

(1) FURTHER INFORMATION ABOUT OUR COMPANY**(A) Establishment of the Company**

- (I) The Company was established as a joint stock limited company in the PRC under the Company Law on 1 November 2004.
- (II) The Company is registered as an overseas company under Part XI of the Hong Kong Companies Ordinance and has a place of business in Hong Kong at 20th Floor, Alexandra House, 16-20 Chater Road, Hong Kong. The Company has appointed Richards Butler as the Company's process agent for the acceptance of service of process and notices in Hong Kong.

As the Company is established in the PRC, its corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant laws and regulations of the PRC is set out in Appendix IV to this prospectus and a summary of the Articles of Association is also set out in Appendix IV to this prospectus.

(B) Changes in share capital of our Company

- (I) When the Company was previously established as a limited company with the issuance of its business licence dated 20 May 2002 under the name of 北京京客隆超市連鎖有限公司 (Beijing Jingkelong Supermarket Chain Company Limited), the Company had a capital of RMB236,660,000;
- (II) for the purpose of converting the Company (being in the form of a limited company under the name of 北京京客隆超市連鎖集團有限公司 (Beijing Jingkelong Supermarket Chain Group Company Limited)) into a joint stock company, the then net asset value of the Company of RMB246,620,000 (as determined by 安永華明會計事務所 (Ernst & Young Hua Ming, the PRC auditors of the Company) by deducting the amount of the declared dividend of RMB29,135,259 from the net asset value as at 31 December 2003 of RMB275,755,259) was converted into 246,620,000 shares of RMB1.00 each in the capital of the Company; and
- (III) immediately upon the completion of the Share Offer but without taking into account any H Shares which may be issued on exercise of the Over-allotment Option, the share capital of the Company will be increased to RMB366,620,000, divided into 234,620,000 Domestic Shares and 132,000,000 H Shares, fully paid or credited as fully paid, representing approximately 64.00% and approximately 36.00% of the enlarged share capital of the Company, respectively.

Save as disclosed above, there has been no change in the share capital of the Company within the two years preceding the date of this prospectus.

(C) Changes in share capital of our subsidiaries

The subsidiaries of the Company are set out in the Accountants' Report set out in Appendix I to this prospectus. The following were the only alterations in the share or registered capital of these subsidiaries which have taken place within the two years immediately preceding the date of this prospectus.

On 22 November 2004, the equity holders of Chaopi Flavourings resolved, at a meeting of its equity holders, to increase the registered capital of Chaopi Flavourings from RMB8,000,000 to RMB9,500,000, and Chaopi Flavourings received cash contributions from (i) Chaopi Trading (which was then already an equity holder of Chaopi Flavourings) in the sum of RMB1,075,000 (of which RMB500,000 was paid and recorded as capital and RMB575,000 was paid and recorded as reserves), and (ii) 李俊偉 (Li Junwei, being a then existing equity holder of Chaopi Flavourings) in the sum of RMB2,150,000 (of which RMB1,000,000 was paid and recorded as capital and RMB1,150,000 was paid and recorded as reserves), and as a result thereof, Chaopi Trading held approximately 52.63% of Chaopi Flavourings's equity.

On 1 August 2005, the equity holders of Chaopi Trading resolved, at a meeting of its equity holders, to increase the registered capital of Chaopi Trading from RMB80,000,000 to RMB96,000,000, and Chaopi Trading received cash contribution from the Company in the sum of RMB17,206,400 (of which RMB16,000,000 was paid and recorded as capital and RMB1,206,400 was paid and recorded as reserves), and as a result thereof, the Company held approximately 76.42% of Chaopi Trading's equity.

Save as aforesaid, there has been no other alteration in the share or registered capital of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

(D) Resolutions passed at the Shareholders' meeting held on 18 February 2005

On 18 February 2005, a meeting of the shareholders of the Company was held at the Company's registered office, during which, among others, the following matters concerning the Listing were approved:

- (I) conditional upon, among others, (i) the CSRC granting the relevant approval for the issue of overseas listed foreign shares and the listing thereof on GEM, (ii) the GEM Listing Committee granting listing of, and permission to deal in, the H Shares; and (iii) the relevant underwriting agreement becoming unconditional and not being terminated in accordance with its terms or otherwise, the issue of H Shares by the Company under the Share Offer and pursuant to the Over-allotment Option;
- (II) the conversion of 12,000,000 State-owned Domestic Shares held by Chaoyang Auxillary into H Shares pursuant to the relevant laws and regulations of the PRC and as per the direction of the SASAC for such H Shares to be disposed of by the Company for the NSSF Council, and the amount of the State-owned Domestic Shares held by Chaoyang Auxillary shall be further reduced, in the event the Over-allotment Option is exercised, on a pro-rata basis in accordance with the requirements of the PRC law and regulations;
- (III) the increase in the Company's registered capital in the amount equal to the aggregate number of H Shares to be issued under the Share Offer;

- (IV) an application should be made for the listing of the H Shares on GEM; and
- (V) the adoption of the Articles of Association and the authorisation of the Chairman of the Board to amend the Articles of Association in accordance with any requirement from the relevant governmental authorities in the PRC and the Stock Exchange.

At the annual general meeting of the Company held on 30 March 2006, a special resolution was passed to grant the Board a general mandate to issue domestic shares and/or H shares of the Company (other than pursuant to the Share Offer), the details of which are as follows:

- (I) the Board has been granted, during the Relevant Period (as defined below), an unconditional general mandate to separately or concurrently issue, allot and deal with additional domestic shares and/or H shares of the Company, and to make or grant offers, agreements and options in respect thereof, subject to the following conditions:
 - (a) such mandate shall not extend beyond the Relevant Period save that the Board may during the Relevant Period make or grant offers, agreements or options which may require the exercise of such powers after the end of the Relevant Period; and
 - (b) the aggregate nominal amount of the domestic shares or H shares of the Company allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Board otherwise than pursuant to a Rights Issue (as defined below) or any option scheme or similar arrangement or any separate approval of the shareholders of the Company, shall not exceed 20% of the aggregate nominal amount of the domestic shares and H shares, respectively, of the Company in issue after the completion of the Share Offer (but before the exercise of the Over-allotment Option) and the Board will only exercise its power under such mandate in accordance with the Company Law and the GEM Listing Rules (as amended from time to time) and only if all necessary approvals from the CSRC, the Stock Exchange and/or other relevant PRC and/or Hong Kong authorities are obtained;

“Relevant Period” means the period from the passing of the special resolution until the earliest of: (i) the conclusion of the next annual general meeting of the Company following the passing of the special resolution; or (ii) the expiration of the 12-month period following the passing of the special resolution; or (iii) the date on which the authority sets out in the special resolution is revoked or varied by a special resolution of the shareholders of the Company in a general meeting; and

“Rights Issue” means the allotment or issue of shares in the Company or other securities which would or might require shares in the Company to be allotted and issued pursuant to an offer made to all the shareholders of the Company (excluding for such purpose any shareholder who is resident in a place where such offer is not permitted under the law or regulation of that place) entitled to such offer, pro rata (apart from fractional entitlements) to their holdings of shares in the Company;

- (II) contingent on the Board resolving to issue shares in the Company pursuant to paragraph (I) above, the Board has been authorized to approve, execute and do or procure to be executed and done, all such documents, deeds, and things as it may consider necessary in connection with the issue of such shares (including, without limitation, determining the time and place of issue, making all necessary applications to the relevant authorities, entering into underwriting agreements (or any other agreements), determining the use of proceeds and making all necessary filings and registrations with the relevant PRC, Hong Kong and other relevant authorities, including but not limited to registering or making filing of the increased capital of the Company with the relevant authorities in the PRC and/or Hong Kong as a result of the issuance of shares in the Company pursuant to paragraph (I) above; and
- (III) the Board has been authorized to make amendments to the Articles of Association to increase the share capital of the Company and reflect the new capital structure of the Company upon the allotment and issuance of shares of the Company as contemplated in paragraph (I) above.

(E) Certain brief history of the predecessor of the Company

- (I) On 12 May 1994, upon the approval and the issuance of the business licence by 北京市朝陽區工商行政管理局 (Administration for Industry and Commerce of Chaoyang District, Beijing) (“Chaoyang Industry and Commerce Bureau”), the Company was established in the PRC under the name of 北京關東店商廈 (Beijing Guan Dong Dian Shang Sha) as a state-owned enterprise. At the time, the Company’s registered capital was RMB2,000,000.
- (II) On 6 February 1996, upon the approval and the issuance of business licence by Chaoyang Industry and Commerce Bureau, the name of the Company was changed to 京客隆商廈 (Beijing Jingkelong Shang Sha).
- (III) On 4 June 1997, upon the approval and the issuance of business licence by Chaoyang Industry and Commerce Bureau, the registered capital of the Company was changed to RMB22,190,000.

(F) Chaoyang Auxillary State Owned Assets Restructuring

The Chaoyang Auxillary State Owned Assets Restructuring (of which the Reorganisation forms part) was carried out to segregate the operating/performing assets from the non-operating/non-performing assets, and rationalise the various business units and holding structure of Chaoyang Auxillary, certain brief details of which are as follows:

- (I) On 28 April 2002, 北京金朝陽商貿國有資本運營公司 (Beijing Jin Chaoyang State-owned Capital Trading Company) issued an approval, whereby it approved, among other things:
- (a) the reorganisation of the Company into a limited liability company under the name of 北京京客隆超市連鎖有限公司 (Beijing Jingkelong Supermarket Chain Company Limited); and
 - (b) the establishment of the Company as aforesaid through the injection by Chaoyang Auxillary of 京客隆商廈 (Beijing Jingkelong Shang Sha) and cash, together with the conversion of 北京市朝陽肉禽水產批發部 (Beijing City Chaoyang Poultry and Seafood Wholesale Department)、北京市生命綠洲健康服務中心 (Beijing City Life Health Service Centre)、北京市朝陽肉禽蔬菜公司 (Beijing City Chaoyang Poultry and Vegetables Company)、北京市朝陽藥品器材經營公司 (Beijing City Chaoyang Medical Equipment Operating Company)、北京市朝陽區文化用品批發公司 (Beijing City Chaoyang District Cultural Commodities Wholesale Company)、北京市朝陽副食品批發總公司 (Beijing City Chaoyang Food Wholesale Company)、北京月盛元飯莊 (Beijing Yue Sheng Yuan Restaurant)、北京市朝陽東方招待所 (Beijing City Chaoyang Eastern Service Centre)、北京市騰遠汽車維修中心 (Beijing City Teng Yuan Vehicle Repair Centre)、北京市朝陽區商業設備公司 (Beijing City Chaoyang District Business Equipment Company)、北京市朝陽東方加油站 (Beijing City Chaoyang Eastern Petrol Station) and 北京市朝陽區騰遠出租汽車公司 (Beijing City Chaoyang District Teng Yuan Car Rental Company).
- (II) On 20 May 2002, upon the issuance of the business licence by 北京市工商行政管理局 (Beijing Administration for Industry and Commerce), the Company was reorganized into a limited liability company, and the name of the Company was changed to 北京京客隆超市連鎖有限公司 (Beijing Jingkelong Supermarket Chain Limited Company). The registered capital of the Company was changed to RMB236,660,000.

王淑英 (Wang Shu Ying), 劉躍進 (Liu Yue Jin), 李慎林 (Li Shen Lin), 東海霞 (Dong Hai Xia), 孫麗英 (Sun Li Ying), 賀志勇 (He Zhi Yong), 王愛蓮 (Wang Ai Lian), 馬秀榮 (Ma Xiu Rong), 錢貝貝 (Qian Bei Bei), 李春燕 (Li Chun Yan), 謝冰 (Xie Bing), 盧寬明 (Lu Kuan Ming) (the “Nominees”) were then holding an aggregate of 10.8% of the then registered capital of the Company, amounting to RMB25,560,000, for themselves and for a total of other 110 natural persons, being the employees of the Company at the relevant time who had made capital contributions to the Company (together the “Beneficiaries”).

- (III) On 31 May 2002, 北京市朝陽副食品批發總公司 (Beijing City Chaoyang Food Wholesale Company) was converted into Chaopi Trading, a limited liability company.
- (IV) On 31 May 2002, 北京市朝陽區商業設備公司 (Beijing City Chaoyang District Business Equipment Company) was converted into Xinyang Tongli, a limited liability company.
- (V) On 31 May 2002, 北京市朝陽區騰遠出租汽車公司 (Beijing City Chaoyang District Teng Yuan Car Rental Company) was converted into Tengyuan, a limited liability company. Concurrently, 北京月盛元飯庄 (Beijing Yue Sheng Yuan Restaurant), 北京市朝陽東方招待所 (Beijing City Chaoyang Eastern Service Centre), 北京市騰遠汽車維修中心 (Beijing City Teng Yuan Vehicle Repair Centre) and 北京市朝陽東方加油站 (Beijing City Chaoyang Eastern Petrol Station) were injected into Tengyuan. Tengyuan was subsequently disposed on 22 June 2004, and the Company ceased to have any interest therein with effect from 23 June 2004.
- (VI) On 8 November 2002, 北京市朝陽藥品器材經營公司 (Beijing City Chaoyang Medical Equipment Operating Company)、北京市朝陽區文化用品批發公司 (Beijing City Chaoyang District Cultural Commodities Wholesale Company) were reorganized into Yiyuantang, in which the Company held 70.13% of the equity interest. Subsequently, on 8 July 2003, the Company transferred 35.065% of the equity interest in Yiyuantang to 北京國際信托投資有限公司 (Beijing International Trust Investment Company Limited), and the remaining 35.065% equity interest was transferred to Chaoyang Auxillary on 23 June 2004.
- (VII) On 6 December 2002, 北京市工商行政管理局 (Beijing Administration for Industry and Commerce) issued a business licence, whereupon the name of the Company was changed to 北京京客隆超市連鎖集團有限公司 (Beijing Jingkelong Supermarket Chain Group Limited Company).

(2) THE REORGANISATION

- (I) On 12 June 2004, the Company entered into an equity interest transfer agreement with each of Chaopi Huaqing and Chaopi Flavourings. Under these agreements, the Company agreed to acquire the approximately 1.25% interest and approximately 0.79% interest in Chaopi Trading then held by Chaopi Huaqing and Chaopi Flavourings, respectively.
- (II) (a) On 16 June 2004, each of the 122 Beneficiaries (as appointor and beneficiary) as referred to in paragraph (F)(II) in section (1) above in this Appendix entered into a trust agreement with Shanxi Trust (as supplemented by a supplemental agreement dated 22 July 2005), whereby each of the Beneficiaries (as appointor) shall transfer a specified sum of money to Shanxi Trust, which shall then, as

trustee, hold such monies on trust and apply these trust funds to acquire interests in the Company, and Shanxi Trust shall, as the trustee for each of the Beneficiaries, manage and deal with the trust properties (including the shareholdings in the Company acquired with the said trust monies). Please refer to the section headed “(3)Trust arrangements regarding interests in the Company and Chaopi Trading” below for more details.

- (b) On 16 June 2004, the Nominees (as referred to in paragraph (F)(II) in section (1) above in this Appendix) (as the transferors) and Shanxi Trust (as the transferee) entered into a registered capital transfer agreement, whereby the equity interest held by each of the Nominees for and on behalf of the Beneficiaries in the Company, amounting to RMB25,560,000, shall be transferred to Shanxi Trust at an aggregate consideration of RMB25,560,000 and Shanxi Trust paid RMB25,560,000 (being the trust monies it received from the Beneficiaries) to the Nominees.
 - (c) On 22 July 2005, Shanxi Trust entered into an agreement supplementary to the respective trust agreements with each of the appointors to further clarify the objectives, term, and application and management of the trust property under the trusts.
- (III) On 21 June 2004, the Company entered into an equity interest transfer agreement with Chaoyang Auxillary, whereby Chaoyang Auxillary agreed to acquire the approximate 62.73% interest held by the Company in Tengyuan.
- (IV) On 21 June 2004, the Company entered into an equity interest transfer agreement with Chaopi Trading, whereby Chaopi Trading agreed to acquire the 10% interest held by the Company in Chaopi Shuanglong.
- (V) On 23 June 2004, the Company entered into an equity interest transfer agreement with Chaoyang Auxillary, whereby Chaoyang Auxillary agreed to acquire the approximate 35.07% interest held by the Company in Yiyuantang.
- (VI) On 12 August 2004, the Promoters entered into the promoters’ agreement, pursuant to which, the Promoters agreed, among other things, to reorganize the Company into a joint stock limited company and to stipulate the capital contributions made by the Promoters towards the Company.
- (VII) On 1 November 2004, upon the approval of 北京市工商行政管理局 (Beijing Administration for Industry and Commerce), the Company was reorganized into a joint stock limited company, and the name of the Company was changed to 北京京客隆商業集團股份有限公司 (Beijing Jingkelong Limited Company). The registered capital of the Company was changed to RMB246,620,000 divided into 246,620,000 Domestic Shares.

- (VIII) On 22 November 2004, the equity holders of Chaopi Flavourings resolved, at a meeting of its equity holders, to increase the registered capital of Chaopi Flavourings from RMB8,000,000 to RMB9,500,000, and Chaopi Flavourings received cash contributions from (i) Chaopi Trading (which was then already an equity holder of Chaopi Flavourings) in the sum of RMB1,075,000 (of which RMB500,000 was paid and recorded as capital and RMB575,000 was paid and recorded as reserves), and (ii) 李俊偉 (Li Junwei, being a then existing equity holder of Chaopi Flavourings) in the sum of RMB2,150,000 (of which RMB1,000,000 was paid and recorded as capital and RMB1,150,000 was paid and recorded as reserves), and as a result thereof, Chaopi Trading held approximately 52.63% of Chaopi Flavourings's equity.
- (IX) On 18 February 2005, a shareholders' meeting of the Company was held, at which, among other matters, the following matters were approved:
- (a) the allotment and issue of not exceeding 120,000,000 H Shares and upon the exercise of the Over-allotment Option not exceeding 138,000,000 H Shares (including the additional 18,000,000 H Shares which may be issued upon the exercise of the Over-allotment Option) by way of the Share Offer;
 - (b) the listing of the H Shares on GEM;
 - (c) the granting of the Over-allotment Option and the corresponding increase of the Company's registered capital in the amount equal to the aggregate number of H Shares issued under the Share Offer; and
 - (d) the adoption by the Company of the Articles of Association and the authorisation of the Chairman of the Board to amend the Articles of Association in accordance with any requirement from the relevant governmental authorities in the PRC and the Stock Exchange.
- (X) On 9 July 2005, the SASAC issued 《關於北京京客隆商業集團股份有限公司國有股劃轉有關問題的批覆》 (approval of the allocation of State-owned shares), pursuant to which up to 13,800,000 State-owned Domestic Shares held by Chaoyang Auxillary were allocated to the NSSF Council, and the NSSF Council was directed to instruct the Company to offer the same for sale under the Share Offer.
- (XI) On 25 July 2005, Chaopi Trading acquired an approximately 7.33% equity interests in Chaopi Shuanglong from Shenzhen Yunzhongyuan Trading Company Limited and thereby increasing its equity interest in Chaopi Shuanglong to approximately 59.0%.
- (XII) On 1 August 2005, the equity holders of Chaopi Trading resolved, at a meeting of its equity holders, to increase the registered capital of Chaopi Trading from RMB80,000,000 to RMB96,000,000, and Chaopi Trading received cash contribution from the Company in the sum of RMB17,206,400 (of which RMB16,000,000 was paid and recorded as capital and RMB1,206,400 was paid and recorded as reserves), and as a result thereof, the Company held approximately 76.42% of Chaopi Trading's equity.

- (XIII) On 22 August 2005, the NSSF Council issued 《關於委托出售全國社保基金理事會所持北京京客隆商業集團股份有限公司國有股的函》 (a document authorising the Company to dispose of State-owned Domestic Shares on behalf of the NSSF Council under the Share Offer).
- (XIV) On 12 January 2006, 北京市朝陽肉禽水產批發部 (Beijing City Chaoyang Poultry and Seafood Wholesale Department), 北京市生命綠洲健康服務中心 (Beijing City Life Health Service Centre) and 北京市朝陽肉禽蔬菜公司 (Beijing City Chaoyang Poultry and Vegetables Company) were dissolved.
- (XV) On 23 March 2006, the CSRC issued 《關於同意北京京客隆商業集團股份有限公司發行境外上市外資股的批覆》 (an approval document approving the Share Offer and the listing of the H Shares on the Stock Exchange).

(3) TRUST ARRANGEMENTS REGARDING INTERESTS IN THE COMPANY AND CHAOPI TRADING

- (I) An aggregate of 10.8% (prior to the Share Offer) equity interest in the Company is held by Shanxi Trust as trustee for the benefit of a total of 122 Beneficiaries (as defined in paragraph (F)(II) in section (1) of this Appendix). In this relation, on 16 June 2004, each of the 122 Beneficiaries entered into a trust agreement (and each entered into a supplementary agreement dated 22 July 2005) with Shanxi Trust whereby:
- (1) Shanxi Trust shall as trustee and in its name hold such equity interest (being 25,560,000 Domestic Shares);
 - (2) as a Shareholder, Shanxi Trust shall be entitled to the right of supervising the operation and management of the Company as well as the right to receive information and make enquiry;
 - (3) Shanxi Trust shall attend, or nominate proxy to attend, Shareholders' meetings and to exercise the right to propose and vote on resolutions, provided that with respect to certain specific matters including the nomination and election of Directors or Supervisors, profits distribution or amendment to Articles, Shanxi Trust shall exercise its voting power to propose and vote on any resolution as the meeting of the Beneficiaries shall in writing direct; and
 - (4) a Beneficiary shall only transfer his indirect interest in the Company by way of assigning his interest under his trust agreement with Shanxi Trust to another person who may be a core employee (as defined in the relevant trust agreement) of the Company as a meeting of the Beneficiaries may nominate or another Beneficiary.

- (II) An aggregate of 11.9% interest in Chaopi Trading is also held by Shanxi Trust (as trustee) on trust for a total of 119 beneficiaries. In this relation, on 21 June 2004, each of these beneficiaries entered into a trust agreement with Shanxi Trust setting out the terms and conditions of such trust arrangements, which are substantially similar to those of the trust agreements in relation to the Company as set out in paragraph (I) above. On 1 August 2005, Shanxi Trust entered into an agreement supplementary to the respective trust agreements with each of the beneficiaries to further clarify the objectives, term, and application and management of the trust property under the trusts, and reduce the number of beneficiaries thereunder to 115 as certain of the original 119 beneficiaries had, since the establishment of the trusts, deceased or ceased to be an employee/officer of Chaopi Trading. On the same day, the registered capital of Chaopi Trading was increased to RMB96,000,000 and the interest of Shanxi Trust in Chaopi Trading was reduced from 11.9% to 9.919% accordingly.
- (III) The Company's PRC legal advisers have confirmed that the establishment and operation of an trust fund under the trust agreement between the Company and Shanxi Trust ("Trust Agreement") and the investment in the Company by Shanxi Trust (collectively the "Trust Arrangements") are in compliance with the relevant provisions of the "Trust Law of People's Republic of China", "Law of Supervision and Administration on Banking Industry of People's Republic of China", "Company Law of People's Republic of China", "Rules of Administration on Company Registration of People's Republic of China", "Rules of Administration on Trust Investment Company", "Temporary Rules of Administration on Capital Trust in Trust Investment Company" and "People's Bank of China's Notice on Issues Concerning Capital Trust Practice in Trust Investment Company". The Company's PRC legal advisers have further confirmed that the Trust Arrangements were completed in June 2004, thus 《中國銀行業監督管理委員會關於信托投資公司集合資金信托業務信息披露有關問題的通知》 (China Banking Regulatory Commission's Notice on Issues Concerning Disclosure of Collective Money Trust Business Operated by Trust and Investment Companies), which became effective on 8 December 2004, is not applicable in respect thereof.

In accordance with article 10 of the "Trust Law of People's Republic of China", in respect of any trust for which registration of trust properties is required, a trust shall only be become legally valid upon registration of its trust assets in accordance with the relevant PRC laws and regulations. However, there are no PRC laws or regulations requiring such registration in relation to trust assets under the trust fund under the Trust Agreement. Therefore, the Company's PRC legal advisers have confirmed that the trust fund under the Trust Agreement is valid without the above-mentioned registration.

The Company's PRC legal advisers have also confirmed that there are presently no prohibitive provisions in the PRC laws, regulations and rules in relation to the meetings of trustors and its working committee. These meetings of trustors and its working committee shall operate in accordance with the "Rules of Procedure for the Meetings of Trustors" (including but not limited to opening and notice of the meeting, calling for and attending the meeting, the agenda and schedule of the meeting, voting of the meeting, decision and record of the meeting, execution of decision of the meeting, etc.), which are in compliance with the relevant provisions of "General Principles of the Civil Law of the People's Republic of China" and "Contract Law".

(4) FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

(A) Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:—






















- (i) an equity interest transfer agreement dated 12 June 2004 between the Company and Chaopi Huaqing in relation to the acquisition of an approximate 1.25% interest in Chaopi Trading by the Company from Chaopi Huaqing for a consideration of RMB1,000,000;
- (ii) an equity interest transfer agreement dated 12 June 2004 between Chaopi Flavourings, the Company, 王新力(Wang Xinli), 劉晴(Liu Qing), 高曉梅(Gao Xiaomei), 趙亞清(Zhao Yaqing), 黃玉華(Huang Yuhua), 楊繼英(Yang Jiying), 朱文蘭(Zhu Wenlan), 吳永梅(Wu Yongmei), 李俊偉(Li Junwei) and 孫鵬(Sun Li) in relation to acquisition from Chaopi Flavourings of 0.785%, 0.02%, 0.01%, 0.04%, 0.0375%, 0.02%, 0.05%, 0.0875%, 0.04%, 0.07% and 0.09% equity interest in Chaopi Trading by the aforesaid parties, respectively, for the respective consideration of RMB628,000, RMB16,000, RMB8,000, RMB32,000, RMB30,000, RMB16,000, RMB40,000, RMB70,000, RMB32,000, RMB56,000 and RMB72,000;
- (iii) an equity interest transfer agreement dated 21 June 2004 between the Company and Chaoyang Auxillary in relation to the acquisition of an approximate 62.73% interest in Tengyuan by Chaoyang Auxillary from the Company. The consideration was subsequently approved by the relevant governmental authority and was for the amount of RMB9,037,676.63;
- (iv) an equity interest transfer agreement dated 21 June 2004 between the Company and Chaopi Trading in relation to the acquisition of a 10% interest in Chaopi Shuanglong by Chaopi Trading from the Company. The consideration was subsequently approved by the relevant governmental authority and was for the amount of RMB1,611,308.91;









- (v) an equity interest transfer agreement dated 23 June 2004 between the Company and Chaoyang Auxillary in relation to the acquisition of an approximate 35.065% interest in Yiyuantang by Chaoyang Auxillary from the Company. The consideration was subsequently approved by the relevant governmental authority and was for the amount of RMB14,983,644.02;
- (vi) the promoters' agreement amongst the Promoters dated 12 August 2004 in relation to the reorganization of the Company into a joint stock limited company;
- (vii) an agreement dated 25 July 2005 between Chaopi Trading and 深圳市雲中園貿易有限公司 (Shenzhen Yunzhongyuan Trading Company Limited) in relation to the purchase by Chaopi Trading of an approximate 7.33% equity interest in Chaopi Shuanglong from 深圳市雲中園貿易有限公司 (Shenzhen Yunzhongyuan Trading Company Limited) for a consideration of RMB880,000;
- (viii) an agreement dated 19 August 2004 between the Company and Beijing State-owned Land Resources and Building Administration Bureau in relation to the purchase by the Company of the property located at Block 16 Tianshui Yuan Bei Li, Chaoyang District, Beijing, the PRC;
- (ix) a transfer agreement dated 1 April 2005 between the Company and 北京昆泰嘉業房地產開發有限公司 (Beijing Kuntai Jiaye Real Estate Development Company Limited) in relation to the purchase by the Company of the property located at Fudun Building, Dongsan Huan South Road, Chaoyang District, Beijing, the PRC;
- (x) a contract for grant of State-owned land use right dated 18 August 2004 between the Company and Beijing State-owned Land Resources and Building Administration Bureau in relation to the purchase by the Company of the property located at No. 45 Xinyuan Street, Chaoyang District, Beijing, the PRC;
- (xi) a contract for grant of State-owned land use right dated 30 June 2004 between the Company and Beijing State-owned Land Resources and Building Administration Bureau in relation to the purchase by the Company of the property located at No. 1108 Ping Fang Village, Chaoyang District, Beijing, the PRC;
- (xii) a contract for grant of State-owned land use right dated 30 June 2004 between the Company and Beijing State-owned Land Resources and Building Administration Bureau in relation to the purchase by the Company of the property located at No. 1 Liu Fang Nan Li Jia, Chaoyang District, Beijing, the PRC;
- (xiii) a contract for grant of State-owned land use right dated 16 July 2004 between the Company and Beijing State-owned Land Resources and Building Administration Bureau in relation to the purchase by the Company of the property located at Jiuxianqiao, Chaoyang District, Beijing, the PRC;
- (xiv) a non-competition agreement dated 25 July 2005 entered into between Chaoyang Auxillary and the Company in which Chaoyang Auxillary has given certain non-competition undertakings to the Company;

- (xv) a loan agreement dated 26 October 2005 between the Company and Bank of Communications in relation to a loan facility being offered by Bank of Communications to the Company with a maximum loan amount of RMB170 million;
- (xvi) a mortgage deed dated 26 October 2005, supplemental to the loan agreement being referred to in paragraph (xv) above, between the Company and Bank of Communications in relation to two landed properties owned by the Company being pledged as security in the loan facility;
- (xvii) a deed of indemnity dated 1 March 2006, together with a supplemental agreement dated 10 August 2006, given by Chaoyang Auxillary in favour of the Company against any cost and penalties that the Group may suffer due to the non-compliance with the relevant PRC Laws as disclosed in the paragraphs headed “Risks associated with leased property interest of Chaopi Trading and the Company”, “Certain loans to the Company” and “The use of Jingkelong cards and the membership reward cards” in the “Risk Factors” section of this prospectus;
- (xviii) a loan agreement dated 6 March 2006 between the Company and Bank of Beijing in relation to a loan of RMB100 million being offered by Bank of Beijing to the Company;
- (xix) a mortgage deed dated 6 March 2006, supplemental to the loan agreement being referred in paragraph (xviii) above, between the Company and Bank of Beijing in relation to a landed property owned by the Company being pledged as security in the loan; and
- (xx) the Underwriting Agreement.





(B) Intellectual property rights of the Group*Trademarks*

As at the Latest Practicable Date, the Group had registered the following trademarks in the PRC:–



Trademark	Place of registration	Class	Registration number	Date of registration
	The PRC	3	1565701	07/05/2001
	The PRC	5	1700845	21/01/2002
	The PRC	7	1585779	14/06/2001
	The PRC	8	1589970	21/06/2001
	The PRC	9	1586370	14/06/2001
	The PRC	10	1601509	14/07/2001
	The PRC	11	1594007	28/06/2001
	The PRC	16	1592666	28/06/2001
	The PRC	18	1568769	14/05/2001
	The PRC	20	1568907	14/05/2001
	The PRC	21	1565004	07/05/2001
	The PRC	24	1556963	21/04/2001
	The PRC	25	1557629	21/04/2001
	The PRC	28	1561109	28/04/2001
	The PRC	29	1587152	14/06/2001
	The PRC	30	1590914	21/06/2001
	The PRC	31	1586624	14/06/2001
	The PRC	32	1595386	28/06/2001
	The PRC	33	1591520	21/06/2001
	The PRC	34	1590654	21/06/2001
	The PRC	35	1587869	14/06/2001

Trademark	Place of registration	Class	Registration number	Date of registration
	The PRC	37	955896	28/02/1997
	The PRC	39	995744	28/04/1997
	The PRC	40	1659660	28/10/2001
	The PRC	42	1591601	21/06/2001
	The PRC	31	2014858	14/10/2002
	The PRC	16	1995994	14/01/2003
	The PRC	28	1998746	07/02/2003
	The PRC	24	2002907	21/12/2002
	The PRC	5	1976652	28/11/2002
	The PRC	27	1995739	14/12/2002
	The PRC	25	2000719	28/01/2003
	The PRC	30	1990761	14/01/2003
	The PRC	29	1999150	28/10/2002
	The PRC	35	3212778	14/01/2004
	The PRC	39	3212774	21/10/2003
	The PRC	35	3212773	07/01/2004
	The PRC	39	3212775	21/10/2003
 朝批 Chao Pi	The PRC	35	3212776	14/01/2004
 朝批 Chao Pi	The PRC	39	3212777	21/10/2003

As at the Latest Practicable Date, the Group had obtained approval for the transfer of the registrations of the following trademarks to the Group:–

Trademark	Place of application	Class	Registration number	Date of approval
	The PRC	30	1502064	21/10/2005
	The PRC	30	1485951	21/10/2005
	The PRC	30	1510259	21/10/2005
	The PRC	30	691126	21/10/2005

As at the Latest Practicable Date, the Group had registered the following trademarks in Hong Kong:–

Trademark	Place of application	Name of applicant	Class	Trade Mark number	Date of registered
	Hong Kong	The Company	3, 5, 7, 8 9, 10, 11, 14 16, 18, 20, 21 24, 25, 26, 27 28, 29, 30, 31 32, 33, 34, 35 37, 39, 40, 42, 43	300484858	26/8/2005
	Hong Kong	The Company	35, 39	300482139	23/8/2005

The following is a brief description of the classes referred to above:

- Class 3 Bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations; soaps; perfumery, essential oils, cosmetics, hair lotions; dentifrices.
- Class 5 Pharmaceutical and veterinary preparations; sanitary preparations for medical purposes; dietetic substances adapted for medical use, food for babies; plasters, materials for dressings; material for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides.
- Class 7 Machines and machine tools; motors and engines (except for land vehicles); machine coupling and transmission components (except for land vehicles); agricultural implements other than hand-operated; incubators for eggs.

Class 8	Hand tools and implements (hand operated); cutlery; side arms; razors.
Class 9	Scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; automatic vending machines and mechanisms for coin operated apparatus; cash registers; calculating machines, data processing equipment and computers; fire-extinguishing apparatus.
Class 10	Surgical, medical, dental and veterinary apparatus and instruments, artificial limbs, eyes and teeth; orthopaedic articles; suture materials.
Class 11	Apparatus for lighting, heating, steam generating, cooking, refrigerating, drying, ventilating, water supply and sanitary purposes.
Class 14	Precious metals and their alloys and goods in precious metals or coated therewith, not included in other classes; jewellery, precious stones; horological and chronometric instruments.
Class 16	Paper, cardboard and goods made from these materials, not included in other classes; printed matter; book binding material; photographs; stationery; adhesives for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); printers' type; printing blocks.
Class 18	Leather and imitations of leather, and goods made of these materials and not included in other classes; animal skins, hides; trunks and travelling bags; umbrellas, parasols and walking sticks; whips, harness and saddlery.
Class 20	Furniture, mirrors, picture frames; goods (not included in other classes) of wood, cork, reed, cane, wicker, horn, bone, ivory, whalebone, shell, amber, mother-of-pearl, meerschaum and substitutes for all these materials, or of plastics.

Class 21	Household or kitchen utensils and containers (not of precious metal or coated therewith); combs and sponges; brushes (except paint brushes); brush-making materials; articles for cleaning purposes; steel wool; un-worked or semi-worked glass (except glass used in building); glassware, porcelain and earthenware not included in other classes.
Class 24	Textiles and textile goods, not included in other classes; bed and table covers.
Class 25	Clothing, footwear, headgear.
Class 26	Lace and embroidery, ribbons and braid; buttons, hooks and eyes, pins and needles; artificial flowers.
Class 27	Carpets, rugs, mats and matting, linoleum and other materials for covering existing floors; wall hangings (non-textile).
Class 28	Games and playthings; gymnastic and sporting articles not included in other classes; decorations for Christmas trees.
Class 29	Meat, fish, poultry and game; meat extracts; preserved, dried and cooked fruits and vegetables; jellies, jams, fruit sauces; eggs, milk and milk products; edible oils and fats.
Class 30	Coffee, tea, cocoa, sugar, rice, tapioca, sago, artificial coffee; flour and preparations made from cereals, bread, pastry and confectionery, ices; honey, treacle; yeast, baking-powder; salt, mustard; vinegar, sauces (condiments); spices; ice.
Class 31	Agricultural, horticultural and forestry products and grains not included in other classes; live animals; fresh fruits and vegetables, seeds, natural plants and flowers; foodstuffs for animals; malt.
Class 32	Beers; mineral and aerated waters and other non-alcoholic drinks; fruit drinks and fruit juices; syrups and other preparations for making beverages.
Class 33	Alcoholic beverages (except beers).
Class 34	Tobacco; smokers' articles; matches.
Class 35	Advertising; business management; business administration; office functions.

Class 37	Building construction; repair; installation services.
Class 39	Transport; packaging and storage of goods; travel arrangement.
Class 40	Treatment of materials.
Class 42	Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software; legal services.
Class 43	Services for providing food and drink; temporary accommodation.

Domain names

As at the Latest Practicable Date, the Group had registered the following domain names:—

Domain Name	Registrant	Date of Registration
www.jkl.com.cn	The Company	15th October, 2003
www.京客隆.com	The Company	9th December, 2003
www.京客隆.net	The Company	9th December, 2003
www.京客隆集團.com	The Company	9th December, 2003
www.京客隆集團.net	The Company	9th December, 2003
www.京客隆.中國	The Company	9th December, 2003
www.京客隆集團.中國	The Company	9th December, 2003

(5) FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

(A) Particulars of Directors' and Supervisors' service contracts

(a) Executive Directors

Each of the executive Directors has entered into an employment agreement with the Company pursuant to which they have agreed to act as executive Directors for a term of three years with effect from 1 November 2004.

The particulars of these agreements are in all material respects identical and are set out below:–

- (1) each of the executive Directors is entitled to a fixed basic salary, a performance based salary (subject to clawback based on the Company's gross profit for the relevant year), a discretionary bonus (based on the Company's gross profit for the relevant year) and other allowance and benefits in kind under applicable PRC law and regulations; and
- (2) the aggregate fixed annual salary (annualized on the basis of current monthly salary) of the four executive Directors is RMB1,320,000.

(b) Non-executive Directors and independent non-executive Directors

Each of the non-executive Directors has entered into an appointment letter with the Company pursuant to which they have agreed to act as non-executive Directors for a term of three years with effect from 1 November 2004. The terms of the appointment letters of the non-executive Directors are identical in all material respects. In view of the non-executive nature of their appointments, they do not receive any director's fee.

Each of the independent non-executive Directors has entered into an appointment agreement with the Company pursuant to which they have agreed to act as independent non-executive Directors with effect from 7 January 2005 (in the case of Fan Faming and Huang Jiangming) and from 27 July 2005 (in the case of Chung Chi Kong), in each case until 31 October 2007. The terms of the appointment agreements of the independent non-executive Directors are identical in all material respects and they are entitled to receive a fixed director's fee. The aggregate fixed annual salary (annualized on the basis of current monthly salary) of the three independent non-executive Directors is approximately RMB160,000.

(c) Supervisors

Each of the Supervisors has entered into an appointment letter or agreement with the Company pursuant to which they agreed to act as Supervisors with effect from 1 November 2004 (in the case of Chen Jie, Qu Xinhua, and Yang Baoqun); from 7 January 2005 (in the case of Chen Zhong and Chen Xianghong); and from 23 February 2006 (in the case of Wang Shuying), in each case until 31 October 2007. The terms of the appointment agreements of the Supervisors are identical in all material respects save that:

- (i) Yang Baoqun does not receive any supervisor's fee;
- (ii) each of Chen Zhong and Chen Xianghong receives a fixed supervisor's fee; and

- (iii) each of Chen Jie, Qu Xinhua and Wang Shuying (being internal employee supervisors) receives a fixed basic salary, a performance based salary (subject to clawback based on the Company's gross profit for the relevant year), a discretionary bonus (based on the Company's gross profit for the relevant year) and other allowance and benefits in kind under the applicable PRC laws and regulations.

The aggregate fixed annual salary (annualized on the basis of current monthly salary) of ChenZong, ChenXianghong, ChenJie, Qu Xinhua and Wang Shuying is approximately RMB898,000.

(d) Remuneration of Directors and Supervisors

Remuneration and benefits in kind of approximately RMB1.3 million in aggregate were paid and granted by the Group to the Directors in respect of the financial year ended 31 December 2005. Remuneration and benefits in kind of approximately RMB596,000 in aggregate were paid and granted by the Group to the Supervisors in respect of the financial year ended 31 December 2005.

Under the arrangements currently in force, the Directors will be entitled to receive remuneration and benefits in kind (if any) which, for the year ending 31 December 2006, will be approximately RMB2 million in aggregate (including performance based salary (if any) assuming that the relevant gross profit target can be met, but excluding discretionary bonus), and the Supervisors will be entitled to receive remuneration and benefits in kind (if any) which, for the year ending 31 December 2006 will be approximately RMB1.2 million in aggregate (including performance based salary (if any) assuming that the relevant gross profit target can be met, but excluding discretionary bonus).

Save as disclosed in this prospectus, none of the Directors or the Supervisors has or is proposed to have a service contract with any member of the Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(B) Disclosure of interests*(a) Interests and short positions of the Directors and the Supervisors in the share capital of the Company and its associated corporations following the Share Offer*

Immediately following completion of the Share Offer and taking no account of any Share which may be allotted and issued pursuant to the Over-allotment Option, the interests or short positions of the Directors, the Supervisors and the chief executive in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the SFO (and as if it were applicable to supervisors) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors once the H Shares have been listed on GEM, will be as follows:—

Name of Director/Supervisor	Name of corporation	Capacity/Nature of interest	Total number of Domestic Shares	Approximate percentage of shareholding in the relevant class of shares in the corporation	Approximate percentage of shareholding in the entire issued capital of the corporation
Wei Tingzhan	The Company	Personal (Long position)	1,417,237	0.60%	0.39%
Li Jianwen	The Company	Personal (Long position)	1,354,712	0.58%	0.37%
Li Chunyan	The Company	Personal (Long position)	208,417	0.09%	0.06%
		Beneficiary (Long position)	187,575 (Note 1)	0.08%	0.05%
Liu Yuejin	The Company	Beneficiary (Long position)	375,151 (Note 2)	0.16%	0.10%
Gu Hanlin	The Company	Personal (Long position)	1,417,237	0.60%	0.39%
Li Shunxiang	The Company	Personal (Long position)	5,210,428	2.22%	1.42%
Yang Baoqun	The Company	Personal (Long position)	1,042,086	0.44%	0.28%
Qu Xinhua	The Company	Personal (Long position)	833,669	0.36%	0.23%
Wang Shuying	The Company	Beneficiary (Long position)	375,151 (Note 3)	0.16%	0.10%

Notes:–

1. These 187,575 Domestic Shares are held by Shanxi Trust as trust property, the beneficiary of which is Li Chunyan. Please refer to the section headed “Trust arrangements regarding interests in the Company and Chaopi Trading” for more details.
2. These 375,151 Domestic Shares are held by Shanxi Trust as trust property, the beneficiary of which is Liu Yuejin. Please refer to the section headed “Trust arrangements regarding interests in the Company and Chaopi Trading” for more details.
3. These 375,151 Domestic Shares are held by Shanxi Trust as trust property, the beneficiary of which is Wang Shuying. Please refer to the section headed “Trust arrangements regarding interests in the Company and Chaopi Trading” for more details.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

Immediately following the completion of the Share Offer (being after the time when the right to exercise the Over-allotment Option lapses) and taking no account of any Share which may be allotted and issued pursuant to the Over-allotment Option (and assuming that the obligations of the Underwriters to subscribe and/or purchase, and/or procure the subscription and/or purchase of, Shares under the Underwriting Agreement will terminate on the Listing Date) and none of the Underwriters is required to subscribe and/or purchase, and/or procure the subscription and/or purchase of Shares thereunder on or prior to the Listing Date, in addition to the interests disclosed under paragraph (a) above, so far as the Directors are aware, as at the Latest Practicable Date, the following persons (other than members of the Group) are expected to have interests and/or short positions in the shares and underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and/or are expected to be, directly or indirectly, 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 any other member of the Group:–

Name of interested party	Name of corporation	Capacity/Nature of interest	Number of shares or amount of registered capital in which the interested party has or is deemed have interests	Approximate percentage of interest in the registered capital or the same class of shares in the corporation
Chaoyang Auxillary	The Company	Beneficial owner (Long position)	171,969,808 Domestic Shares	73.30% (Note 3)
Shanxi Trust	The Company	Trustee (Long position)	26,635,710 Domestic Shares (Note 1)	11.35% (Note 4)
Shanxi Trust	Chaopi Trading	Trustee (Long position)	RMB9,522,000 (Note 2)	9.92%
黃玉華 (Huang Yuhua)	Chaopi Huaqing	Beneficial owner (Long position)	RMB2,140,000	23.78%
李俊偉 (Li Junwei)	Chaopi Flavourings	Beneficial owner (Long position)	RMB2,930,000	30.84%

Name of interested party	Name of corporation	Capacity/Nature of interest	Number of shares or amount of registered capital in which the interested party has or is deemed have interests	Approximate percentage of interest in the registered capital or the relevant class of shares in the corporation
李俊偉 (Li Junwei)	Chaopi Jinglong	Beneficial owner (Long position)	RMB3,813,480	31.78%
王春林 (Wang Chunlin)	Chaopi Qingdao	Beneficial owner (Long position)	RMB500,000	25.00%
劉東 (Liu Dong)	Chaopi Qingdao	Beneficial owner (Long position)	RMB250,000	12.50%
王春林 (Wang Chunlin)	Chaopi Shuanglong	Beneficial owner (Long position)	RMB3,420,000	28.50%
王春林 (Wang Chunlin)	Chaopi Shijiazhuang	Beneficial owner (Long position)	RMB500,000	25.00%
段雲洪 (Duan Yunhong)	Chaopi Shijiazhuang	Beneficial owner (Long position)	RMB250,000	12.50%
李萬鎰 (Li Wanyi)	Xinyang Tongli	Beneficial owner (Long position)	RMB240,000	15%
廊坊華夏房地產開發有限公司 (Langfang Huaxia Real Estate Development Company Limited)	Jingkelong Langfang	Beneficial owner (Long position)	RMB2,000,000	20%

Notes:

1. These 26,635,710 Domestic Shares are trust property, the beneficiaries of which are 122 employees and officers of the Company. Please refer to the section headed “Trust arrangements regarding interests in the Company and Chaopi Trading” for more details.
2. This registered capital amounting to RMB9,522,000 in Chaopi Trading is trust property, the beneficiaries of which are 115 employees and officers of Chaopi Trading. Please refer to the section headed “Trust arrangements regarding interests in the Company and Chaopi Trading” for more details.

3. These Shares amount to approximately 46.91% of the Company's total issued Shares.
4. These Shares amount to approximately 7.27% of the Company's total issued Shares.

(c) *Connected transactions and related party transactions*

Save as disclosed in this prospectus and in Section 9 of the Accountants' Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, the Company has not engaged in any other material connected transactions or related party transactions.

(C) Disclaimers

Save as disclosed in this prospectus, as at the Latest Practicable Date:–

- (a) the Directors were not aware of any person (not being a Director, a Supervisor or chief executive of the Company) who would, immediately after completion of the Share Offer (taking no account of the Over-allotment Option or any Shares which may be taken up under the Share Offer), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions two and three of Part XV of the SFO, or who would, 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 or any other member of the Group;
- (b) none of the Directors and the Supervisors had any interest or short position in any of the Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions seven and eight of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, in each case once the H Shares are listed;
- (c) none of the Directors or the Supervisors nor any of the parties listed in the section headed "Consents of experts" of this Appendix was interested in the promotion of, or in any assets which had been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to the Company or any of the subsidiaries of the Company, or were proposed to be acquired or disposed of by or leased to the Company or any of the subsidiaries of the Company;

- (d) none of the Directors or the Supervisors nor any of the parties listed in the section headed “Consents of experts” of this Appendix was materially interested in any contract or arrangement subsisting at the date of this prospectus which was significant in relation to the business of the Company;
- (e) save in connection with the Underwriting Agreement, none of the parties listed in the section headed “Consents of experts” of this Appendix:–
 - (i) was interested legally or beneficially in any securities of any member of the Group; or
 - (ii) had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (f) none of the Directors, the Supervisors or their associates nor, to the knowledge of the Directors, had any Shareholder who held more than 5% of the total issued Shares as at the Latest Practicable Date had any interest in any of the five largest customers of the Group;
- (g) none of the Directors, the Supervisors or their associates nor, to the knowledge of the Directors, had any Shareholder who held more than 5% of the total issued Shares as at the Latest Practicable Date had any interest in any of the five largest suppliers of the Group; and
- (h) none of the Directors or the Supervisors had entered into or was proposing to enter into a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(6) OTHER INFORMATION

(A) Estate duty and tax

The Directors have been advised that no material liability for estate duty under the laws of the PRC would be likely to fall upon the Company and any of its subsidiaries.

Dealings in H Shares will be subject to Hong Kong stamp duty.

Intending shareholders of the H Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the H Shares. It is emphasized that none of Sponsor, the Underwriters, the Directors or any other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of, holders of the H Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the H Shares.

(B) Indemnities

Chaoyang Auxillary has undertaken to indemnify the Company against any costs and penalties that the Group may suffer due to the non-compliance with the relevant PRC Laws as disclosed in the paragraphs headed “Risks associated with leased property interest of Chaopi Trading and the Company”, “Certain loans to the Company” and “The use of Jingkelong cards and the membership reward cards” in the “Risk Factors” section of this prospectus.

(C) Litigation

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Company, that would have a material adverse effect on the results of operations or financial condition of the Company.

(D) Preliminary expenses

The preliminary expenses of the Company were approximately RMB6,710 in aggregate.

(E) Promoters

The Promoters in connection with the establishment of the Company were Chaoyang Auxillary, Shanxi Trust, Beijing Gaoya, Beijing Jiazeng, Tianjin Jinganghua, 李順祥 (Li Shunxiang), 楊寶群 (Yang Baoqun), 劉彥力 (Liu Yanli), 夏文盛 (Xia Wensheng), 高家強 (Gao Jiaqiang), 顧漢林 (Gu Hanlin), 衛停戰 (Wei Tingzhan), 戴京 (Dai Jing), 白憲榮 (Bai Xianrong), 陳莉敏 (Chen Limin), 趙維歷 (Zhao Weili), 李建文 (Li Jianwen), 高京生 (Gao Jinsheng), 田俊英 (Tian Junying), 屈新華 (Qu Xinhua), 李春燕 (Li Chunyan). Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given to or is proposed to be paid, allotted or given to the Promoters.

(F) Sponsor

The Sponsor has made an application on our behalf to the GEM Listing Committee of the Stock Exchange for listing of, and permission to deal in, the H Shares to be issues as mentioned herein. All necessary arrangements have been made enabling such H Shares to be admitted into CCASS.

(G) No material adverse change

Save as disclosed in this prospectus, the Directors believe that there has been no material adverse change in the financial or trading position of the Company since 30 June 2006.

(H) Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

(I) Miscellaneous

(a) Save as disclosed in this prospectus:—

- (i) within the two years immediately preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (iii) neither the Company nor any of its subsidiaries has issued or agreed to issue any founder shares, management shares or deferred shares;
- (iv) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;
- (v) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in the Company;
- (vi) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
- (vii) the Company had no material mortgage or charge as at the Latest Practicable Date.

- (b) The Company had no outstanding convertible debt securities as at the Latest Practicable Date.

(J) Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:–

Name	Qualification
DBS Asia	A licensed corporation under the SFO to engage in types 1, 4 and 6 of the regulated activities (as defined under the SFO) and a GEM approved sponsor
Ernst & Young	Certified public accountants
Zhonglun Wende Law Firm	PRC lawyers
Vigers Appraisal & Consulting Limited	Property valuer

(K) Consents of experts

Each of the DBS Asia, Ernst & Young, Zhonglun Wende Law Firm and Vigers Appraisal & Consulting Limited has given and has not withdrawn their respective consents to the issue of this prospectus with the inclusion of its advice and/or report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it appears.

As at the Latest Practicable Date and save as disclosed in this prospectus, none of the experts named in the paragraph headed “Qualifications of experts” in this Appendix had any shareholding interests in any member of the Group 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.

(L) Particulars of Selling Shareholder

The following are the particulars of the Selling Shareholder.

Name	Address	Description	Number and description of sale Shares
北京市朝陽區 副食品總公司 (Beijing Chaoyang Auxillary Food Company) holding the relevant sale Shares for the NSSF Council	Fourth Building, Hongmiaobei Lane, Chaoyang District, Beijing, PRC	Chaoyang Auxillary is a PRC State-owned enterprise established in the PRC, being the controlling shareholder of the Company and one of the Promoters. Chaoyang Auxillary's principal business is investment holding and property management. The NSSF Council (全國社會保障基金 理事會 (The National Social Security Fund Council of the PRC)) is an organisation authorised by the State Council and is responsible for the administration of the State's national social security fund	The Sale H Shares (being 12,000,000 H Shares) to be offered by the Company in the Share Offer for the NSSF Council, plus an additional of up to 1,800,000 H Shares (in the event that the Over-allotment Option is exercised in full)

(M) Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).