareholders in such Domestic Shares, whether as a result of any change of the applicable PRC laws and regulation or otherwise, is issued, the Initial Management Shareholders and the Significant Shareholders will comply with the escrow arrangement requirements under Rules 13.16(1) and 13.17(1) of the GEM Listing Rules.

In relation to Rules 13.16(2) and 13.17(2) of the GEM Listing Rules, each of the Initial Management Shareholders and the Significant Shareholders has undertaken to the Company and the Stock Exchange that he/she/it will not (a) dispose of (nor enter into any agreement to dispose of) nor permit the registered holder of the Relevant Securities to dispose of (or to enter into any agreement to dispose of) any of his/her/its direct or indirect interests in his/her/its Relevant Securities; or (b) otherwise create (nor enter into any agreement to create) nor permit the registered holder of the Relevant Securities to create (or to enter into any agreement to create) any options, right, interests or encumbrances in respect of any such interest, for his/her/its respective moratorium periods under the GEM Listing Rules as stated in this prospectus.

### QUALIFICATION OF COMPANY SECRETARY

As a company secretary of the Company, Ms. Li Chunyan (“Ms. Li”) does not possess the qualification required under Rules 5.14 and 25.11 of the GEM Listing Rules, and therefore she does not meet all the requirements under Rules 5.14 and 25.11 of the GEM Listing Rules. The Company has appointed Mr. Keung Siu Fai (“Mr. Keung”), a qualified accountant and an employee of the Company, as a joint company secretary, to assist Ms. Li so as to enable her to acquire the relevant experience (required under Rule 5.14(2) of the GEM Listing Rules) to discharge the duties of a company secretary. Mr. Keung is engaged by the Company in the above capacity for a minimum period of three years commencing from the Listing Date. During his engagement, Mr. Keung will ensure that he will be available to provide assistance to Ms. Li as described above. In addition, the Company will provide Ms. Li with sufficient training through attending relevant external seminars and/or training courses. Upon expiry of the said three-year period, the ability of Ms. Li to discharge the duties of the company secretary of the Company will be further evaluated by the Company in order to determine whether the requirements as stipulated in the GEM Listing Rules can be satisfied.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 5.14 and 25.11 of the GEM Listing Rules for a period of three years from the Listing Date. Further details of the waiver granted by the Stock Exchange are set out in the paragraph headed “Joint Company Secretaries and Qualified Accountant” in the section headed “Director, supervisors, senior management and staff” in this prospectus.