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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Beijing Jingkelong Company Limited, you should at once hand this circular together with the enclosed form of proxy and reply slip to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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: 814)

CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



A letter from the board of directors of Beijing Jingkelong Company Limited (the “Company”) is set out on pages 6 to 17 of this circular.

A letter from the independent board committee of the Company is set out on page 18 of this circular. A letter from Kingsway Capital Limited containing its advice to the independent board committee and the independent shareholders of the Company is set out on pages 19 to 32 of this circular.

A notice convening an extraordinary general meeting of the Company, at which, among other things, the resolutions for approving the Agreements (as defined in this circular) in respect of the Continuing Connected Transactions (as defined in this circular) and the relevant New Caps (as defined in this circular) will be considered, to be held at the Conference Room, 4th Floor, Block No. 45, Xinyuan Street, Chaoyang District, Beijing, the People’s Republic of China at 9:00 a.m. on Monday, 29 December 2008 is set out on pages 41 to 44 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for holding the meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or at any adjourned meeting should you so wish.

13 November 2008

* For identification purpose only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Agreements”	the Flavourings Service Agreement, the Jinglong Service Agreement, the Jiazeng Supply Agreement, the Flavourings Supply Agreement, the Jinglong Supply Agreement and the Flavourings Loan Agreement
“Beijing Jiazeng”	北京加增工貿有限公司 (Beijing Jiazeng Gongmao Company Limited*), a company incorporated in the PRC and one of the Company’s promoters
“Board”	the board of directors of the Company
“Chaopi Flavourings”	北京市朝批調味品有限責任公司 (Beijing Chaopi Flavourings Company Limited*), a limited liability company incorporated in the PRC and an approximately 52.63% subsidiary of Chaopi Trading
“Chaopi Flavourings Products”	has the meaning ascribed to it under the section headed “II. Continuing Connected Transactions – 4. Supply of flavourings, grain, flour, edible oil products and other food stuff by Chaopi Flavourings to the Group” in this circular
“Chaopi Jinglong”	北京朝批京隆油脂銷售有限公司 (Beijing Chaopi Jinglong Oil Sales Company Limited*), a limited liability company incorporated in the PRC and an approximately 54.23% subsidiary of Chaopi Trading
“Chaopi Jinglong Products”	has the meaning ascribed to it under the section headed “II. Continuing Connected Transactions – 5. Supply of edible oil and other food stuff by Chaopi Jinglong to the Group” in this circular
“Chaopi Trading”	北京朝批商貿有限公司 (Beijing Chaopi Trading Company Limited*), a limited liability company incorporated in the PRC and an approximately 76.42% subsidiary of the Company
“Chaoyang Auxiliary”	北京市朝陽副食品總公司 (Beijing Chaoyang Auxiliary Food Company*), a state-owned enterprise, the controlling shareholder of the Company and one of the Company’s promoters which owns approximately 40.61% of the Company’s issued capital

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“Chaoyang Xinlong”	has the meaning ascribed to it under the section headed “II. Continuing Connected Transactions – 3. Supply of cooked food by Jiazeng Foodstuff to the Group” in this circular
“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, the H shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions of the Group as set out in the section headed “II. Continuing Connected Transactions” in this circular which are subject to the reporting and announcement requirements set out under Rules 14A.45 to 14A.47 of the Listing Rules and the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules
“CPI”	the consumer price index
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which are subscribed for and paid up in RMB
“Existing CCTs”	the non-exempt continuing connected transactions of the Group set out in the section headed “Connected Transactions” on pages 110 to 129 of the Introduction Document
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held for the purposes of considering and, if thought fit, approving, among other things, each of the Agreements and the relevant New Caps
“Flavourings Loan Agreement”	has the meaning ascribed to it under the section headed “II. Continuing Connected Transactions – 6. Provision of loan financing by the Company to Chaopi Flavourings” in this circular
“Flavourings Service Agreement”	has the meaning ascribed to it under the section headed “II. Continuing Connected Transactions – 1. Provision of delivery and logistics services by Chaopi Trading to Chaopi Flavourings” in this circular

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“Flavourings Supply Agreement”	has the meaning ascribed to it under the section headed “II. Continuing Connected Transactions – 4. Supply of flavourings, grain, flour, edible oil products and other food stuff by Chaopi Flavourings to the Group” in this circular
“Greater Beijing Region”	the region covering the whole Beijing city and parts of its periphery
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	the overseas listed foreign share(s) in the share capital of the Company which are listed on the Main Board of the Stock Exchange with a nominal value of RMB1.00 each, and which are subscribed for and traded in HK\$
“Independent Board Committee”	the independent board committee, comprising Mr. Fan Faming, Mr. Huang Jiangming and Mr. Chung Chi Kong, all of whom are the independent non-executive Directors
“Independent Financial Adviser”	Kingsway Capital Limited (滙富融資有限公司), a licensed corporation to carry out type 6 (advising on corporate finance) of the regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholder(s)”	any Shareholder(s) that is not required to abstain from voting at a general meeting to approve a connected transaction under the Listing Rules
“Independent Third Party(ies)”	a person or company who/which is not a director, supervisor, promoter, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates
“Introduction Document”	the introduction document issued by the Company on 29 June 2007 in connection with the Main Board Migration

DEFINITIONS

“Jiazeng Foodstuff”	北京加增食品有限公司(Beijing Jiazeng Foodstuff Company Limited*), a company incorporated in the PRC
“Jiazeng Supply Agreement”	has the meaning ascribed to it under the section headed “II. Continuing Connected Transactions – 3. Supply of cooked food by Jiazeng Foodstuff to the Group” in this circular
“Jinglong Service Agreement”	has the meaning ascribed to it under the section headed “II. Continuing Connected Transactions – 2. Provision of delivery and logistics services by Chaopi Trading to Chaopi Jinglong” in this circular
“Jinglong Supply Agreement”	has the meaning ascribed to it under the section headed “II. Continuing Connected Transactions – 5. Supply of edible oil and other food stuff by Chaopi Jinglong to the Group” in this circular
“Latest Practicable Date”	10 November 2008, being the latest practicable date for the purpose of ascertaining certain information contained in this circular before its despatch
“Listing Rules” or “Rule(s)”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board Migration”	the migration of the listing of the H shares of the Company from the Growth Enterprise Market to the Main Board of the Stock Exchange which was completed on 26 February 2008
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“Mr. Ma”	has the meaning ascribed to it under the section headed “II. Continuing Connected Transactions – 3. Supply of cooked food by Jiazeng Foodstuff to the Group” in this circular
“New Cap(s)”	as defined in the section headed “IV. Proposed New Caps for the Continuing Connected Transactions for the three years ending 31 December 2011” in this circular
“PRC”	the People’s Republic of China

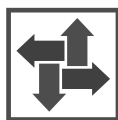
DEFINITIONS

“Prospectus”	the prospectus issued by the Company on 12 September 2006 in connection with the initial public offering of the Company’s H shares
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Shanxi Trust”	山西信託有限責任公司(Shanxi Trust Company Limited*), a company incorporated in the PRC and one of the Company’s promoters
“Share(s)”	share(s) of the Company, including the Domestic Share(s) and the H Share(s), unless specified otherwise
“Shareholder(s)”	holders of the Share(s), including holder(s) of the Domestic Share(s) and the H Shares(s), unless specified otherwise
“Shou Lian”	北京首聯商業集團有限公司 (Beijing Shou Lian Group Enterprises Limited*), a limited liability company established in the PRC with approximately 11.04% equity interest held by the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Waiver”	the waiver granted by the Stock Exchange with respect to the Existing CCTs
“%”	per cent.

* *For identification purpose only*

If there is any inconsistency between the Chinese of the entities mentioned in this circular and the English translation, the Chinese version shall prevail.

LETTER FROM THE BOARD



北京京客隆
商业集团股份有限公司
BEIJING JINGKELONG COMPANY LIMITED

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: 814)

Executive Directors:

Wei Tingzhan
Li Jianwen
Li Chunyan
Liu Yuejin

Registered Office:

Block No. 45
Xinyuan Street
Chaoyang District
Beijing
PRC

Non-executive Directors:

Gu Hanlin
Li Shunxiang

Place of business in Hong Kong:

20th Floor
Alexandra House
16-20 Chater Road
Hong Kong

Independent Non-executive Directors:

Fan Faming
Huang Jiangming
Chung Chi Kong

13 November 2008

To Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

I. BACKGROUND INFORMATION

In respect of the Continuing Connected Transactions of which the Waiver granted by the Stock Exchange from strict compliance with the relevant requirements of the Listing Rules will expire on 31 December 2008. The Continuing Connected Transactions are governed by the respective agreements entered into between members of the Group and certain connected persons will also expire by the end of 2008.

* For identification purpose only

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) consider that it is in the interest of the Group to continue the Continuing Connected Transactions and therefore, the relevant members of the Group have entered into agreements on 27 October 2008 to renew such transactions for a term of three years commencing on 1 January 2009.

The Directors estimate that the consideration ratios of the proposed annual transaction amounts over the relevant periods under each of the Continuing Connected Transactions for the three years ending 31 December 2011, will exceed 2.5% but are less than 25% and the annual consideration exceed HK\$10 million. Accordingly, the Agreements are subject to the reporting and announcement requirements and the independent shareholders' approval requirement under Rules 14A.35(3) and 14A.35(4) of the Listing Rules, respectively. Hence, the Extraordinary General Meeting will be held on 29 December 2008 for the Independent Shareholders to consider and approve each of the Agreements and the relevant New Caps.

II. CONTINUING CONNECTED TRANSACTIONS

1. Provision of delivery and logistics services by Chaopi Trading to Chaopi Flavourings

Chaopi Trading has been providing delivery and logistics services to Chaopi Flavourings for the delivery of products to both the Group and other third party customers pursuant to a service agreement dated 3 April 2006 between Chaopi Trading and Chaopi Flavourings. Mr. Li Jun Wei is a director of each of Chaopi Flavourings and Chaopi Jinglong and holds approximately 30.84%, 31.78% and 0.73% of the equity in Chaopi Flavourings, Chaopi Jinglong and Chaopi Trading, respectively. Chaopi Flavourings is held as to 52.63% by Chaopi Trading, which is held as to 76.42% by the Company. Chaopi Flavourings is an indirect subsidiary of the Company. Hence, Chaopi Flavourings is a connected person of the Company under the Listing Rules. Chaopi Flavourings is principally engaged in the wholesale distribution of flavourings, edible oil and food.

On 27 October 2008, Chaopi Trading and Chaopi Flavourings entered into a service agreement (the "Flavourings Service Agreement") to extend the term of the abovesaid service agreement dated 3 April 2006 for a term of three years commencing on 1 January 2009. Pursuant to the Flavourings Service Agreement, Chaopi Trading has agreed to provide delivery and logistics services to Chaopi Flavourings for the delivery of products to both the Group and other third party customers. Upon its expiry, Chaopi Trading has the right to renew the Flavourings Service Agreement on no less favourable terms. Under the Flavourings Service Agreement, the consideration payable by Chaopi Flavourings to the Group for the provision of such delivery services will not be less than (i) the prevailing market fees, and (ii) the consideration charged by the Group for the provision of similar services to any other party. The consideration for the provision of the said delivery and logistics services is settled on a monthly basis.

LETTER FROM THE BOARD

It is estimated that the total consideration payable by Chaopi Flavourings to Chaopi Trading in relation to the provision of delivery and logistics services for each of the three years ending 31 December 2011 will not exceed RMB16,800,000, RMB23,100,000 and RMB31,800,000, respectively, and these amounts have accordingly been set as the proposed New Caps for these Continuing Connected Transactions.

The proposed New Caps have been estimated primarily based on (i) the historical transaction amounts of the delivery and logistics services provided by Chaopi Trading to Chaopi Flavourings; (ii) the expected charging rate for such services for the year ending 31 December 2009, which shall be increased from 2.1% in 2008 to 2.7% in 2009, of the annual sales of Chaopi Flavourings for the same year, plus a premium which shall be increased from approximately 10% in 2008 to 13% in 2009; (iii) an estimated 25% increase in the said charging rate set out under paragraph (ii) above for each of the two years ending 31 December 2011, primarily due to the increase in energy and labour costs in the Greater Beijing Region. According to the data published by 北京市統計信息網 (Beijing City Statistical Information Net), the costs of energy and power for the first eight months of 2008 increased by approximately 37% compared to the same period in 2007; and (iv) the broadening of the location of the delivery and logistics services to be provided by Chaopi Trading arising from the expansion of the customer base of Chaopi Flavourings to the rural areas, in line with the urbanisation in Beijing, which in turn increases the cost of delivery of Chaopi Trading.

2. Provision of delivery and logistics services by Chaopi Trading to Chaopi Jinglong

Chaopi Trading has been providing delivery and logistics services to Chaopi Jinglong for the delivery of products to both the Group and other third party customers pursuant to a service agreement dated 3 April 2006 between Chaopi Trading and Chaopi Jinglong. Mr. Li Jun Wei is a director of each of Chaopi Flavourings and Chaopi Jinglong and holds approximately 30.84%, 31.78% and 0.73% of the equity in Chaopi Flavourings, Chaopi Jinglong and Chaopi Trading, respectively. Chaopi Jinglong is held as to 54.23% by Chaopi Trading, which is held as to 76.42% by the Company. Chaopi Jinglong is an indirect subsidiary of the Company. Hence, Chaopi Jinglong is a connected person of the Company under the Listing Rules. Chaopi Jinglong is principally engaged in the wholesale distribution of edible oil.

On 27 October 2008, Chaopi Trading and Chaopi Jinglong entered into a service agreement (the "Jinglong Service Agreement") to extend the term of the abovesaid service agreement dated 3 April 2006 for a term of three years commencing on 1 January 2009. Pursuant to the Jinglong Service Agreement, Chaopi Trading has agreed to provide delivery and logistics services to Chaopi Jinglong for the delivery of products to both the Group and other third party customers. Upon its expiry, Chaopi Trading has the right to renew the Jinglong Service Agreement on no less favourable terms. Under the Jinglong Service Agreement, the consideration payable by Chaopi Jinglong to the Group for the provision of such delivery services will not be less than (i) the prevailing market fees; and (ii) the consideration charged by the Group for the provision of similar services to any other party. The consideration for the provision of the said delivery and logistics services is settled on a monthly basis.

LETTER FROM THE BOARD

It is estimated that the total consideration payable by Chaopi Jinglong to Chaopi Trading in relation to the provision of delivery and logistics services for each of the three years ending 31 December 2011 will not exceed RMB11,700,000, RMB16,100,000 and RMB22,200,000, respectively, and these amounts have accordingly been set as the proposed New Caps for these Continuing Connected Transactions.

The proposed New Caps have been estimated primarily based on (i) the historical transaction amounts of the delivery and logistics services provided by Chaopi Trading to Chaopi Jinglong; (ii) the expected charging rate of the services for the year ending 31 December 2009, which shall be increased from 2.1% in 2008 to 3.0% in 2009, of the annual sales of Chaopi Jinglong in the same year, plus a premium which shall be increased from approximately 10% in 2008 to 13% in 2009; (iii) an estimated 25% increase in the said charging rate set out under paragraph (ii) above for each of the two years ending 31 December 2011, primarily due to the increase in energy and labour costs in the Greater Beijing Region. According to the data published by北京市統計信息網 (Beijing City Statistical Information Net), the costs of energy and power for the first eight months of 2008 increased by approximately 37% compared to the same period in 2007; and (iv) the broadening of the location of the targets of the delivery and logistics services to be provided by Chaopi Trading arising from the expansion of the customer base of Chaopi Jinglong to the rural areas, in line with the urbanisation in Beijing, which in turn increases the cost of delivery of Chaopi Trading.

For the purposes of Rule 14A.27 of the Listing Rules, the provision of delivery and logistics services by Chaopi Trading to Chaopi Flavourings and the provision of delivery and logistics services by Chaopi Trading to Chaopi Jinglong have been aggregated.

3. Supply of cooked food by Jiazeng Foodstuff to the Group

Jiazeng Foodstuff has been supplying, on a non-exclusive basis, to the Group various types of cooked food for sale to its customers, pursuant to a supply agreement dated 6 April 2006 between the Company and 北京朝陽新龍福利食品加工廠 (Beijing Chaoyang Xinlong Fuli Foodstuff Processing Company Limited* (“Chaoyang Xinlong”)) (as supplemented by a supplemental agreement dated 8 August 2006 under which the rights and obligations of Chaoyang Xinlong under the said supply agreement were transferred to Jiazeng Foodstuff). Mr. Ma Jiazeng (“Mr. Ma”) holds an equity interest of 59.7% in Beijing Jiazeng, which is one of the Company’s promoters holding approximately 0.77% of the issued shares of the Company. Mr. Ma holds an indirect equity interest of approximately 66.7% in Jiazeng Foodstuff. Hence, Jiazeng Foodstuff is a connected person of the Company under the Listing Rules. Jiazeng Foodstuff is principally engaged in the wholesale distribution of cooked food.

On 27 October 2008, the Company and Jiazeng Foodstuff entered into a supply agreement (the “Jiazeng Supply Agreement”) to extend the term of the abovesaid supply agreement dated 6 April 2006) (as supplemented) for a term of three years commencing on 1 January 2009. Pursuant to the Jiazeng Supply Agreement, Jiazeng Foodstuff has agreed to supply, on a non-exclusive basis, to the Group various types of cooked food for sale to its customers. Upon its expiry, the Company has the right to renew the Jiazeng Supply Agreement on no less favourable

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terms. Under the Jiazeng Supply Agreement, Jiazeng Foodstuff has agreed that the consideration payable by the relevant member of the Group for the supply of the same cooked food will not be higher, on the same per unit price basis, than the consideration paid to it by any other third party and will not be higher than the then prevailing market prices. In addition, the Company has to pay the purchase price of cooked food within one month after its delivery.

It is estimated that the total consideration payable by the Group to Jiazeng Foodstuff in relation to the purchase of cooked food for each of the three years ending 31 December 2011 will not exceed RMB23,400,000, RMB26,450,000 and RMB29,090,000, respectively, and these amounts have accordingly been set as the proposed New Caps for these Continuing Connected Transactions.

The proposed New Caps have been estimated primarily based on (i) the estimated growth of the sales of cooked food based on historical transaction amounts; (ii) the increase in demand for cooked food arising from the integration of the retail network of Shou Lian, which are operated under the Group's franchise arrangements, into the Group; (iii) the anticipated increase in the Group's demand for cooked food due to the opening of more hypermarkets, supermarkets and convenience stores in the three years ending 31 December 2011 (with more than 20 new hypermarkets, supermarkets and/or convenience stores (as the case may be) to be opened each year) leading to higher sales volume of cooked food by the Group; (iv) the general trend of growth in the retail industry and the expected continual growth of the local economy in the Greater Beijing Region; and (v) the increase in the CPI and the price of food in the Greater Beijing Region. According to the data published by 北京市統計信息網 (Beijing City Statistical Information Net), the CPI and the price of food in the Greater Beijing Region for the first eight months of 2008 increased by approximately 6.1% and approximately 18%, respectively, compared to the same period in 2007.

4. Supply of flavourings, grain, flour, edible oil products and other food stuff by Chaopi Flavourings to the Group

Chaopi Flavourings has been supplying, on a non-exclusive basis, to the Group various types of flavourings, grains, flour, edible oil products and other food stuff (the "Chaopi Flavourings Products") for sale to its customers pursuant to a supply agreement dated 3 April 2006 between the Company and Chaopi Flavourings.

On 27 October 2008, the Company and Chaopi Flavourings entered into a supply agreement (the "Flavourings Supply Agreement") to extend the term of the abovesaid supply agreement dated 3 April 2006 for a term of three years commencing on 1 January 2009. Pursuant to the Flavourings Supply Agreement, Chaopi Flavourings has agreed to supply, on a non-exclusive basis, to the Group the Chaopi Flavourings Products for sale to its customers. Upon its expiry, the Company has the right to renew the Flavourings Supply Agreement on no less favourable terms. Under the Flavourings Supply Agreement, Chaopi Flavourings has agreed that the consideration payable by the relevant member of the Group for the supply of the same Chaopi Flavourings Products will not be higher, on the same per unit price basis, than the consideration

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paid to it by any other third party and will not be higher than the then prevailing market prices. In addition, the Company has to pay the purchase price of Chaopi Flavourings Products within one month after its delivery.

It is estimated that the total consideration payable by the Group to Chaopi Flavourings in relation to the purchase of the Chaopi Flavourings Products for each of the three years ending 31 December 2011 will not exceed RMB92,400,000, RMB106,000,000 and RMB116,890,000, respectively, and these amounts have accordingly been set as the proposed New Caps for these Continuing Connected Transactions.

The proposed New Caps have been estimated primarily based on (i) the estimated growth of the sales of Chaopi Flavourings Products based on historical transaction amounts; (ii) the increase in demand for Chaopi Flavourings Products arising from the integration of the retail network of Shou Lian, which are operated under the Group's franchise arrangements, into the Group; (iii) the anticipated increase in the Group's demand for Chaopi Flavourings Products due to the opening of more hypermarkets, supermarkets and convenience stores in the three years ending 31 December 2011 (with more than 20 new hypermarkets, supermarkets and/or convenience stores (as the case may be) to be opened each year) leading to higher sales volume of the Group; (iv) the general trend of growth in the retail industry and the expected continual growth of the local economy in the Greater Beijing Region; and (v) the increase in the CPI and the price of food in the Greater Beijing Region. According to the data published by 北京市統計信息網 (Beijing City Statistical Information Net), the CPI and the price of food in the Greater Beijing Region for the first eight months of 2008 increased by approximately 6.1% and approximately 18%, respectively, compared to the same period in 2007.

5. Supply of edible oil and other food stuff by Chaopi Jinglong to the Group

Chaopi Jinglong has been supplying, on a non-exclusive basis, to the Group various types of edible oil products and other food stuff (the "Chaopi Jinglong Products") for sale to its customers pursuant to a supply agreement dated 3 April 2006 between the Company and Chaopi Jinglong.

On 27 October 2008, the Company and Chaopi Jinglong entered into a supply agreement (the "Jinglong Supply Agreement") to extend the term of the abovesaid supply agreement dated 3 April 2006 for a term of three years commencing on 1 January 2009. Pursuant to the Jinglong Supply Agreement, Chaopi Jinglong has agreed to supply, on a non-exclusive basis, to the Group the Chaopi Jinglong Products for sale to its customers. Upon its expiry, the Company has the right to renew the Jinglong Supply Agreement on no less favourable terms. Under the Jinglong Supply Agreement, Chaopi Jinglong has agreed that the consideration payable by the relevant member of the Group for the supply of the same Chaopi Jinglong Products will not be higher, on the same per unit price basis, than the consideration paid to it by any other third party and will not be higher than the then prevailing market prices. In addition, the Company has to pay the purchase price of Chaopi Jinglong Products within one month after its delivery.

LETTER FROM THE BOARD

It is estimated that the total consideration payable by the Group to Chaopi Jinglong in relation to the purchase of the Chaopi Jinglong Products for each of the three years ending 31 December 2011 will not exceed RMB64,400,000, RMB74,000,000 and RMB85,100,000, respectively, and these amounts have accordingly been set as the proposed New Caps for these Continuing Connected Transactions.

The proposed New Caps have been estimated primarily based on (i) the estimated growth of the sales of Chaopi Jinglong Products based on historical transaction amounts; (ii) the increase in the demand for Chaopi Jinglong Products arising from the integration of the retail network of Shou Lian, which are operated under the Group's franchise arrangements, into the Group; (iii) the anticipated increase in the Group's demand for Chaopi Jinglong Products due to the opening of more supermarkets, convenience stores in the three years ending 31 December 2011 (with more than 20 new supermarkets, convenience stores (as the case may be) to be opened each year), leading to higher sales volume of the Group; (iv) the general trend of growth in the retail industry and the expected continual growth of the local economy in the Greater Beijing Region; and (v) the increase in the CPI and the price of food in the Greater Beijing Region. According to the data published by 北京市統計信息網 (Beijing City Statistical Information Net), the CPI and the price of food in the Greater Beijing Region for the first eight months of 2008 increased by approximately 6.1% and approximately 18%, respectively, compared to the same period in 2007.

6. Provision of loan financing by the Company to Chaopi Flavourings

The Company has been providing loan financing to Chaopi Flavourings as working capital requirement through certain designated loan arrangement with Bank of Beijing. Based on the said designated loan arrangement, the Company deposited a cash amount with Bank of Beijing, and Chaopi Flavourings received a loan from the said bank in the same amount as the deposit of the Company to be repaid by the end of the relevant 12-month period. Chaopi Flavourings paid an annual handling charge to the said bank and was solely responsible for the repayment to the Company of loan and related interest charged at the then prevailing bank lending rate. Such designated loan arrangement is a common form of lending between companies in the PRC and complies with the relevant PRC laws and regulations.

On 27 October 2008, the Company and Chaopi Flavourings entered into a designated loan agreement (the "Flavourings Loan Agreement") of which the Company has agreed to provide financing to Chaopi Flavourings through the aforesaid designated loan arrangement for a term of three years commencing on 1 January 2009.

It is estimated that the total amounts outstanding from Chaopi Flavourings under the Flavourings Loan Agreement, representing the highest daily outstanding balance of the loan, during each of the three years ending 31 December 2011 will not exceed RMB30,000,000, RMB30,000,000 and RMB30,000,000, respectively. The said loan will also be subject to an interest charged with reference to the then prevailing bank lending rate (being 7.29% per annum for 2008). It is estimated that the amounts of the said highest daily outstanding balance of

LETTER FROM THE BOARD

the loan and the interest for each of the three years ending 31 December 2011 will not exceed RMB33,000,000, RMB33,000,000 and RMB33,000,000, respectively, and such amounts have accordingly been set as the proposed New Caps for this Continuing Connected Transaction.

The proposed New Caps have been estimated primarily based on (i) the historical maximum amount outstanding from Chaopi Flavourings; (ii) the estimated future working capital requirement of Chaopi Flavourings; and (iii) an increase in 10% of the interest per year.

III. HISTORICAL FIGURES

The following table sets out the amounts of each of the Continuing Connected Transactions for each of the two years ended 31 December 2007 and the eight months ended 31 August 2008:

	Year ended 31 December 2006 <i>RMB'000</i>	Year ended 31 December 2007 <i>RMB'000</i>	Eight months ended 31 August 2008 <i>RMB'000</i>
1. Provision of delivery and logistics services by Chaopi Trading to Chaopi Flavourings	7,443	9,827	8,346
<i>Annual cap (note)</i>	9,050	10,391	11,934
2. Provision of delivery and logistics services by Chaopi Trading to Chaopi Jinglong	2,679	4,105	3,180
<i>Annual cap (note)</i>	3,633	4,162	4,771
3. Supply of cooked food by Jiazeng Foodstuff to the Group	16,090	20,862	13,299
<i>Annual cap (note)</i>	25,400	29,200	33,530
4. Supply of Chaopi Flavourings Products by Chaopi Flavourings to the Group	45,144	41,413	42,946
<i>Annual cap (note)</i>	61,100	73,300	84,300
5. Supply of Chaopi Jinglong Products by Chaopi Jinglong to the Group	14,551	35,677	25,170
<i>Annual cap (note)</i>	31,000	43,400	56,400
6. Provision of loan financing by the Company to Chaopi Flavourings	20,000	20,000	20,000
<i>Annual cap (note)</i>	40,000	40,000	40,000

Note: These are the annual caps of the Continuing Connected Transactions for the three years ended/ending 31 December 2008 as agreed under the Waivers set out in the Prospectus and the Introduction Document, respectively.

LETTER FROM THE BOARD

IV. PROPOSED NEW CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS FOR THE THREE YEARS ENDING 31 DECEMBER 2011

The table below summarises the proposed New Caps of the Continuing Connected Transactions for the three years ending 31 December 2011:

	New Caps for the Year ending 31 December		
	2009 RMB'000	2010 RMB'000	2011 RMB'000
1. Provision of delivery and logistics services by Chaopi Trading to Chaopi Flavourings*	16,800	23,100	31,800
2. Provision of delivery and logistics services by Chaopi Trading to Chaopi Jinglong*	11,700	16,100	22,200
3. Supply of cooked food by Jiazeng Foodstuff to the Group	23,400	26,450	29,090
4. Supply of Chaopi Flavourings Products by Chaopi Flavourings to the Group	92,400	106,000	116,890
5. Supply of Chaopi Jinglong Products by Chaopi Jinglong to the Group	64,400	74,000	85,100
6. Provision of loan financing by the Company to Chaopi Flavourings	33,000	33,000	33,000

* *These transactions have been aggregated for the purposes of ascertaining the percentage ratios would exceed 2.5% and hence are subject to the reporting and announcement requirements set out under Rules 14A.45 to 14A.47 of the Listing Rules and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.*

LETTER FROM THE BOARD

V. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

As the Group has conducted the Continuing Connected Transactions with the relevant entities historically and the Group has built up a long term strategic and solid business relationship with these entities, the Directors, including the independent non-executive Directors, consider it beneficial to the Group to continue to conduct the Continuing Connected Transactions in order to ensure and maximise operating efficiency and stability of the operations of the Group, which are in line with the expansion strategy of the Group. The Directors are not aware of any disadvantage of the Continuing Connected Transactions to the Group.

The Directors, including the independent non-executive Directors, consider that the Continuing Connected Transactions have been subject to arm's length negotiation between the Group and the relevant parties, and have been entered into in the ordinary and usual course of business of the Group and are either (i) on normal commercial terms or better; or (ii) on terms no less favourable to the Group than those available to or from (as appropriate) Independent Third Parties.

The Directors, including the independent non-executive Directors, are of the view that the terms of the Agreements, and the relevant proposed New Caps, are fair and reasonable and in the interests of the Shareholders as a whole.

VI. MISCELLANEOUS

1. Information of the Group

The Group is principally engaged in the retail and wholesale distribution of daily consumer products in the Greater Beijing Region.

2. Independent Board Committee and Independent Financial Adviser

The Independent Board Committee has been established to advise the Independent Shareholders on the terms of each of the Agreements. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of each of the Agreements.

3. Extraordinary General Meeting

There is set out on pages 41 to 44 of this circular a notice convening the Extraordinary General Meeting to be held at the Conference Room, 4th Floor, Block No. 45, Xinyuan Street, Chaoyang District, Beijing, the People's Republic of China, at 9:00 a.m. on Monday, 29 December 2008, to consider and, if thought fit, to approve by the Independent Shareholders, among other things, each of the Agreements and the relevant New Caps.

LETTER FROM THE BOARD

A notice setting out the resolutions in respect of the Agreements and the New Caps are set out in this circular. Any voting of the Independent Shareholders shall be taken by poll. An announcement will be made in respect of the results of the poll. The procedure of demanding a poll is also set out in the section headed “7. Procedures for demanding a poll at the EGM” in the appendix to this circular.

Mr. Ma Jiazeng (“Mr. Ma”) holds an equity interest of 59.7% in Beijing Jiazeng, being one of the Company’s promoters holding approximately 0.77% of the issued shares of the Company. Accordingly, Mr. Ma shall have control over the voting right in respect of the Shares held by Beijing Jiazeng. Mr. Ma holds an indirect interest of approximately 66.7% in Jiazeng Foodstuff. Hence, Beijing Jiazeng will abstain from voting on the resolution to approve the Jiazeng Supply Agreement and the relevant New Caps. Save as disclosed above, none of the Shareholders have any interest in the resolutions to be considered at the EGM.

Please refer to the notice convening the EGM for the eligibility of attendance, registration procedure, proxy and other relevant matters.

4. Closure of registers of members

Shareholders whose names appear on the registers of members of the Company as at the end of Monday, 8 December 2008 are entitled to attend and vote at the Extraordinary General Meeting. The registers of members of the Company will be closed from Tuesday, 9 December to Monday, 29 December 2008, both days inclusive, during which no transfer of Shares will be effected. In order to be eligible to attend the Extraordinary General Meeting and to vote thereat as Shareholders, all transfers of H Shares together with the relevant share certificates must be delivered to the Company’s H-Share Registrar and Transfer Office no later than 4:30 p.m. on Monday, 8 December 2008. All transfers of Domestic Shares together with the relevant documents must be delivered to the Company’s legal address at 3rd Floor, Block No. 45, Xinyuan Street, Chaoyang District, Beijing, PRC no latter than 4.00 p.m. on Monday, 8 December 2008.

5. Recommendation

Your attention is drawn to the letter from the Independent Board Committee set out in this circular which contains its recommendation to the Independent Shareholders as to voting at the Extraordinary General Meeting in relation to each of the Agreements and the relevant New Caps.

Your attention is drawn to the letter from the Independent Financial Adviser set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to each of the Agreements and the relevant New Caps, and the principal factors and reasons considered by it in arriving at its advice.

LETTER FROM THE BOARD

The Independent Board Committee has considered the terms of each of the Agreements and the relevant New Caps, and the advice given by the Independent Financial Adviser and recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the Extraordinary General Meeting in relation to each of the Agreements and the relevant New Caps.

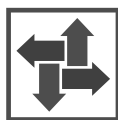
The Directors consider the terms of each of the Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. Additional information

Your attention is also drawn to the appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



北京京客隆
商业集团股份有限公司
BEIJING JINGKELONG COMPANY LIMITED

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: 814)

13 November 2008

To the Independent Shareholders

Dear Sir/Madam,

Continuing Connected Transactions

We refer to the circular of the Company dated 13 November 2008 (the "Circular") to the Shareholders of which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders as to whether or not the terms of each of the Agreements and the proposed New Caps are in the interests of the Company and its Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned.

Having considered the principal reasons and factors considered by, and the advice of Kingsway Capital Limited as set in its letter, we are of the opinion that the terms of each of the Agreements and the proposed New Caps are fair and reasonable and are in the interests of the Company and its Shareholders as a whole so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of all the ordinary resolutions to be proposed at the EGM to approve the Agreements and the relevant proposed New Caps.

We wish to draw your attention to the letter from the Board and the letter from Kingsway Capital Limited to the Independent Board Committee and the Independent Shareholders which contains its advice to us in relation to each of the Agreements and the relevant New Caps as set out in the Circular, as well as other additional information set out in other parts of the Circular.

Yours faithfully,
Fan Faming
Huang Jiangming
Chung Chi Kong
Independent Board Committee

* *For identification purpose only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter received from Kingsway Capital Limited setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions for inclusion in this Circular.



5/F, Hutchison House,
10 Harcourt Road,
Central, Hong Kong
Tel. No.: (852) 2877-1830
Fax. No.: (852) 2283-7722

13 November 2008

*To the Independent Board Committee and the Independent Shareholders of
Beijing Jingkelong Company Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of each of the respective Agreements and their respective New Caps, details of which are set out in the circular (the “**Circular**”) of Beijing Jingkelong Company Limited to the Shareholders dated 13 November 2008, of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

Reference is made to the announcement of the Company on 27 October 2008. The Group entered into certain agreements with its connected persons in April 2006 which constituted certain transactions of the Existing CCTs. The aforesaid agreements and respective Waiver granted by the Stock Exchange from strict compliance with the relevant requirements under the Listing Rules will expire on 31 December 2008 and certain agreements governing the Existing CCTs will also soon expire. On 27 October 2008, the Company and its subsidiary, Chaopi Trading entered into agreements with the respective connected persons to renew the terms of the aforesaid agreements under the Existing CCTs for three years commencing on 1 January 2009, constituting the Continuing Connected Transactions.

As the Directors estimate that the consideration ratios of the annual transaction amounts over the relevant periods under each of the Continuing Connected Transactions for the three years ending 31 December 2011 will exceed 2.5% but are less than 25% and the annual consideration exceed HK\$10 million, the Agreements are subject to the reporting and announcement requirements and the independent shareholders’ approval requirement under Rules 14A.35 (3) and 14A.35(4) of the Listing Rules, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been established to advise the Independent Shareholders in relation to each of the Agreements and their respective New Caps. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our view and recommendation to the Independent Board Committee and the Independent Shareholders in relation to each of the Agreements and their respective New Caps, we have relied on the information and representations provided to us by the Directors, which the Directors consider to be complete and relevant.

We have also relied on the information and representations contained in the Circular and have assumed that all statements of belief, opinion and intention made by the Directors in the Circular were true, accurate and complete at the time they were made and continue to be true and accurate on the date of the Circular. We have assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view and have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have been advised by the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular.

We have not, however, carried out any independent verification of the information provided by the management of the Company and the Directors, nor have we conducted any independent investigation into the business and affairs of the Company, Jiazeng Foodstuff or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders on the terms of each of the Agreements and their respective New Caps, we have considered the principal factors and reasons set out below:

(I) Provision of Delivery and Logistics Services by Chaopi Trading to Chaopi Flavourings and Chaopi Jinglong

(1) Background and reasons

As set out in the Introduction Document and the letter from the Board in the Circular (the “Letter from the Board”), Chaopi Trading has centralized the delivery and logistics functions of its subsidiaries to enhance the distribution efficiency of the Group and has been providing such services to Chaopi Flavourings and Chaopi Jinglong which are principally engaged in the wholesale distribution for the delivery of their products to both the Group and other third party customers since July 2004 and May 2005 respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Service agreements in respect of the above were entered into between Chaopi Trading and each of Chaopi Flavourings (the “**Existing Flavourings Service Agreement**”) and Chaopi Jinglong (the “**Existing Jinglong Service Agreement**”) on 3 April 2006 which constituted transactions among the Existing CCTs. Those agreements and the respective Waiver will expire on 31 December 2008. On 27 October 2008, Chaopi Trading entered into the Flavourings Service Agreement with Chaopi Flavourings and the Jinglong Service Agreement with Chaopi Jinglong to extend the provision of delivery and logistics services by Chaopi Trading to them for a term of three years commencing on 1 January 2009 respectively.

Taking into account the factors above, we are of the view that entering into of the Flavourings Service Agreement and the Jinglong Service Agreement is in the ordinary and usual course of business, and is in the interest of the Company and the Shareholders as a whole.

(2) *Principal terms*

Under the Flavourings Service Agreement and the Jinglong Service Agreement, the consideration payable by Chaopi Flavourings and Chaopi Jinglong to Chaopi Trading for the provision of delivery and logistics services will not be less than (i) the prevailing market fees; and (ii) the consideration charged by the Group for the provision of similar services to any other party. As set out in the Letter from the Board, the consideration will be settled on a monthly basis. Upon its expiry, Chaopi Trading has the right to renew the Flavourings Service Agreement and the Jinglong Service Agreement on no less favourable terms.

We have reviewed certain recent sales document in respect of delivery and logistics services provided by Chaopi Trading to Chaopi Flavourings, Chaopi Jinglong and the Independent Third Parties. We noted that the unit price of service charged and credit terms offered by the Group to Chaopi Flavourings and Chaopi Jinglong were not less favourable to the Group as compared to that offered to the Independent Third Parties.

Having considered the abovementioned factors, we consider that the terms of the Flavourings Service Agreement and the Jinglong Service Agreement are on normal commercial terms, fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(3) *Proposed New Caps*

The table below sets out (i) the transaction amounts of the delivery and logistics services provided by Chaopi Trading to Chaopi Flavourings and Chaopi Jinglong under the Existing Flavourings Service Agreement and the Existing Jinglong Service Agreement for each of the two years ended 31 December 2007 and the eight months ended 31 August 2008 (the “**Historical Amounts**”); (ii) the existing annual caps for each of the three years ended/ending 31 December 2008 under the aforesaid agreements (the “**Existing Caps**”); and (iii) the proposed New Caps under the Flavourings Service Agreement and the Jinglong Service Agreement:

	Historical Amounts			Existing Caps (Percentage of Existing Caps utilised)			Proposed New Caps			
	Eight months ended 31			Year ended/ending 31 December			Year ending 31 December			
	Year ended 31 December	August	Year ended/ending 31 December			Year ending 31 December				
	2006	2007	2008	2006	2007	2008	2009	2010	2011	
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
The Existing Flavourings Service Agreement	7,443	9,827	8,346	9,050 (82%)	10,391 (95%)	11,934	The Flavourings Service Agreement	16,800	23,100	31,800
<i>Annual growth rate</i>	-	32%	-	-	15%	15%	<i>Annual growth rate</i>	41%	38%	38%
The Existing Jinglong Service Agreement	2,679	4,105	3,180	3,633 (74%)	4,162 (99%)	4,771	The Jinglong Service Agreement	11,700	16,100	22,200
<i>Annual growth rate</i>	-	53%	-	-	15%	15%	<i>Annual growth rate</i>	145%	38%	38%

The Directors advise that, as Chaopi Flavourings and Chaopi Jinglong have been expanding, their demand for delivery and logistics service from Chaopi Trading have increased accordingly.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the table above, the Historical Amounts under the Existing Flavourings Service Agreement were approximately RMB9.8 million in 2007, representing a growth of approximately 32% from that in 2006. Approximately 95% of the Existing Caps for 2007 was utilised based on the respective Historical Amounts and the Existing Caps, compared to that of 82% in 2006. In respect of the Existing Jinglong Service Agreement, the Historical Amounts were approximately RMB4.1 million in 2007, representing a growth of approximately 53% from that in 2006. Approximately 99% of the Existing Caps for 2007 was utilised, compared to that of 74% in 2006. In light of the above, the Directors expect that the Existing Caps for 2008 will be fully utilised, after taking into account the aforesaid growth in the Historical Amounts, and orders received or indicated by Chaopi Flavourings and Chaopi Jinglong in 2008.

We note that the proposed New Caps for 2009, 2010 and 2011 under the Flavourings Service Agreement represents a growth of approximately 41%, 38% and 38%, respectively from the cap in the preceding year. The proposed New Caps for 2009, 2010 and 2011 under the Jinglong Service Agreement represents a growth of approximately 145%, 38% and 38%, respectively from the cap in the preceding year.

As set out in the Letter from the Board and further advised by the Directors, the proposed New Caps have been estimated primarily based on (i) the historical transaction amounts of the delivery and logistics services provided by Chaopi Trading to Chaopi Flavourings and Chaopi Jinglong; (ii) the expected charging rate for such services for the year ending 31 December 2009, which shall be increased from 2.1% in 2008 to 2.7% under the Flavourings Service Agreement and to 3.0% under the Jinglong Service Agreement in 2009, of the respective annual sales of Chaopi Flavourings and Chaopi Jinglong for the same year, plus a premium which shall be increased from approximately 10% in 2008 to 13% in 2009, and an estimated 25% increase in the charging rate for such services for each of the two years ending 31 December 2011; and (iii) the broadening of the location of delivery and logistics services to be provided by Chaopi Trading.

As estimated by the management, the turnover of Chaopi Flavourings and Chaopi Jinglong are expected to increase in the coming years primarily due to (i) the past rising trend in turnover of Chaopi Flavourings and Chaopi Jinglong; (ii) business plan of expansion to other PRC cities including Qingdao, Tangshan and Taiyuan; and (iii) estimated increase in selling price of products due to continuing increase in the CPI and the price of food in the Greater Beijing Region. Therefore, the Directors consider that it is in the interest of the Group to obtain the proposed New Caps in order to capture expected increase in demand for delivery and logistics services in the future.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the data published by Beijing City Statistical Information Net (北京市統計信息網), the costs of energy and power and the annual discretionary income of urban households in Beijing recorded continuous increase in the past. The costs of energy and power increased by approximately 37% for the first eight months of 2008 compared to the same period in 2007. The annual discretionary income of urban households in Beijing increased by approximately 12% for the first eight months of 2008 compared to the same period in 2007. The Directors expect that the rising trend of the costs of energy and power and labour costs in Beijing will persist in the near future and thus expect an estimated 25% increase in the charging rate for the delivery and logistics services provided by Chaopi Trading to each of Chaopi Flavourings and Chaopi Jinglong for each of the two years ending 31 December 2011.

As outlined in the Eleventh Five-Year Plan of Beijing, more mass transit railway networks will be developed in rural areas in 2010. As expected by the Directors, due to the urbanisation in Beijing, new commercial centres and shopping malls will be established. Accordingly, customer base, independent third party customers particularly, of Chaopi Flavourings and Chaopi Jinglong is expected to be expanded to the rural areas, resulting in an increase in demand for delivery and logistics services from Chaopi Trading of which the service charge would likely be higher in light of the destination of delivery. As such, the Directors consider that a buffer in the proposed New Caps is needed to cater to the possible expansion of delivery and logistics services to customers who are located in the rural areas of Chaopi Flavourings and Chaopi Jinglong.

Taking into account the factors above, we concur with the Directors' view and consider that basis of determining the proposed New Caps under the Flavourings Service Agreement and the Jinglong Service Agreement is reasonable.

(II) Supply of Cooked Food, the Chaopi Flavourings Products and the Chaopi Jinglong Products by Jiazeng Foodstuff, Chaopi Flavourings and Chaopi Jinglong, to the Group (the "Supply CCTs")

(1) Background and reasons

The Group is principally engaged in the operation of retail and wholesale businesses in the Greater Beijing Region. According to China Chain Store & Franchise Association (中國連鎖經營協會), the Company was ranked 27th among the top 100 fast moving retail chain in terms of turnover and number of stores in China in 2006 (2006年百家快速消費品連鎖零售企業) and 32nd among the top 100 chain enterprises in terms of turnover and number of stores in China in 2007 (2007年中國連鎖經營百強企業).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the 2007 annual report of the Company and, it is the Group's business development goal to expand its retail network, wholesale channels and business coverage. In 2007, 16 new directly-operated retail outlets and 22 new convenience stores under franchise arrangements were set up in the Greater Beijing Region. As mentioned in the Letter from the Board, the Group expects to open more than 20 new hypermarkets, supermarkets and/or convenience stores each year for the three years ending 31 December 2011.

As set out in the Letter from the Board, Jiazeng Foodstuff is principally engaged in the wholesale distribution of various types of cooked food. Chaopi Flavourings is principally engaged in the wholesale distribution of flavourings, edible oil and food. Chaopi Jinglong is principally engaged in the wholesale distribution of edible oil. Jiazeng Foodstuff, Chaopi Flavourings and Chaopi Jinglong have been supplying their products, on a non-exclusive basis, to the Group for sale to its customers under respective supply agreements each dated April 2006 (the "**Existing Jiazeng Supply Agreement**", the "**Existing Flavourings Supply Agreement**" and the "**Existing Jinglong Supply Agreement**") which constituted transactions among the Existing CCTs. The respective Waiver and the aforesaid agreements will expire on 31 December 2008. In light of the long term strategic and solid business relationship between the Group and each of Jiazeng Foodstuff, Chaopi Flavourings and Chaopi Jinglong and the expansion strategy of the Group, the Directors consider it is beneficial to the Group to enter into the Jiazeng Supply agreement, the Flavourings Supply Agreement and the Jinglong Supply Agreement to extend the term of the respective existing supply agreements in order to ensure and maximise the operating efficiency and stability of the operations of the Group.

Having considered that (i) business and expansion strategy of the Group; (ii) the established business relationship between the Group and each of Jiazeng Foodstuff, Chaopi Flavourings and Chaopi Jinglong under the Existing CCTs; and (iii) the entering into of the Supply CCTs will enable the Group to maximise its operating efficiency and stability of the operations, we are of the view that the entering into the Supply CCTs is in the ordinary course of business of the Group, and is in the interest of the Company and the Shareholders as a whole.

(2) *Principal terms*

As set out in the Letter from the Board, Jiazeng Foodstuff, Chaopi Flavourings and Chaopi Jinglong have agreed that the considerations payable by the relevant member of the Group for the supply of the same cooked food, Chaopi Flavourings Products and Chaopi Jinglong Products under the Jiazeng Supply agreement, the Flavourings Supply Agreement and the Jinglong Supply Agreement, respectively will not be higher, on the same per unit price basis, than the consideration paid to it by any other third party and will not be higher than the then prevailing market prices. In addition, the Company has to pay the purchase price of cooked food, Chaopi Flavourings Products and Chaopi Jinglong Products within one month after its delivery. Upon the expiry of the Jiazeng Supply Agreement, the Flavourings Supply Agreement and the Jinglong Supply Agreement, the Company has the right to renew those agreements on no less favourable terms.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed samples of recent sales document in respect of supply of similar products to the Group by each of Jiazeng Foodstuff, Chaopi Flavourings and Chaopi Jinglong and the Independent Third Parties. We noted that:

- (i) the price of similar products varied and, as confirmed by the Directors, was fixed based on the prevailing market price at the time the orders were placed by the Group;
- (ii) the per unit price of products charged by Jiazeng Foodstuff, Chaopi Flavourings and Chaopi Jinglong was not less favourable to the Group as compared with that of similar products charged by the Independent Third Parties; and
- (iii) the credit terms offered by Jiazeng Foodstuff, Chaopi Flavourings, Chaopi Jinglong were not less favourable to the Group as compared with that offered by the Independent Third Parties.

Taking into consideration of the above, we concur with the Directors' view and consider that the terms of the Jiazeng Supply Agreement, the Flavourings Supply Agreement, and the Jinglong Supply Agreement, are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(3) *Proposed New Caps*

Set out below are (i) the transaction amounts under the Existing Jiazeng Supply Agreement, the Existing Flavourings Supply Agreement and the Existing Jinglong Supply Agreement for the two years ended 31 December 2007 and the eight months ended 31 August 2008 (the “**Historical Amounts**”), (ii) the annual caps under the aforesaid agreements for the three years ended/ending 31 December 2008 (the “**Existing Caps**”), and (iii) the proposed New Caps for the Supply CCTs:

	Historical Amounts			Existing Caps (Percentage of Existing Caps utilised)			Proposed New Caps			
	Year ended 31 December		Eight months ended 31	Year ended/ending 31 December			Year ending 31 December			
	2006	2007	August 2008	2006	2007	2008	2009	2010	2011	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
The Existing Jiazeng Supply Agreement	16,090	20,862	13,299	25,400 (63%)	29,200 (71%)	33,530	The Jiazeng Supply Agreement	23,400	26,450	29,090
<i>Annual growth rate</i>	-	30%	-	-	15%	15%	<i>Annual growth rate</i>	-30%	13%	10%
The Existing Flavourings Supply Agreement	45,144	41,413	42,946	61,100 (74%)	73,300 (56%)	84,300	The Flavourings Supply Agreement	92,400	106,000	116,890
<i>Annual growth rate</i>	-	-8%	-	-	20%	15%	<i>Annual growth rate</i>	10%	15%	10%
The Existing Jinglong Supply Agreement	14,551	35,677	25,170	31,000 (47%)	43,400 (82%)	56,400	The Jinglong Supply Agreement	64,400	74,000	85,100
<i>Annual growth rate</i>	-	145%	-	-	40%	30%	<i>Annual growth rate</i>	14%	15%	15%

As set out in the Letter from the Board, the proposed New Caps have been estimated primarily based on (i) the estimated growth of the sales of cooked food, Chaopi Flavourings Products and Chaopi Jinglong Products based on historical transaction

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

amounts; (ii) the increase in demand for cooked food, Chaopi Flavourings Products and Chaopi Jinglong Products arising from the integration of the retail network of Shou Lian, which are operated under the Group's franchise arrangements, into the Group; (iii) the anticipated increase in the Group's demand for cooked food, Chaopi Flavourings Products and Chaopi Jinglong Products due to the opening of more hypermarkets, supermarkets and convenience stores for the three years ending 31 December 2011, leading to higher sales volume of the Group; (iv) the general trend of growth in the retail industry and the expected continuing growth of the local economy in the Greater Beijing Region; and (v) the increase in the CPI and the price of food in the Greater Beijing Region.

As shown in the table above, the Historical Amounts under the Existing Jiazeng Supply Agreement and the Existing Jinglong Supply Agreement grew by approximately 30% and 145% respectively in 2007 from that in 2006. In respect of the Existing Flavourings Supply Agreement, despite the decrease in the Historical Amounts in 2007 from that in 2006, the Historical Amounts up to 31 August 2008 has exceeded the whole year transaction amounts in 2007.

In line with business expansion of the Group as set out in the 2007 annual report of the Company, the Group intends to open more than 20 new hypermarkets, supermarkets and/or convenience stores (as the case may be) each year for the three years ending 31 December 2011 and thus will demand for cooked food from Jiazeng Foodstuff, Chaopi Flavourings Products and Chaopi Jinglong Products are expected to increase.

As announced by the National Bureau of Statistics of China, the oil price in Beijing increased by approximately 22% in August 2008, as compared to that in August 2007. As such, the Group intends to increase its stock of edible oil in the next few years to tackle possible further price rise.

According to the Beijing Statistical Yearbooks 2007 and 2008 published by the Beijing Statistical Information Net, the total sales value of commodities by wholesale and retail enterprises in Beijing in 2007 was approximately RMB163 billion, representing an increase of approximately 23% as compared to that in 2006. In addition, total sales revenue of chain retail sector in Beijing was approximately RMB129 billion in 2007, representing a growth of approximately 24% as compared to that in 2006. Sales revenue attributable to department store, supermarket and convenience store among the chain retail sector grew by approximately 60%, 16% and 42% in 2007 respectively from that in 2006.

As announced by the National Bureau of Statistics of China, the CPI (the category of food) in Beijing in 2007 increased by approximately 9.2% as compared to that in 2006, and that for the first eight months of 2008 increased by approximately 18.8% as compared to the that for the same period in 2007.

Taking into account the factors above, we consider that the basis of determining the proposed New Caps under the Supply CCTs is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(III) Provision of Loan Financing by the Company to Chaopi Flavourings

(1) *Background and reasons*

Chaopi Flavourings is principally engaged in the wholesale distribution of flavourings, edible oil and food. The Company has been providing loan financing to Chaopi Flavourings as working capital requirements through certain designated loan arrangement with Bank of Beijing.

According to the Introduction Document and further advised by the Directors, Chaopi Flavourings is an indirect subsidiary of the Company and the Company has been providing loan financing to it to finance its working capital requirements with respect to its business of wholesale distribution of the Chaopi Flavourings Products which constitute a transaction under the Existing CCTs (the “**Existing Flavourings Loan Agreement**”). The respective Waiver will expire on 31 December 2008. Hence, the Directors consider that the entering into of the Flavourings Loan Agreement to provide loan financing to Chaopi Flavourings is reasonable and beneficial to the operation of the Group as a whole. In addition to the loan financing provided to Chaopi Flavourings, the Company has also been providing loan financing to certain subsidiaries of Chaopi Trading, including Chaopi Jinglong as working capital requirement through certain designated loan arrangement with Bank of Beijing in the same manner as that provided to Chaopi Flavourings.

As advised by the Directors, according to the “General Lending Provisions” (《貸款通則》) issued by The People’s Bank of China (the “**PBOC**”) on 1 August 1996 and the announcement published by the PBOC on 5 April 2000 in relation to the governance of entrustment loan business operated by commercial banks in the PRC, lending or borrowing between enterprises other than banks and regulated financial institutions in the PRC is not permitted. Only banks and approved financial institutions are permitted to engage in financial business in the PRC such as provision of deposit services or loan financing business. The Directors advise that the loan financing contemplated under the Flavourings Loan Agreement is made primarily under such restriction.

Taking into account of the above, we concur with the Directors’ view and consider that the entering into of the Flavourings Loan Agreement is reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(2) *Principal terms*

The Flavourings Loan Agreement will be valid for three years from 1 January 2009 until 31 December 2011. Pursuant to the Flavourings Loan Agreement, the Company will enter into a designated loan arrangement for a one-year term with a commercial bank in the PRC and Chaopi Flavourings for each of the three years ending 31 December 2011. Under such arrangement, the Company will deposit a cash amount with the said commercial bank, and Chaopi Flavourings will receive a loan from the said commercial bank in the same amount as the deposit of the Company and to be repaid by the end of the relevant 12-month period. Chaopi Flavourings paid an annual handling charge to the said commercial bank and was solely responsible for the repayment to the Company of loan and related interest charged at the then prevailing bank lending rate.

It is expected that the total amounts outstanding from Chaopi Flavourings, representing the highest daily outstanding balance of the loan, during each of the three years ending 31 December 2011 will not exceed RMB30 million. The said loan will also be subject to an interest charged with reference to the then prevailing bank lending rate. It is estimated that the amounts of the said highest daily outstanding balance of the loan and the interest for each of the three years ending 31 December 2011 will not exceed RMB33 million. The interest rate shall be determined by the said commercial bank by reference to the prevailing bank lending rate published by the PBOC. The bank lending rate offered by PRC commercial banks to enterprises must be bound by such a range set by the PBOC. Interest shall be payable quarterly to the Company. The annual interest rate contemplated under the loan agreements between the Bank of Beijing, Chaopi Flavourings and the Company for 2006, 2007 and 2008 was 5.58%, 6.12% and 7.29% respectively.

Given that the interest rates will be determined with reference to the then prevailing bank lending rate and the range promulgated by the PBOC as discussed above, we consider that the Flavourings Loan Agreement is on normal commercial terms and is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(3) *Proposed New Caps*

The table below sets out (i) the amount of loan provided by the Company to Chaopi Flavourings for each of the two years ended 31 December 2007 and the eight months ended 31 August 2008 (the “**Historical Amounts**”); (ii) the annual caps for each of the three years ended/ending 31 December 2008 under the Existing Flavourings Loan Agreement (the “**Existing Caps**”); and (iii) the proposed New Caps:

	Historical Amounts			Existing Caps (Percentage of Existing Caps utilised)			Proposed New Caps		
	Eight months ended 31			Year ended/ending 31 December			Year ending 31 December		
	Year ended 31 December	August	2008	2006	2007	2008	2009	2010	2011
	2006	2007	2008	2006	2007	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Existing Flavourings Loan Agreement	20,000	20,000	20,000	40,000	40,000	40,000	33,000	33,000	33,000
				(50%)	(50%)				

As set out in the Letter from the Board, the proposed New Caps for each of the three years ending 31 December 2011 are approximately RMB33 million, which have been estimated primarily based on (i) the historical maximum amount outstanding from Chaopi Flavourings; (ii) the estimated future working capital requirement of Chaopi Flavourings; and (iii) an increase in 10% of the interest per year.

For the three years ended 31 December 2008, the highest daily outstanding balance of the loan from Chaopi Flavourings under the Existing Flavourings Loan Agreement were RMB20 million, which is approximately 50% of the Existing Caps of RMB40 million (not including interest as at the time of determining the respective Waiver). Chaopi Flavourings recorded growth in turnover of approximately 11% from 2006 to 2007 and estimated growth of approximately 12% from 2007 to 2008. The Directors advised that growth in turnover of Chaopi Flavourings is expected to continue at a steady pace for each of the three years ending 31 December 2011. As such, the Directors consider that sufficient working capital for procurement and expansion of Chaopi Flavourings is necessary.

Given that the proposed New Caps are determined with reference to the historical maximum amount outstanding from Chaopi Flavourings, the estimated future working capital requirement of Chaopi Flavourings and an increase in 10% of the interest per year, we consider that the basis of determining the proposed New Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that entering into of the Agreements is in the ordinary and usual course of business, the terms of which and the respective New Caps are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the Agreements and the respective New Caps.

Yours faithfully
For and on behalf of
Kingsway Capital Limited
Chu Tat Hoi
Executive Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information relating to the Group contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

Directors', Supervisors' and chief executive's interests in Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, the interests and positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

Long positions in the domestic shares of the Company

Name	Capacity	Number of domestic shares held	Approximate percentage of total issued domestic shares (%)	Approximate percentage of total issued shares (%)
Wei Tingzhan	Personal	1,417,237	0.62	0.34
Li Jianwen	Personal	1,354,712	0.59	0.33
Li Chunyan	Personal	208,417	0.09	0.05
	Beneficiary (<i>Note 1</i>)	187,575	0.08	0.04
Liu Yuejin	Beneficiary (<i>Note 2</i>)	375,151	0.16	0.09
Gu Hanlin	Personal	1,417,237	0.62	0.34

Name	Capacity	Number of domestic shares held	Approximate percentage of total issued domestic shares (%)	Approximate percentage of total issued shares (%)
Li Shunxiang	Personal	5,210,428	2.26	1.26
Yang Baoqun	Personal	1,042,086	0.45	0.25
Qu Xinhua	Personal	833,669	0.36	0.20
Wang Shuying	Beneficiary (<i>Note 3</i>)	375,151	0.16	0.09
Yao Jie	Beneficiary (<i>Note 4</i>)	125,050	0.05	0.03

Notes:

1. These 187,575 domestic shares are held by 山西信託有限責任公司(Shanxi Trust Company Limited*) (“Shanxi Trust”) as trust property, the beneficiary of which is Ms. Li Chunyan.
2. These 375,151 domestic shares are held by Shanxi Trust as trust property, the beneficiary of which is Mr. Liu Yuejin.
3. These 375,151 domestic shares are held by Shanxi Trust as trust property, the beneficiary of which is Ms. Wang Shuying.
4. These 125,050 domestic shares are held by Shanxi Trust as trust property, the beneficiary of which is Ms. Yao Jie.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors or chief executive of the Company nor their associates had any interest and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors’ and Supervisors’ interest in any asset acquired, disposed of or leased

As at the Latest Practicable Date, none of the Directors and Supervisors has any material interest, direct or indirect, in any asset which, since 31 December 2007, being the date to which the latest audited consolidated financial statements of the Group have been made up, had been acquired or disposed of by or leased to any member of the Group or was proposed to be acquired or disposed of by or leased to any member of the Group.

Directors' and Supervisors' service contracts

The Company has entered into employment agreements with each of the executive Directors pursuant to which they have agreed to act as executive Directors for a term of three years with effect from 1 November 2007 after their re-election as the executive Directors at the annual general meeting held on 18 May 2007. Each of the executive Directors is entitled to a fixed basic salary, a performance based salary and other allowance and benefits in kind under applicable PRC law and regulations.

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 2007 after their re-election as the non-executive Directors at the annual general meeting held on 18 May 2007. They do not receive any directors' 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 for a term of three years with effect from 1 November 2007 after their re-election as the independent non-executive Directors at the annual general meeting held on 18 May 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 fixed directors' fee.

At the expiry of their appointments as Supervisors on 31 October 2007, each of Ms. Qu Xinhua, Mr. Yang Baoqun, Mr. Chen Zhong, Ms. Chen Xianghong and Ms. Wang Shuying has entered into an appointment agreement or letter with the Company pursuant to which each has agreed to act as Supervisor for a further term of three years commenced from 1 November 2007. Ms. Yao Jie was appointed as a Supervisor for a term of three years commenced from 1 November 2007. The terms of the appointment agreements of the Supervisors are identical in all material respects save that:

- (i) Mr. Yang Baoqun does not receive any supervisor's fee;
- (ii) each of Mr. Chen Zhong and Ms. Chen Xianghong receives a fixed supervisor's fee;
- (iii) each of Ms. Qu Xinhua, Ms. Wang Shuying and Ms. Yao Jie receives a fixed basic salary, a performance based salary and other allowance and benefits in kind under applicable PRC law and regulations.

None of the Directors or Supervisors had entered into or is proposed to enter into, any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' and Supervisors' interests in contracts

None of the Directors and Supervisors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.

Substantial Shareholders of the Company

So far as is known to the Directors, Supervisors or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director, Supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the domestic shares of the Company

Name	Capacity	Number of domestic shares held	Approximate percentage of total issued domestic shares (%)	Approximate percentage of total issued shares (%)
Chaoyang Auxiliary	Beneficial owner	167,409,808	72.77	40.61
Shanxi Trust	Trustee (<i>Note</i>)	26,635,710	11.58	6.46

Note: These 26,635,710 domestic shares are trust property, the beneficiaries of which are 122 employees and officers of the Company.

Positions in the H shares of the Company

Name	Total number of H shares held	Approximate percentage of total issued H shares (%)	Approximate percentage of total issued shares (%)
Genesis Asset Managers, LLP (<i>Note 1</i>)	24,227,000 (L)	13.30	5.88
JP Morgan Chase & Co. (<i>Note 2</i>)	22,022,000 (L) 22,022,000 (P)	12.09 12.09	5.34 5.34
UOB Asset Management Limited (“UOB Asset”) (<i>Note 3</i>)	19,793,000 (L)	10.87	4.80
United Overseas Bank Limited (“UOB”) (<i>Note 4</i>)	19,793,000 (L)	10.87	4.80
Montpelier Investment Management LLP (formerly Montpelier Asset Management Limited) (<i>Note 5</i>)	21,998,000(L)	12.08	5.34
Schroder Investment Management (Hong Kong) Limited (<i>Note 6</i>)	13,036,000(L)	7.16	3.16
Montpelier Global Funds Limited – The Montpelier Fund (“Montpelier Funds”) (<i>Note 7</i>)	9,208,000(L)	5.05	2.23

(L) – Long Position

(P) – Lending Pool

Notes:

1. These 24,227,000 H shares were held by Genesis Asset Managers, LLP in its capacity as an investment manager.
2. These 22,022,000 H shares were held by JP Morgan Chase & Co. in its capacity as a custodian corporation/ an approved lending agent.
3. These 19,793,000 H shares were held by UOB Asset in its capacity as an investment manager.
4. UOB Asset is a subsidiary of UOB and UOB was therefore deemed to have an interest in the 19,793,000 H shares in which UOB Asset was interested in.
5. These 21,998,000 H shares were held by Montpelier Investment Management LLP (formerly Montpelier Asset Management Limited) in its capacity as an investment manager.
6. These 13,036,000 H shares were held by Schroder Investment Management (Hong Kong) Limited in its capacity as an investment manager.
7. These 9,208,000 H shares were held by Montpelier Funds in its capacity as a beneficial owner.

Save as disclosed above, as far as is known to the Directors, Supervisors or chief executive of the Company, as at the Latest Practicable Date, no other persons (not being a Director, Supervisor or chief executive of the Company) had, or were deemed or taken to have any interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Competition in the business of the Group

As at the Latest Practicable Date, none of the Directors, Supervisors and their respective associates have any interest in any business which competes directly or indirectly with the business of the Group.

3. MATERIAL ADVERSE CHANGE

The Directors confirm that as at the Latest Practicable Date there was no material adverse change in the financial position or trading prospects of the Group since 31 December 2007, the date to which the latest audited financial statements of the Group were made up.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance known to the Directors was pending or threatened by or against the Company or any of its subsidiaries.

5. QUALIFICATION OF INDEPENDENT FINANCIAL ADVISER AND CONSENT

The following is the qualification of the Independent Financial Adviser who has given opinion or advice which are contained in this circular:

Name	Qualification
Kingsway Capital Limited	A licensed corporation to carry out type 6 (advising on corporate finance) of the regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

Kingsway Capital Limited has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and/or references to its names issued on 13 November 2008 in the form and context in which it is included. As at the Latest Practicable Date, Kingsway Capital Limited did not have any equity interests in any member of the Group, nor have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

6. MISCELLANEOUS

- (i) The legal address of the Company is at Block No. 45, Xinyuan Street, Chaoyang District, Beijing, The People's Republic of China.
- (ii) The place of business of the Company in Hong Kong is 20th Floor, Alexandra House, 16-20 Chater Road, Hong Kong.
- (iii) The Company's H-Share Registrar and Transfer Office in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (iv) The joint company secretaries of the Company are Mr. Keung Siu Fai, *CPA* and Ms. Li Chunyan. The qualified accountant of the Company is Mr. Keung Siu Fai, *CPA*.
- (v) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

7. PROCEDURES FOR DEMANDING A POLL AT THE EGM

Under the articles of association of the Company, at a general meeting of Shareholders, a resolution shall be decided on a show of hands unless a poll is (before or after any vote by show of hands) demanded:

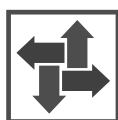
- (i) by the chairman of the meeting;
- (ii) by at least two Shareholders having the right to vote either present in person or by proxy;
or
- (iii) by one or more Shareholders present in person or by proxy and representing one-tenth or more of all Shares carrying the right to vote at the meeting.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the place of business of the Company in Hong Kong at 20th Floor, Alexandra House, 16-20 Chater Road, Hong Kong during normal business hours from the date of this circular to and including 27 November 2008:

- (i) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (ii) the letter from Kingsway Capital Limited, the text of which is set out in this circular;
- (iii) the written consent referred to in the section headed “5. Qualification of Independent Financial Adviser and Consent” in this appendix;
- (iv) the Flavourings Service Agreement;
- (v) the Jinglong Service Agreement;
- (vi) the Jiazeng Supply Agreement;
- (vii) the Flavourings Supply Agreement;
- (viii) the Jinglong Supply Agreement;
- (ix) the Flavourings Loan Agreement; and
- (x) the service contracts referred to in the section headed “2. Disclosure of interests – Directors’ and Supervisors’ service contracts” in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



北京京客隆
商业集团股份有限公司
BEIJING JINGKELONG COMPANY LIMITED

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: 814)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “EGM”) of 北京京客隆商業集團股份有限公司 (Beijing Jingkelong Company Limited*) (the “**Company**”) will be held at the Conference Room, 4th Floor, Block No. 45, Xinyuan Street, Chaoyang District, Beijing, the People's Republic of China at 9:00 a.m. on Monday, 29 December 2008 for the purpose of considering and, if thought fit, approving the following ordinary resolutions:

AS ORDINARY RESOLUTIONS:

1. **“THAT the Flavourings Service Agreement** dated 27 October 2008 entered into between Chaopi Trading and Chaopi Flavourings, and the relevant New Caps, for each of the three financial years ending 31 December 2011, being RMB16,800,000, RMB23,100,000 and RMB31,800,000, respectively, be and are hereby approved.”
2. **“THAT the Jinglong Service Agreement** dated 27 October 2008 entered into between Chaopi Trading and Chaopi Jinglong, and the relevant New Caps for each of the three financial years ending 31 December 2011, being RMB11,700,000, RMB16,100,000 and RMB22,200,000, respectively, be and are hereby approved.”
3. **“THAT the Jiazeng Supply Agreement** dated 27 October 2008 entered into between the Company and Jiazeng Foodstuff, and the relevant New Caps for each of the three financial years ending 31 December 2011, being RMB23,400,000, RMB26,450,000 and RMB29,090,000, respectively, be and are hereby approved. *(note 1)*”
4. **“THAT the Flavourings Supply Agreement** dated 27 October 2008 entered into between the Company and Chaopi Flavourings, and the relevant New Caps for each of the three financial years ending 31 December 2011, being RMB92,400,000, RMB106,000,000 and RMB116,890,000, respectively, be and are hereby approved.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

5. “**THAT the Jinglong Supply Agreement** dated 27 October 2008 entered into between the Company and Chaopi Jinglong, and the relevant New Caps for each of the three financial years ending 31 December 2011, being RMB64,400,000, RMB74,000,000 and RMB85,100,000, respectively, be and are hereby approved.”
6. “**THAT the Flavourings Loan Agreement** dated 27 October 2008 entered into between the Company and Chaopi Flavourings, and the relevant New Caps for each of the three financial years ending 31 December 2011, being RMB33,000,000, RMB33,000,000 and RMB33,000,000, respectively, be and are hereby approved.”
7. “**THAT the Board** be and is hereby authorised to do all such further acts and things and execute all such other documents and take all steps which in its opinion may be necessary in implementing the transactions contemplated under each of the agreements mentioned in resolutions number 1 to 6 above, save for amendments to each of the relevant New Caps.

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

Beijing, 13 November 2008
The People’s Republic of China

Notes:

- (A) The Company will not process registration of transfers of the H shares of the Company (“**H Shares**”) from Tuesday, 9 December 2008 to Monday, 29 December 2008 (both days inclusive). Holders of H Shares whose names appear on the register of H Shares kept at Computershare Hong Kong Investor Services Limited at the end of Monday, 8 December 2008 are entitled to attend and vote at the **EGM** following completion of the registration procedures.

To qualify for attendance and voting at the **EGM**, documents on transfers of H Shares, accompanied by the relevant share certificates, must be lodged with the Company’s H-Shares Registrar and Transfer Office, not later than 4:30 p.m. on Monday, 8 December 2008. The address of the Company’s H-Shares Registrar and Transfer Office is as follows:

Computershare Hong Kong Investor Services Limited
Shops 1712–16, 17th Floor, Hopewell Centre
183 Queen’s Road East
Wanchai
Hong Kong

The Company will not process registration of transfers of the domestic shares of the Company (“**Domestic Shares**”) from Tuesday, 9 December 2008 to Monday, 29 December 2008 (both days inclusive). Holders of Domestic Shares whose names appear on the register of shareholders of the Company at the end of Monday, 8 December 2008 are entitled to attend and vote at the **EGM**. Holders of Domestic Shares should contact the secretary to the board of directors (“**Secretary to the Board**”) of the Company (whose contact details are set out in note (B) below) for details concerning registration of transfers of Domestic Shares.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (B) Holders of H Shares and Domestic Shares who intend to attend the EGM should complete and return the reply slip for attending the EGM in person.

Holders of H Shares should complete and return the reply slip to the Company's H-Shares Registrar and Transfer Office by facsimile at (852) 2865 0990 or by post to (or by depositing it at) its address set out in note (A) above such that the reply slip shall be received by the Company's H-Shares Registrar and Transfer Office 20 days before the EGM (i.e. on or before Tuesday, 9 December 2008).

Holders of Domestic Shares should complete and return the reply slip, by personal delivery, by facsimile or by post, to the Secretary to the Board such that the reply slip shall be received by the Secretary to the Board 20 days before the EGM (i.e. on or before Tuesday, 9 December 2008).

The contact details of the Secretary to the Board are as follows:

3rd Floor,
Block No.45, Xinyuan Street,
Chaoyang District, Beijing
The People's Republic of China
Telephone No.: 86(10) 64603046
Facsimile No.: 86(10) 64611370

- (C) Each holder of H Shares entitled to attend and vote at the EGM may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the EGM on his behalf. A proxy need not be a shareholder of the Company ("**Shareholder**"). With respect to any Shareholder who has appointed more than one proxy, the proxy holders may only vote on a poll.
- (D) Holders of H Shares must use the form of proxy of the Company for appointing a proxy and the appointment must be in writing. The form of proxy must be signed by the relevant Shareholder or by a person duly authorised by the relevant Shareholder in writing (a "**power of attorney**"). If the form of proxy is signed by the person authorised by the relevant Shareholder as aforesaid, the relevant power of attorney and other relevant documents of authorisation (if any) must be notarised. If a corporate Shareholder appoints a person other than its legal representative to attend the EGM on its behalf, the relevant form of proxy must be affixed with the company seal/chop of the corporate Shareholder or duly signed by its director or any other person duly authorised by that corporate shareholder as required by the articles of association of the company.
- (E) To be valid, the form of proxy and the relevant notarised power of attorney (if any) and other relevant documents of authorisation (if any) as mentioned in note (D) above must be delivered to the Company's H-Shares Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited (address: Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), not less than 24 hours before the time appointed for the EGM.
- (F) Each holder of Domestic Shares who is entitled to attend and vote at the EGM may also, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the EGM on his behalf. A proxy need not be a Shareholder. Notes (D) and (E) above also apply to the holders of Domestic Shares, except that, to be valid, the form of proxy and the relevant power of attorney (if any) and other relevant documents of authorisation (if any) must be delivered to the Secretary to the Board not less than 24 hours before the time appointed for the EGM. The address of the Secretary to the Board is stated in note (B) above.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (G) A Shareholder or his proxy should produce proof of identity when attending the EGM. If a corporate Shareholder's legal representative or any other person authorised by the board of directors or other governing body of such corporate Shareholder attends the EGM, such legal representative or other person shall produce his proof of identity, and proof of designation as legal representative and the valid resolution or authorisation document of the board of directors or other governing body of such corporate Shareholder (as the case may be) to prove the identity and authorisation of that legal representative or other person.
- (H) The EGM is expected to last for not more than half a day. Shareholders who attend the EGM shall bear their own travelling and accommodation expenses.
- (I) Mr. Ma Jiazeng ("**Mr. Ma**") holds an equity interest of 59.7% in Beijing Jiazeng, being one of the Company's promoters holding approximately 0.77% of the issued shares of the Company. Mr. Ma holds an indirect interest of approximately 66.7% in Jiazeng Foodstuff. Hence, Beijing Jiazeng will abstain from voting on this resolution to approve the Jiazeng Supply Agreement and the relevant New Caps.

* *For identification purpose only*