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北京京客隆商業集團股份有限公司

**BEIJING JINGKELONG COMPANY LIMITED\***

*(a joint stock limited company incorporated in the People's Republic of China)*

Stock Code on Main Board: 814

Stock Code on GEM: 8245

## **PLACING of 30,360,000 H SHARES**

### **Sole Placing Agent**



On 27 September 2007, the Company entered into the Placing Agreement with DBS in relation to the Placing, pursuant to which, DBS has agreed to procure on a best effort basis subscribers or purchasers (as the case may be) for the Placing H Shares.

The Placing Price represents a discount of approximately 8.18% to the closing price of HK\$7.95 per H Share on the Stock Exchange on 27 September 2007.

The Placing Shares comprise: (1) 27,600,000 New H Shares to be allotted and issued by the Company in connection with the Placing; and (2) 2,760,000 Sale H Shares to be converted from the same number of existing Domestic Shares held by Chaoyang Auxiliary in accordance with the Existing Approvals and applicable PRC laws and regulations and issued as H Shares.

The Placing H Shares represent approximately 7.89% of the existing issued share capital of the Company and approximately 7.36% of the issued share capital of the Company as enlarged by the issue of the New H Shares.

Under the Placing Agreement, DBS will place the Placing Shares to not less than six Placees. Each of DBS, the Placees and their ultimate beneficial owners is third party independent of the Company and not being a connected person (as defined in the GEM Listing Rules) of the Company.

The net proceeds from the placing of the New H Shares in full will be approximately HK\$196.30 million. The Company intends to use the net proceeds from the placing of the New H Shares for the expansion and operation of its retail and wholesale distribution businesses. The entire net proceeds from the sale of the Sale H Shares will be remitted to the NSSF Council.

Completion of the Placing is conditional upon, amongst other things, the Stock Exchange granting the listing of, and permission to deal in, the Placing H Shares. Further information on the conditions precedent is set out below. The Placing is also subject to termination on the occurrence of certain events, set out in greater detail below, at any time before 9:00 a.m. on the Business Day before the date of the Completion. Accordingly, the Placing may or may not proceed. Investors should therefore exercise caution when dealing in the H Shares.

The Placing H Shares will be placed under the general mandate granted to the Directors at the extraordinary general meeting of the Company held on 14 August 2007.

On 27 September 2007, the Company entered into the Placing Agreement with DBS in relation to the Placing. Information relating to the Placing is set out below:

### **THE PLACING AGREEMENT**

Date: 27 September 2007

Parties: (i) the Company; and  
(ii) DBS.

### **PLACING**

DBS has agreed to procure on a best effort basis, as agent for the Company, subscribers to subscribe for or purchasers to purchase (as the case may be) the Placing H Shares at the Placing Price. The Placing H Shares will be placed with or sold to (as the case may be) not less than six Placees. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Placees and their respective ultimate beneficial owners are third parties independent of the Company and the connected persons (as defined in the GEM Listing Rules) of the Company.

### **INDEPENDENCE OF DBS**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save and except for its acting as compliance advisor and financial advisor to the Company, DBS and its ultimate beneficial owners are third parties independent of the Company and the connected persons (as defined in the GEM Listing Rules) of the Company.

### **NUMBER OF PLACING H SHARES**

The Placing H Shares comprise: (1) 27,600,000 New H Shares to be allotted and issued by the Company in connection with the Placing; and (2) 2,760,000 Sale H Shares to be converted from the same number of existing Domestic Shares held by Chaoyang Auxiliary and allocated to the NSSF Council in accordance with the Existing Approvals and applicable PRC laws and regulations and issued as H Shares.

The Placing H Shares represent approximately 20.00% and 7.89% respectively, of the existing issued H share capital and the total issued share capital of the Company immediately prior to the Placing, and approximately 16.67% and 7.36% respectively, of the issued H share capital and the total issued share capital of the Company as enlarged by the issue of the New H Shares.

## **PLACING PRICE**

HK\$7.30 per Placing H Share, representing:

- (i) a discount of approximately 8.18% to the closing price of HK\$7.95 per H Share on the Stock Exchange on 27 September 2007;
- (ii) a discount of approximately 7.94% to the average closing price of HK\$7.93 per H Share of the last five trading days on the Stock Exchange immediately preceding 27 September 2007; and
- (iii) a discount of approximately 8.41% to the average closing price of HK\$7.97 per H Share of the last 10 trading days on the Stock Exchange immediately preceding 27 September 2007.

The Placing Price was agreed after arm's length negotiation between the Company and DBS, and was determined by reference to, among other things, the recent trading prices of the H Shares as described above. The fixed advisory fee and the placing commission payable by the Company to DBS pursuant to the Placing Agreement was agreed upon after arm's length negotiation between the Company and DBS. The Directors (including the independent non-executive Directors) consider that the terms of the Placing (including the placing commission) are fair and reasonable based on prevailing favourable equity market conditions and are in the interests of the Company and its shareholders as a whole.

## **CONDITIONS OF THE PLACING**

The Placing is conditional upon, amongst other things:-

- (a) the Existing Approvals being in full force and effect up to and including Completion;
- (b) the Listing Approval having been obtained and not subsequently revoked prior to Completion;
- (c) the receipt by DBS of a legal opinion from a PRC law firm approved by DBS confirming, the validity of all Existing Approvals and that all PRC approvals required for the Placing are obtained and subsisting;
- (d) no representation, warranty or undertaking under the Placing Agreement having been breached by the Company or is otherwise rendered inaccurate, untrue or misleading, in each case on or prior to Completion; and
- (e) the Placing Agreement not having been terminated in accordance with its terms.

## GROUNDS FOR TERMINATION

The Placing is subject to termination by DBS if, at any time prior to 9:00 a.m. on the Business Day before the date of Completion, there shall develop, occur, exist or come into effect, in the opinion of DBS, any of the following events and which would materially and adversely affect the success of the Placing:-

- (a) any material adverse event, or series of events, beyond the reasonable control of DBS (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases or epidemics including Severe Acute Respiratory Syndrome and H5N1 and such related or mutated forms);
- (b) any change or development involving a material adverse prospective change (or any event or series of events likely to result in any change or development involving a prospective change) in local, national or international, financial, political, military, industrial, fiscal, regulatory, currency, market or economic conditions or matters and/or disaster, taxation or exchange controls, or monetary or trading settlement system (including without limitation any moratorium, suspension or material restriction on banking activities or trading in securities generally on the Stock Exchange and/or other major stock exchanges and/or trading markets, or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency, or any interruption in securities settlement or clearance service or procedures in Hong Kong or anywhere in the world) as would be likely to prejudice materially the consummation of the Placing;
- (c) any new law or change or development involving a prospective change in existing laws or any change or development involving a material adverse prospective change in the interpretation or application thereof by any court or other competent authority in any of Hong Kong, the PRC or any other jurisdictions relevant to any member of the Group (the “**Specific Jurisdictions**”) or the imposition of material economic or political sanctions, in whatever form, directly or indirectly, by the United States of America or the European Union or otherwise by resolution of the United Nations on any of the Specific Jurisdictions;
- (d) any material breach of any of the representations and warranties set out in the Placing Agreement coming to the knowledge of DBS or any event occurs or any matter arises on or after the date hereof and prior to the date of Completion which if it had occurred or arisen before the date hereof would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (e) in the opinion of DBS, there is any change or development involving a material adverse prospective change (or any event or series of events likely to result in any change or development involving a prospective change) in the conditions, management, business affairs, prospects, stockholders’ equity, profits, losses or the financial or trading position or performance of any Group Company which is material in the context of the Placing.

In view of the termination rights of DBS, there is a risk that the Placing may or may not proceed. However, the Directors are not aware of the occurrence of any of such events as at the date of this announcement.

## **TRANSFER AND SALE OF THE SALE H SHARES**

SASAC and the NSSF Council have, in their approvals dated 18 January 2007 and 8 March 2007 respectively approved, as part of the Placing, the sale of the Sale H Shares to be converted from the same number of existing Domestic Shares held by Chaoyang Auxiliary and allocated to the NSSF Council in accordance with PRC laws and regulations. Net proceeds from the sale of such Sale H Shares (after deducting relevant commission and expenses to be incurred in respect of the sale of such Sale H Shares) will be remitted in full to the NSSF Council.

## **COMPLETION OF THE PLACING**

Completion is expected to take place no later than the second Business Day immediately after fulfillment of the conditions precedent but in any event no later than 11 October 2007 (or such other time or date as the Company and DBS shall otherwise agree in writing).

## **LOCK UP**

The Company has undertaken to DBS that it would not issue or agree to allot or issue any H Shares (other than pursuant to (i) any exercise of any conversion or subscription rights existing at the date of the Placing Agreement or (ii) any scrip dividend scheme) or other securities or grant or agree to grant any options (other than options granted or to be granted pursuant to an existing shares option scheme), warrants or other rights to subscribe for H Shares or other securities or to repurchase any securities of the Company, for the period of six months from the date of Completion without first having obtained the prior written consent (which consent not to be unreasonably withheld or delayed) of DBS.

## SHAREHOLDING STRUCTURE OF THE COMPANY

<b>Holders of Shares</b>	<b>As at the date of the Placing Agreement</b> <i>Number of Shares</i>	<b>Approximate percentage of shareholding</b> %	<b>Upon completion of the Placing in full</b> <i>Number of Shares</i>	<b>Approximate percentage of shareholding</b> %
<b>Holders of Domestic Shares</b>				
Chaoyang Auxiliary Other Domestic Shares in issue	170,169,808 <sup>(1)</sup>	44.24	167,409,808 <sup>(2)</sup>	40.61
	62,650,192	16.29	62,650,192	15.20
<b>Public shareholders of H Shares</b>				
UOB Asset Management Limited <sup>(3)</sup>	18,435,000	4.79	18,435,000	4.47
JPMorgan Chase & Co. <sup>(3)</sup>	15,693,000	4.08	15,693,000	3.81
Schroder Investment Management (Hong Kong) Limited <sup>(3)</sup>	7,762,000	2.02	7,762,000	1.88
Other H Shares in issue	109,910,000	28.58	109,910,000	26.66
New H Shares proposed to be issued	—	—	30,360,000 <sup>(2)</sup>	7.37
<b>Total</b>	<b>384,620,000</b>	<b>100.00</b>	<b>412,220,000</b>	<b>100.00</b>

*Notes:*

- (1) Includes the 2,760,000 Sale H Shares.
- (2) After allocation of the 2,760,000 Sale H Shares as approved by SASAC.
- (3) The shareholding is based on the information supplied by the relevant shareholder and held by the Company on the date of this announcement

### GENERAL MANDATE TO PLACE THE PLACING H SHARES

The Placing H Shares will be placed under the general mandate granted to the Directors at the extraordinary general meeting of the Company held on 14 August 2007. Pursuant to such general mandate, a total of 30,360,000 H Share may be issued by the Company. Insofar as the H share capital of the Company is concerned, such general mandate has not been utilised prior to the date of this announcement. Upon completion of the Placing, such general mandate will be fully utilised as to the issuance of 30,360,000 H Shares.

The Company has no outstanding share options or convertible securities as at the date of this announcement.

## **WAIVER FROM STRICT COMPLIANCE WITH RULES 9.09 AND 10.07(1)(A) OF THE MAIN BOARD LISTING RULES**

Reference is made to the announcement of the Company dated 30 July 2007 in relation to the waiver (the “Waiver”) granted by the Stock Exchange from strict compliance with rules 9.09 and 10.07(1)(a) of the Main Board Listing Rules with regard to the restrictions on dealings in securities by connected persons / controlling shareholders prior to the Main Board Listing. The Company confirms that the Placing will be conducted in full compliance with the GEM Listing Rules and with the Waiver and in accordance with all applicable laws and regulations.

## **REGULATORY APPROVALS**

The Company has obtained all relevant PRC regulatory approvals for the Placing, being the approval from the SASAC on 18 January 2007, the authorisation and approval from the NSSF Council on 8 March 2007 and the approval from the CSRC on 12 July 2007, in respect of the Placing.

The Company has confirmed and undertaken to DBS that these Existing Approvals remain valid for the purpose of the Placing.

## **RANKING**

The Placing H Shares will rank pari passu in all respects with the existing H Shares in issue on completion of the Placing, including the right to receive all dividends and distributions declared, paid or made after the Completion.

## **REASONS FOR THE PLACING AND USE OF PROCEEDS**

The gross proceeds from the placing of the New H Shares in full by the Company will be approximately HK\$201.48 million and the net proceeds from the placing of the New H Shares by the Company will be approximately HK\$196.30 million (after deducting the commission and expenses of the placing of the New H Shares payable by the Company). Hence, the net Placing Price per New H Share will be approximately HK\$7.11. The Company will not receive any proceeds from the placing of the Sale H Shares. The entire net proceeds from the sale of the Sale H Shares of approximately HK\$19.74 million will be remitted to the NSSF Council.

The Company was incorporated in Beijing, the PRC, with limited liability. The Group is principally engaged in the management and operation of hypermarkets, supermarkets and convenience stores and the wholesale distribution of daily consumer products in the Greater Beijing Region with a view to providing a comprehensive range of merchandise to cater for the daily needs of the general public. Continuing efforts have been made to expand the Group’s retail network in the Greater Beijing Region with a view to further strengthening its leading position in the retail market of daily consumer products in that region. The Company intends to use the net proceeds from the placing of the New H Shares for the expansion and operation of the Group’s retail and wholesale distribution business.

Taking into account the lower costs and shorter time involved in the Placing when compared with other means of equity fund raising exercises such as rights issue or open offer, the Directors believe that the Placing is the most appropriate method. Moreover, in view of current market conditions, the Directors consider that the Placing represents a good opportunity for the Company to raise further financing and broaden the Company’s shareholder base. Accordingly, the Directors consider that the Placing is in the interests of the Company and the Company’s shareholders as a whole.

The Company has not conducted any fund raising exercises during the past twelve months prior to the date of this announcement.



## APPLICATION FOR LISTING

Application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing H Shares on the Stock Exchange.

## DEFINITIONS

“associates”	has the meaning as ascribed to it in the Main Board Listing Rules
“Board”	the board of Directors
“Business Day”	a day that is not a Saturday, Sunday or a public holiday in Hong Kong
“Chaoyang Auxiliary”	北京市朝陽副食品總公司 (Beijing Chaoyang Auxiliary Food Company), a PRC state-owned enterprise and substantial shareholder of the Company (as defined in the GEM Listing Rules)
“Company”	北京京客隆商業集團股份有限公司 (Beijing Jingkelong Company Limited), a joint stock limited company incorporated in the PRC with limited liability whose H Shares are listed on the GEM
“Completion”	completion of the Placing Agreement
“CSRC”	中國證券監督管理委員會 (the China Securities Regulatory Commission), a regulatory body responsible for the supervision and regulation of the PRC’s securities markets
“DBS”	DBS Asia Capital Limited, an institution registered under the Securities and Futures Ordinance for Types 1 and 6 regulated activities
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the capital of the Company, with a RMB denominated par value of RMB1.00 each, which were subscribed by PRC domestic shareholders and credited as fully paid up in RMB, and which are not listed or traded on the Stock Exchange
“Existing Approvals”	means collectively (i) the written approval issued by the SASAC on 18 January 2007; (ii) the written approval issued by the NSSF Council on 8 March 2007; and (iii) the written approval issued by the CSRC on 12 July 2007, in each case authorising and approving the Placing and/or the issue and sale of the Placing H Shares
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing committee of the board of directors of the Stock Exchange with responsibility for GEM



“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Greater Beijing Region”	the region covering the whole Beijing city and certain parts of Northern China peripheral to Beijing
“Group”	the Company and its Subsidiaries and the expression “member of the Group” shall be construed accordingly
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“H Shares”	overseas listed foreign invested share(s) of nominal value RMB1.00 each in the share capital of the Company which are listed on GEM
“Listing Approval”	the written confirmation issued by the Stock Exchange granting the listing and permission to deal in the Placing H Shares
“New H Shares”	a total of 27,600,000 H Shares to be issued by the Company in connection with the Placing at the Placing Price, representing approximately 90.91% of the Placing H Shares
“Main Board Listing”	the proposed listing of the Company’s H Shares on the main board of the Stock Exchange
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“NSSF Council”	全國社會保障基金理事會 (The National Social Security Fund Council of the PRC), an organisation authorised by the 中華人民共和國國務院 (the State Council of the PRC) and is responsible for the administration of the national security fund of the government of the PRC
“Placees”	means any professional, institutional or other investor not being a connected person of the Company (as such term is defined in the GEM Listing Rules) procured or to be procured by DBS to subscribe or purchase (as the case may be) any of the Placing H Shares pursuant to DBS’s obligations under the Placing Agreement
“Placing”	the placing of the Placing H Shares pursuant to the Placing Agreement
“Placing Agreement”	the placing agreement entered into between the Company and DBS dated 27 September 2007 in relation to the Placing
“Placing Price”	HK\$7.30 per Placing H Share
“Placing H Shares”	the New H Shares and the Sale H Shares

“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Sale H Shares”	a total of 2,760,000 H Shares to be converted from an equal number of Domestic Shares held by Chaoyang Auxiliary in accordance with the Existing Approvals and applicable PRC laws and regulations, representing approximately 9.09% of the Placing H Shares
“SASAC”	國務院國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the State Council)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the same meaning as in section 2 of the Companies Ordinance (Cap.32 of the Laws of Hong Kong)

By Order of the Board of Directors  
**Beijing Jingkelong Company Limited**  
**Wei Tingzhan**  
Chairman

Beijing, the PRC  
27 September 2007

*\* for identification purposes only*

*As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Wei Tingzhan, Mr. Li Jianwen, Ms. Chunyan Li and Mr. Liu Yuejin, and two non-executive Directors, namely, Mr. Gu Hanlin and Mr. Li Shunxiang, and three independent non-executive Directors, namely, Mr. Fan Faming, Mr. Huang Jiangming, and Mr. Chung Chi Kong.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the website of Hong Kong Exchanges and Clearing Limited at [www.hkex.com.hk](http://www.hkex.com.hk) under “Latest Listed Companies Information” for at least 7 days from the date of its posting and the company website [www.jkl.com.cn](http://www.jkl.com.cn)*