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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

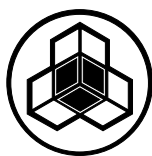
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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Beijing Development (Hong Kong) Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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北京發展（香港）有限公司

**BEIJING DEVELOPMENT (HONG KONG) LIMITED**

*(Incorporated in Hong Kong with limited liability under the Companies Ordinance)*

**(Stock Code: 154)**

### DISCLOSEABLE TRANSACTION

**Financial advisor**



**招商證券(香港)有限公司**  
CHINA MERCHANTS SECURITIES (HK) CO., LTD.

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	3
<b>Appendix – General information</b> .....	8

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## DEFINITIONS

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

“Announcement”	the joint announcement dated 7 June 2007 issued by the Company and Xteam regarding the Placing
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which banks in Hong Kong are open for business
“Company”	Beijing Development (Hong Kong) Limited, a company incorporated in Hong Kong and the issued shares of which are listed on main board of the Stock Exchange
“Directors”	directors (including the independent non-executive directors) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	18 June 2007, being the latest practicable date for ascertaining certain information referred to this circular prior to printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the offer by way of placing of the Placing Shares by or on behalf of the Placing Agent to selected investors pursuant to the Placing Agreement

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## DEFINITIONS

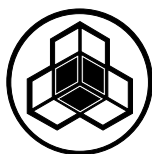
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“Placing Agent”	China Merchants Securities (HK) Co., Ltd., a licensed corporation licensed under the Securities and Futures Ordinance, Cap.571 of the Laws of Hong Kong to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
“Placing Agreement”	the placing agreement entered into on 7 June 2007 by the Vendor and the Placing Agent in respect of the Placing
“Placing Price”	HK\$0.62 per Placing Share
“Placing Shares”	up to a total of 220,000,000 existing Shares owned by the Vendor as at the date of the Placing Agreement
“Share(s)”	share(s) of HK\$0.01 each in the share capital of Xteam
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	Prime Technology Group Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“Xteam”	Xteam Software International Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the GEM
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## LETTER FROM THE BOARD

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北京發展（香港）有限公司

### **BEIJING DEVELOPMENT (HONG KONG) LIMITED**

*(Incorporated in Hong Kong with limited liability under the Companies Ordinance)*

**(Stock Code: 154)**

*Executive Directors:*

Mr. Zhang Honghai (*Chairman*)

Mr. Li Kangying

Mr. E Meng

Mr. Wang Yong

Mr. Cao Wei

Dr. Yu Xiaoyang

Mr. Ng Kong Fat, Brian

*Registered Office:*

Room 3401, West Tower

Shun Tak Centre

200 Connaught Road Central

Hong Kong

*Independent Non-Executive Directors:*

Mr. Cao Guixing

Prof. Liu Wei

Dr. Jin Lizuo

22 June 2007

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE TRANSACTION**

#### **INTRODUCTION**

On 7 June 2007, the Vendor, which together with parties acting in concert with it (as defined in the Takeovers Code) holds approximately 45.38% of the existing issued share capital of Xteam as at the date of the Placing Agreement, entered into the Placing Agreement with the Placing Agent, pursuant to which the Vendor has agreed to place and the Placing Agent has agreed, on a best endeavours basis, to procure the placing of the Placing Shares, being up to a total of 220,000,000 Shares, to the Placees at the Placing Price of HK\$0.62 per Placing Share. All the Placing Shares have been fully placed as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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As the relevant percentage ratios pursuant to Chapter 14 of the Listing Rules are more than 5% but less than 25%, the Placing constitutes a discloseable transaction pursuant to Chapter 14 of the Listing Rules. The purpose of this circular is to give you further information in relation to the Placing.

### THE PLACING AGREEMENT

**Date:** 7 June 2007

**Vendor:** Prime Technology Group Limited, a company incorporated in the British Virgin Islands, is a substantial shareholder of Xteam. As at the date of the Placing Agreement, the Vendor together with parties acting in concert with it (as defined in the Takeovers Code) held 2,115,513,445 Shares, representing approximately 45.38% of the existing issued share capital of Xteam as at the date of the Placing Agreement. The Vendor is a wholly-owned subsidiary of the Company.

**Placing Agent:** China Merchants Securities (HK) Co., Ltd. is not a connected person (as defined in the Listing Rules) and is independent of, and not connected with, the Company, any director(s), chief executive(s) or substantial shareholder(s) (as defined in the Listing Rules) of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules).

### Placee(s)

The Placing Shares have been placed to not less than six independent investors which are institutional and individual investors procured by the Placing Agent or its sub-placing agent(s). All placees and their beneficial owner(s) are independent of, and not connected with, Xteam, any director(s), chief executive(s) or substantial shareholder(s) (as defined in the GEM Listing Rules) or management shareholder(s) (as defined in the GEM Listing Rules) of Xteam or any of its subsidiaries or their respective associates (as defined in the GEM Listing Rules). None of them will become a substantial shareholder (as defined in the GEM Listing Rules) of Xteam after the Placing.

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## LETTER FROM THE BOARD

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### **Number of the Placing Shares**

Up to 220,000,000 Placing Shares have been allotted and issued to the Placee(s) and represented approximately 4.72% of the existing issued share capital of Xteam as at the Latest Practicable Date.

### **Placing Price**

The Placing Price of HK\$0.62 per Placing Share represents (i) a discount of approximately 6.06% to the closing price of HK\$0.66 per Share as quoted on the Stock Exchange on the Latest Practicable Date; (ii) a discount of approximately 17.33% to the closing price of HK\$0.75 per Share as quoted on the Stock Exchange on 7 June 2007, being the date of the Placing Agreement; (iii) a discount of approximately 26.19% to the average of the closing price of HK\$0.84 per Share for the last five trading days up to and including 7 June 2007; (iii) a discount of approximately 17.99% to the average of the closing prices of HK\$0.756 per Share for the last ten trading days up to and including 7 June 2007; and (iv) the average of the closing prices of HK\$0.62 per Share for the last twenty trading days up to and including 7 June 2007.

The Placing Price was arrived after arm's length negotiation between the Vendor and the Placing Agent with reference to the average of the closing prices of HK\$0.62 per Share for the last twenty trading days up to and including 7 June 2007. The Vendor determined the Placing Price with reference to the Shares with closing prices of a longer period after taking into consideration of the recent fluctuation of the closing prices of the Shares. Based on the closing price of HK\$0.75 per Share as quoted on the Stock Exchange on 7 June 2007, the market value of the Placing Shares as at 7 June 2007 is HK\$165 million.

### **Completion of the Placing**

The Placing is unconditional. Completion of the Placing has been taken place.

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

The principal business activities of the Vendor is investment holding. The principal business activities of the Company and its subsidiaries are the construction, operation and maintenance of the electronic settlement and clearance platform for infrastructure and public utilities.

It is the strategy of the Company to concentrate on its principal activities, to streamline the asset portfolio and reorganise assets so as to deliver optimal value for its shareholders. The Directors (including the independent non-executive Directors) considered that the Placing represents an opportunity to realize a part of its investment in Xteam but still maintain a controlling stake in Xteam. It is the present intention of the Company to retain the remaining Shares. The gross proceeds and the net proceeds of the Placing are estimated to be approximately HK\$136.4 million and HK\$132.2 million respectively. The Company intends to apply such amount as general working capital of the Company and its subsidiaries. As at the Latest Practicable Date, the Company has no intention to use the net proceeds raised for any specific purpose and there is no negotiation in progress or agreement entered into by the Company and its subsidiaries, which triggers the disclosure obligation on the part of the Company pursuant to the Listing Rules.

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## LETTER FROM THE BOARD

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The Directors (including the independent non-executive Directors) considered that the Placing Agreement was entered into upon normal commercial terms following arm's length negotiations between the Vendor and the Placing Agent, and that the terms of the Placing Agreement are fair and reasonable and are in the interest of the Company and its shareholders as a whole.

### CHANGES ON SHAREHOLDING STRUCTURE OF XTEAM

The shareholding interests of Xteam as at the date of the Placing Agreement and immediately after completion of the Placing and as at the Latest Practicable Date are as follows:

Names	<b>As at the date of the Placing Agreement</b>		<b>Immediately after completion of the Placing and as at the Latest Practicable Date</b>	
	<i>Approximate</i>		<i>Approximate</i>	
	<i>No. of Shares</i>	<i>Percentage</i>	<i>No. of Shares</i>	<i>Percentage</i>
The Vendor and parties acting in concert with it (as defined in the Takeovers Code) <i>(Note)</i>	2,115,513,445	45.38	1,895,513,445	40.66
The places	–	–	220,000,000	4.72
Other public shareholders	2,546,392,923	54.62	2,546,392,923	54.62
Total	<u>4,661,906,368</u>	<u>100.00</u>	<u>4,661,906,368</u>	<u>100.00</u>

*Note:* the Vendor, together with parties acting in concert with it, are directly wholly-owned by the Company. Accordingly, the Shares in which the Vendor together with parties acting in concert with it is shown to be interested are also the Shares in which the Company is interested.



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## LETTER FROM THE BOARD

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### INFORMATION OF XTEAM

The principal business activities of Xteam and its subsidiaries are the development and sale of computer software primarily for large scale applications and provision of related support services to government and major corporate customers in mainland China. As stated in the annual report of Xteam for the year ended 31 December 2006, the audited consolidated net assets value of the Xteam and its subsidiaries as at 31 December 2006 was approximately HK\$140.39 million. The audited consolidated loss before taxation and after taxation of Xteam for the year ended 31 December 2006 were approximately HK\$220.30 million and HK\$222.36 million respectively. The audited consolidated profit before taxation and after taxation of Xteam for the year ended 31 December 2005 were approximately HK\$15.95 million and HK\$15.50 million respectively.

### FINANCIAL IMPACT OF THE DISPOSAL

By reference to the net proceeds of the Placing of approximately HK\$132.2 million and the adjusted net assets value of Xteam attributable to the Company immediately before and after the Placing, the Directors estimate that the expected gain to be derived from the Placing will amount to approximately HK\$118 million.

Upon completion of the Placing, the Company's equity interest in Xteam will reduce by 4.72% to 40.66%. Nevertheless, the Placing will result to an increase in earnings and net assets attributable to the Group of approximately HK\$118 million.

### GENERAL

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,  
**Zhang Honghai**  
*Chairman*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information 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 the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies of the Listing Rules were as follows:

*Long position in the Company or any of its associated corporations:*

Name of Directors	Name of corporations	Number of ordinary shares held	Number of share options held	Percentage of shareholding
Zhang Honghai	the Company	–	4,000,000* <i>Note (i)</i>	0.63%
Li Kangying	the Company	304,000*	–	0.05%
E Meng	the Company	601,000*	–	0.10%
	Beijing Enterprises Holdings Limited (“BEHL”)*	–	60,000* <i>Note (ii)</i>	0.01%
Cao Wei	the Company	190,000*	–	0.03%
Yu Xiaoyang	the Company	–	2,800,000* <i>Note (i)</i>	0.44%

Name of Directors	Name of corporations	Number of ordinary shares held	Number of share options held	Percentage of shareholding
Ng Kong Fat, Brian	the Company	8,792,755 <sup>^</sup>	–	1.39%
	the Company	1,600,000*	–	0.25%

@ *the substantial shareholder of the Company*

\* *directly beneficially owned by the Directors*

<sup>^</sup> *through a controlled corporation*

*Notes:*

- (i) These options were granted on 27 June 2006 at an exercise price of HK\$1.00 per share in the Company. The options can be exercised at any time commencing on 27 June 2006 and, if not otherwise exercised, will lapse on 16 June 2011.
- (ii) These options were granted on 19 July 2006 at an exercise price of HK\$12.55. The options may be exercised at anytime commencing on 19 January 2007 and, if not otherwise exercised, will lapse on 18 July 2011.

Save as disclosed above and so far as the Company is aware, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) for which (a) notification shall be given to the Company or the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which the Directors and chief executives are supposed or deemed to be holding or owning pursuant to the provisions of the SFO); or (b) registration shall be made in the register in accordance with Section 352 of the SFO; or (c) notification shall be made to the Company and the Stock Exchange pursuant to the Model Mode for Securities Transactions by Directors of Listed Companies of the Listing Rules.

- (b) As at the Latest Practicable Date, so far as are known to the Directors, interests or short positions held by any individual or company, other than the Directors or chief executive of the Company, for which disclosure shall be made to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or any beneficial interests representing 5% or more of the issued share capital of the Company directly or indirectly which were recorded in the register kept by the Company under section 336 of the SFO, were as follows:

*Long positions:*

Name	Number of ordinary shares of the Company held	Percentage of the shareholding
Idata Finance Trading Limited (“IFTL”) ( <i>Note i</i> )	275,675,000	40.52%
BEHL ( <i>Note i</i> )	275,675,000	40.52%
Beijing Enterprises Investments Limited (“BEIL”) ( <i>Note i</i> )	275,675,000	40.52%
Beijing Holdings Limited (“BHL”) ( <i>Note i</i> )	275,675,000	40.52%
Trophy Fund ( <i>Note ii</i> )	65,476,250	9.62%
Winnington Capital Limited ( <i>Note ii</i> )	82,022,250	12.06%
Trophy Asset Management Limited ( <i>Note ii</i> )	82,022,250	12.06%
Hung Kam Bui ( <i>Note ii</i> )	82,022,250	12.06%
Chu Jocelyn ( <i>Note ii</i> )	82,022,250	12.06%
Citigroup Inc. ( <i>Note iii</i> )	75,031,250	11.03%

*Notes:*

- (i) IFTL is a direct wholly-owned subsidiary of BEHL. BEHL is held directly as to approximately 36% and indirectly as to approximately 16% by BEIL. Accordingly, BEHL, BEIL and BHL are deemed to be interested in the shares owned by IFTL.
- (ii) Winnington Capital Limited and Trophy Asset Management Limited are investment managers of Trophy Fund. Hung Kam Biu has 50% and 100% beneficial interests in Winnington Capital Limited and Trophy Asset Management Limited, respectively. Chu Jocelyn is the spouse of Hung Kam Biu. Accordingly, the shares in which Trophy Fund is shown to be interested are also the shares in which Winnington Capital Limited, Trophy Asset Management Limited, Hung Kam Biu and Chu Jocelyn are interested.
- (iii) The interest disclosed includes 74,865,250 shares held as a person having a security interest in the shares and 166,000 shares held as a custodian corporation/approved lending agent.

Saved as disclosed above, as far as the Directors are aware, as at the Latest Practicable Date, there was no other person who was required under the provisions of Divisions 2 and 3 of Part XV of the SFO to make disclosure to the Company for any interests or short positions in shares, relevant shares and debentures, or who owns any beneficial interests representing 5% or more of any class of shares or warrants or attached with a right to vote at any of the Shareholders' general meeting.

- (c) As at the Latest Practicable Date, so far as are known to the Directors, there was no other person who is directly or indirectly, interested in 10% or more of the equity interest carrying rights to vote in all circumstances at general meetings of any other member of the Group.

#### **4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contract with any member of the Group which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

#### **5. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors and his or her respective associates was considered to have an interest in a business which competed or was likely to compete, enter directly or indirectly, with the business of the Group other than those business to which the Directors and his or her associates who appointed to represent the interests of the Company and/or the Group.

**6. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no other litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

**7. MISCELLANEOUS**

- (a) The registered office of the Company is located at Room 3401, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.
- (b) The share registrar of the Company is Tengis Limited, at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong.
- (c) the company secretary and qualified accountant of the Company is Mr. Wong Kwok Wai, Robin. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
- (d) This document will be displayed on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk).
- (e) In the event of inconsistency, the English text of this document will prevail over the Chinese text.