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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)

CONNECTED TRANSACTION

AND

REVISION OF THE RELEVANT PROPOSED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

Summary

On 14 December 2012, after trading hours, the Compensation Agreement was entered into between the Xinyang Tongli and Chaoyang Auxiliary, pursuant to which Xinyang Tongli and Chaoyang Auxiliary has agreed to terminate the Xinyang Lease Agreement due to the Property Demolition Policy, and Chaoyang Auxiliary has agreed to pay part of the governmental compensation for the relevant property demolition received by it to Xinyang Tongli as compensation. The relevant proposed annual caps for the relevant Continuing Connected Transaction have been revised accordingly.

Chaoyang Auxiliary is the controlling shareholder of the Company which owns approximately 40.61% of the Company's issued capital. Xinyang Tongli is an approximately 52.03% subsidiary held by the Company. Hence, the transaction contemplated under the Compensation Agreement constitutes a connected transaction of the Group under the Listing Rules.

As certain applicable percentage ratios (other than the profits ratio) of the Connected Transaction set out in this announcement exceed 0.1% but all of the ratios are less than 5%, they fall under Rule 14A.32(1) of the Listing Rules. Accordingly, the Connected Transaction is only subject to the reporting and announcement requirements set out under Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND INFORMATION

Reference is made to the Continuing Connected Transactions Announcement of the Company dated 18 June 2012, regarding, inter alia, the annual caps for the lease of property by Chaoyang Auxiliary to Xinyang Tongli for the three years ended 31 December 2014 pursuant to a lease agreement dated 1 July 2004 as supplemented by a supplemental lease agreement dated 25 July 2005 (the “Xinyang Lease Agreement”) entered into between Chaoyang Auxiliary and Xinyang Tongli.

As mentioned in the Continuing Connected Transactions Announcement, under the Xinyang Lease Agreement, Chaoyang Auxiliary has agreed to lease to Xinyang Tongli a property for a term of 20 years commencing on 1 January 2004 with a fixed annual rental (inclusive of the relevant business and property taxes) for each five-year period. The leased property is located in the Chaoyang District, Beijing for commercial, office, warehouse and industrial uses, with a total gross area of approximately 1,362 sq.m.

Pursuant to the policy in relation to the relevant land development (Jing Guo Tu Shi Han [2009] No.1343) (京國土市函【2009】1343號) (the “Property Demolition Policy”) issued by the Beijing Municipal Bureau of Land and Resources, the abovementioned property leased by Xinyang Tongli from Chaoyang Auxiliary shall be demolished for the purpose of land expropriation (政府用地拆遷), whilst Chaoyang Auxiliary will receive a governmental compensation in accordance with certain compensation standards under the applicable PRC laws, rules and regulations under certain regulatory documents.

CONNECTED TRANSACTION

On 14 December 2012, after trading hours, the Compensation Agreement was entered into between Xinyang Tongli and Chaoyang Auxiliary, pursuant to which (i) Xinyang Tongli and Chaoyang Auxiliary has agreed to terminate the Xinyang Lease Agreement due to the Property Demolition Policy, and (ii) Chaoyang Auxiliary has agreed to pay part of the governmental compensation for the relevant property demolition received by it to Xinyang Tongli in accordance with certain compensation standards under the applicable PRC laws, rules and regulations and certain regulatory documents.

Chaoyang Auxiliary is the controlling shareholder of the Company which owns approximately 40.61% of the issued share capital of the Company. By virtue of this relationship, Chaoyang Auxiliary is a connected person of the Company under the Listing Rules. Xinyang Tongli is an approximately 52.03% held subsidiary of the Company. Hence, the transaction contemplated under the Compensation Agreement between Chaoyang Auxiliary and Xinyang Tongli as set out below constitutes a connected transaction of the Group under the Listing Rules.

The Company is principally engaged in the retail distribution of daily consumer products in the Greater Beijing Region, the PRC. Xinyang Tongli is principally engaged in the production of plastic packaging materials and installation and maintenance of commercial equipment. The principal business of Chaoyang Auxiliary is investment holding, the provision of property management services and property leasing to the Group and Independent Third Parties.

Compensation Agreement

Details of the Compensation Agreement are as follows:

Date

14 December 2012 (after trading hours)

Parties

Compensation payer (Lessor): Chaoyang Auxiliary

Compensation receiver (Lessee): Xinyang Tongli

Termination of the Xinyang Lease Agreement

Upon the signing of the Compensation Agreement, the Xinyang Lease Agreement shall be terminated in advance due to the Property Demolition Policy. Xinyang Tongli shall deliver up the property to Chaoyang Auxiliary before 17 December 2012, and pay the relevant rentals up to the date of the Compensation Agreement.

Compensation for demolition

Chaoyang Auxiliary will, from the governmental compensation for the property demolition received by it, pay Xinyang Tongli compensation in the amount of RMB 6,349,040, which is determined after taking into account the Group's loss of equipment and fixtures, loss of business interruption and relocation and resettlement expenses arising from the termination of the Xinyang Lease Agreement, which are in line with the compensation standards under the applicable PRC laws, rules and regulations and certain regulatory documents.

Listing Rules implications

Since certain applicable percentage ratios (other than the profits ratio) in respect of the transaction amount of the Connected Transaction are expected to be higher than 0.1% but all of the ratios are expected to be lower than 5%, under Rule 14A.32(1) of the Listing Rules, the Connected Transaction is only subject to the reporting and announcement requirements pursuant to Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

REVISION OF THE RELEVANT PROPOSED ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS FOR THE THREE YEARS ENDING 31 DECEMBER 2014

The following table sets out the actual transaction amounts and annual caps of the Continuing Connected Transaction of the lease of property by Chaoyang Auxiliary to Xinyang Tongli for each of the two years ended 31 December 2011 and the eleven months ended 30 November 2012:

	Year ended 31 December 2010 RMB'000	Year ended 31 December 2011 RMB'000	Eleven months ended 30 November 2012 RMB'000
Lease of property by Chaoyang Auxiliary to Xinyang Tongli			
<i>Transaction Amounts</i>	17	17	15.5
<i>Existing annual caps (note)</i>	17	17	17

Notes: These are the existing annual caps for this Connected Continuing Transaction as disclosed in the announcement of the Company dated 27 October 2008 and 18 June 2012.

The table below summarises the proposed annual caps for each of the Continuing Connected Transactions for three years ending 31 December 2014 as disclosed in the Connected Continuing Transactions Announcement dated 18 June 2012:

		Year ending 31 December 2012 RMB'000	Year ending 31 December 2013 RMB'000	Year ending 31 December 2014 RMB'000
<i>Continuing Connected Transactions</i>				
A.	Lease of properties by Chaoyang Auxiliary to the Company	745	1,327	1,327
B.	Lease of property by Chaoyang Auxiliary to Xinyang Tongli	17	17	18
C.	Lease of property by Tengyuan Xingye to the Company	2,679	3,204	3,204

In view of the Connected Transaction, it was resolved by the Board that the annual caps of “B. Lease of property by Chaoyang Auxiliary to Xinyang Tongli” as set out in the above table for the two years ending 31 December 2014 are no longer applicable. The revised annual caps of the Continuing Connected Transactions for three years ending 31 December 2014 are set out below:

		Year ending 31 December 2012 RMB'000	Year ending 31 December 2013 RMB'000	Year ending 31 December 2014 RMB'000
<i>Continuing Connected Transactions</i>				
A.	Lease of properties by Chaoyang Auxiliary to the Company	745	1,327	1,327
B.	Lease of property by Chaoyang Auxiliary to Xinyang Tongli	17	/	/
C.	Lease of property by Tengyuan Xingye to the Company	2,679	3,204	3,204

If the annual caps for the Continuing Connected Transactions for the three years ending 31 December 2014 are expected to be exceeded, the Company will ensure re-compliance with Rule 14A.36 of the Listing Rules. The Continuing Connected Transactions will continue to be subject to the annual review requirements set out in Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE CONNECTED TRANSACTION

The Directors, including the independent non-executive Directors, have considered that (i) the Connected Transaction has been entered into due to the promulgation of the Property Demolition Policy; and (ii) the compensation of RMB6,349,040 has been arrived at after arm's length negotiation between the Group and the relevant party after taking into account the Group's loss of equipment and fixtures, operating loss and relocation and resettlement expenses arising from the termination of the Xinyang Lease Agreement, which are in line with the compensation standards under the applicable PRC laws, rules and regulations and certain regulatory documents.

On the basis of the foregoing, the Directors, including the independent non-executive Directors, are of the view that the terms of the Connected Transaction are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

Mr. Gu Hanlin, a non executive Director who holds the position of secretary of the Party committee of Chaoyang Auxiliary, and was the general manager of Chaoyang Auxiliary before November 2012, has a material interest in the Connected Transaction, and has abstained from voting on the relevant Board resolution approving the same. Save the aforesaid, none of the Directors has a material interest in the Connected Transaction and has abstained from voting on the relevant Board resolution approving the same.

INFORMATION ON THE GROUP

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

DEFINITIONS

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

“Board”	the board of directors of the Company
“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
“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 which owns approximately 40.61% of the Company's issued capital
“Compensation Agreement”	the compensation agreement entered into between Chaoyang Auxilliary and Xinyang Tongli on 14 December 2012 in respect of the termination of the Xinyang Lease Agreement and the payment of the relevant compensation
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Connected Transaction”	the connected transaction of the Group as set out in the section headed “Connected Transaction” in this announcement
“Continuing Connected Transactions Announcement”	the announcement of the Company dated 18 June 2012 relating to continuing connected transactions of the Group, including the lease of properties by Chaoyang Auxiliary to the Company, the lease of property by Chaoyang Auxiliary to Xinyang Tongli and the lease of property by Tengyuan Xingye to the Company
“Continuing Connected Transactions”	the continuing connected transactions of the Group disclosed in the Continuing Connected Transactions Announcement
“Directors”	the directors of the Company
“Greater Beijing Region”	the region covering the whole Beijing city and parts of its periphery
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“Listing Rules” or “Rule(s)”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People's Republic of China

“Property Demolition Policy”	has the meaning ascribed to it under the section headed “Background information” in this announcement
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq.m.”	square metre(s)
“Tengyuan Xingye”	北京市騰遠興業汽車服務有限公司 (Beijing Tengyuan Xingye Automobile Service Company Ltd*), a limited liability company incorporated in the PRC on 1 June 1996 and an 82% held subsidiary of the Chaoyang Auxiliary
“Xinyang Lease Agreement”	has the meaning ascribed to it under the section headed “Background information” in this announcement
“Xinyang Tongli”	北京欣陽通力商業設備有限公司 (Beijing Xinyang Tongli Commercial Facilities Company Limited*), a limited liability company incorporated in the PRC on 31 May 2002 and an approximately 52.03% held subsidiary of the Company
“%”	percent.

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

Beijing, the PRC
14 December 2012

As at the date of this announcement, the executive directors of the Company are Mr. Wei Tingzhan, Mr. Li Jianwen, Ms. Li Chunyan and Mr. Liu Yuejin; the non-executive directors are Mr. Gu Hanlin and Mr. Li Shunxiang; and the independent non-executive directors are Mr. Wang Liping, Mr. Chen Liping and Mr. Choi Onward.

**for identification purpose only*