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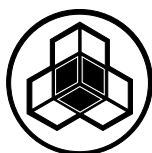
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**If you are in any doubt** about any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Beijing 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 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)**

**MAJOR AND CONNECTED TRANSACTION  
DISPOSAL OF 51% OF THE ENTIRE ISSUED SHARE CAPITAL OF  
BD AH YAT ABALONE GROUP LIMITED**

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



**South China Capital Limited**

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A notice convening an extraordinary general meeting of Beijing Development (Hong Kong) Limited to be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 10:00 a.m. on Wednesday, 20 June 2007 is set out on pages 32 to 33 of this circular. If you are unable to attend the meeting in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Share Registrar, Tengis Limited, at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

4 June 2007

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## DEFINITIONS

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

“Asren”	Asren Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is an associated company of the Company
“BD Ah Yat”	BD Ah Yat Abalone Group Limited, a company incorporated in Hong Kong with limited liability and is a non-wholly owned subsidiary of the Company
“BEHL”	Beijing Enterprises Holdings Limited, a company incorporated in Hong Kong with limited liability and is a substantial Shareholder, whose shares are listed on the Stock Exchange
“Board”	the board of Directors
“CMS”	China Merchants Securities (HK) Co., Ltd.
“Company”	Beijing Development (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, whose Shares are listed on the Stock Exchange
“Director(s)”	the directors of the Company
“Disposal”	the disposal of 51% of the entire issued share capital of BD Ah Yat
“Disposal Agreement”	the conditional sale and purchase agreement dated 11 May 2007 made between the Company and the Purchaser in relation to the Disposal
“EGM”	the extraordinary general meeting of the Company to be held to approve, inter alia, the Disposal
“Go Good”	Go Good Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly owned subsidiary of Xteam

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## DEFINITIONS

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“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Idata”	Idata Finance Trading Limited, a company incorporated in the British Virgin Islands with limited liability and is a substantial Shareholder
“Independent Board Committee”	an independent board committee of the Board comprises the independent non-executive Directors, namely Mr. Cao Guxing and Prof. Liu Wei
“Independent Shareholders”	Shareholders other than Mr. Thio Seng Tji and his associates (if any) who have interest in the Disposal and are required to abstain from voting at the EGM
“Latest Practicable Date”	31 May 2007, being the latest practicable date for the purpose of ascertaining certain information contains in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Liu”	Mr. Liu Feng
“Mr. Zhang”	Mr. Zhang Dajian
“PRC”	the People’s Republic of China
“Prime”	Prime Technology Group Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly owned subsidiary of the Company
“Purchaser”	Charterwood Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Thio Seng Tji, a director and a shareholder of BD Ah Yat (holding 5% shareholdings in BD Ah Yat)
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

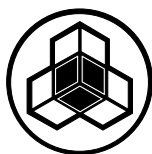
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“Share(s)”	Shares of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“South China Capital” or “Independent Financial Adviser”	South China Capital Limited, being a deemed licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as set out in Schedule 5 to the SFO, the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in respect of the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xteam”	Xteam Software International Limited, a company incorporated in the Cayman Islands with limited liability and is an associated company of the Company, whose shares are listed on the Growth Enterprise Market of the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	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  
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 Guxing  
Prof. Liu Wei  
Dr. Jin Lizuo

4 June 2007

*To the Shareholders*

Dear Sir/Madam,

### **MAJOR AND CONNECTED TRANSACTION DISPOSAL OF 51% OF THE ENTIRE ISSUED SHARE CAPITAL OF BD AH YAT ABALONE GROUP LIMITED**

#### **INTRODUCTION**

On 11 May 2007, the Company has entered into a conditional sale and purchase agreement with the Purchaser to dispose of 51% of the entire issued share capital of BD Ah Yat, a non-wholly owned subsidiary of the Company, at a consideration of HK\$25,300,000.

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## LETTER FROM THE BOARD

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The Disposal constitutes a major and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules and is subject to approval of the Independent Shareholders. The Company will seek approval from the Independent Shareholders of the Disposal at the EGM.

The purpose of this circular is to provide you information on the Disposal, the letter of advice from South China Capital and the recommendation of the Independent Board Committee. A notice of the EGM is set out on pages 32 to 33 of this circular.

### **THE DISPOSAL AGREEMENT DATED 11 MAY 2007**

#### **Parties**

Purchaser: Charterwood Limited

Vendor: the Company

#### **Interest being disposed**

51% of the entire issued share capital of BD Ah Yat, being all the equity interest owned by the Company in BD Ah Yat.

#### **Consideration and terms of payment**

The consideration for the Disposal is HK\$25,300,000 which shall be payable in cash by the Purchaser as follows:–

- (i) 50% of the consideration for the Disposal, being HK\$12,650,000 shall be payable upon the completion of the Disposal; and
- (ii) the remaining balance of HK\$12,650,000 shall be payable on or before 30 June 2008.

Upon completion, the Purchaser will enter into a deed of charge and assignment with the Company, pursuant to which the Purchaser will charge and assign to the Company the 25.5% of the entire issued share capital of BD Ah Yat as a security for the due and punctual payment of the remaining consideration by the Purchaser to the Company pursuant to the Disposal Agreement.

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## LETTER FROM THE BOARD

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The consideration for the Disposal is determined after arm's length negotiation between the parties on normal commercial terms, having taking into account the audited consolidated net asset value of BD Ah Yat attributable to the Group as at 31 December 2006 of approximately HK\$16,755,000 and the parties' perception that the prospect of the food and restaurant industry was not very attractive. The Purchaser would feel more comfortable to enter into the Disposal Agreement with such terms of payment. The Directors consider that the consideration and the terms of the Disposal (including the payment arrangement) are fair and reasonable and in the interests of the Shareholders as a whole as far as the Company and the Shareholders are concerned.

The Purchaser is an investment holding company and has no business operation since its incorporation. The Purchaser is wholly-owned by Mr. Thio Seng Tji, a director and a shareholder of BD Ah Yat (holding 5% shareholdings in BD Ah Yat), a subsidiary of the Company, and therefore, the Purchaser is a connected person of the Company as defined in the Listing Rules.

### **Conditions of the Disposal Agreement**

The completion of the Disposal is conditional upon the Independent Shareholders approving the Disposal Agreement and the Disposal at the EGM.

If the condition set out above is not fulfilled on or before 31 July 2007 or such other date as the parties may agree, the Disposal Agreement will cease to be of any further effect and none of the parties of the Disposal Agreement shall have any claims against the other (save for any antecedent breach).

### **Completion**

Completion of the Disposal will take place within two Business Days after the above condition is fulfilled, or on such other date as the parties may agree. Upon completion of the Disposal, BD Ah Yat will cease to be a subsidiary of the Company.

### **Information on BD Ah Yat**

BD Ah Yat is an investment holding company incorporated in Hong Kong and engages in the trading of dried seafood and restaurant operations.

The revenue of BD Ah Yat for the year ended 31 December 2006 was approximately HK\$ 291 million. The audited profit before taxation and profit after taxation and minority interests of BD Ah Yat for the year ended 31 December 2005 was approximately HK\$16,254,000 and HK\$13,782,000 respectively while the audited profit before taxation and profit after taxation and minority interests of BD Ah Yat for the year ended 31 December 2006 was approximately HK\$8,918,000 and HK\$5,364,000 respectively.

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## LETTER FROM THE BOARD

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### REASON AND BENEFIT OF THE DISPOSAL

The Company is an investment holding company of which its subsidiaries are principally engaged in the construction, operation and maintenance of information systems in the PRC. The Group has also engaged in other businesses such as the trading of dried seafood and restaurant operations, which are one of those non-core businesses subject to the Disposal.

It has been the strategy of the Group to restructure business and clarify operational focuses by optimizing and streamlining its business. The Disposal is in line with the strategy of the Group to exit from its non-core businesses so as to allow the Group to concentrate its resources to develop and expand its core businesses, in particular, the information technology related business. The Group will not continue to engage in the trading of dried seafood and restaurant operations after the completion of Disposal

The Directors consider that the Disposal is in the best interest of the Company and the Shareholders and the terms of the Disposal Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### USE OF PROCEEDS

The net proceeds from the Disposal will be used as general working capital of the Group and for future investment and expenses of the business of the Group.

### FINANCIAL EFFECT OF THE DISPOSAL

The expected gain to be derived from the Disposal before expenses will amount to approximately HK\$8.55 million, which represents the net amount of the consideration of the Disposal of HK\$25.3 million and the audited consolidated net asset value of BD Ah Yat attributable to the Company as at 31 December 2006 of approximately HK\$16.76 million. As a result, the consolidated net assets of the Group will be increased by approximately HK\$8.55 million after the Disposal.

The effect of the Disposal on the working capital of the Group is only minimal. Based on the cash and bank balances and pledged deposit of the Group as at 31 December 2006 of approximately HK\$302.38 million, and subsequently adjusted for the Disposal, the cash position of the Group immediately after the completion of the Disposal will be approximately HK\$304.21 million.

The Disposal will improve the current ratio (current assets over current liabilities) of the Group as the Disposal will reduce the current assets and current liabilities of the Group by approximately HK\$56.33 million and HK\$76.68 million respectively. The current ratio of the Group as at 31 December 2006 was 1.90. Upon completion of the Disposal, the current ratio will improve and become approximately 2.22.

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## LETTER FROM THE BOARD

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BD Ah Yat will cease to be a subsidiary of the Company upon completion of the Disposal, and therefore the financial results of BD Ah Yat will no longer be consolidated in the financial statements of the Group. As a result of the continuous impaired profitability of BD Ah Yat in recent years, the Directors consider that the future possible loss in the Group's earnings which may result from such deconsolidation would be immaterial.

### **MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2006, the date to which the latest published audited consolidated accounts of the Group were made up.

### **INDEBTEDNESS**

As at the close of business on 30 April 2007, the Group had outstanding borrowings of approximately HK\$71.1 million. The borrowings comprised secured bank loans of approximately HK\$13.1 million, unsecured bank loans of approximately HK\$53.8 million; and secured trust receipt loans of approximately HK\$4.2 million. The Group's bank borrowings were secured by (i) certain of the Group's leasehold land and buildings and investment properties which had an aggregate carrying value of HK\$45.1 million; (ii) certain fixed deposits of the Group of approximately HK\$20.5 million; and (iii) leasehold land and buildings held by a minority shareholder of a subsidiary, which had an aggregate net book value of HK\$0.6 million.

Save as aforesaid or as otherwise disclosed herein and apart from the intra-group liabilities, the Group did not have, at the close of business on 30 April 2007, any other outstanding liabilities or any mortgages, charges, debentures, loan capital, bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase or finance lease obligations or any guarantees or other material contingent liabilities.

### **WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the internal resources, the necessary banking facilities in place and other sources of financing available to the Group, the Group will, following the completion of the Disposal, have sufficient working capital for its present requirements for the next twelve months from the date of this circular in the absence of material unforeseen circumstances.

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## LETTER FROM THE BOARD

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### TRADING AND FINANCIAL PROSPECT OF THE GROUP

For the financial year ending 31 December 2007, the Company, being the key provider in the smart card business in Beijing, will continue its development strategies in identifying the construction, operation and maintenance of the electronic settlement and clearance platform for infrastructure and public utilities as its core business, especially in capturing the opportunities from the massive issuance of IC card since 2006. The key strategies adopted are as follows:

1. Strengthen controlling rights on smart card business, increase issue volume and card usage rate, and establish effective mechanism to consolidate the smart card platform. The Group will actively look for suitable partners for different smart card application areas and promote the application of smart cards in small payments. It will also pursue in-depth strategic R&D of smart card and electronic settlement and clearance, and closely monitor development of overseas smart card operations, as well as to collect related information for the exploration of investment opportunities.
2. Continue to develop related projects of rail transportation and start construction of public communications information system platform. The Company will focus on these projects in the coming year, aiming at delivering projects of guaranteed qualitative and quantitative standards. Apart from focusing on unearthing the potential and enhancing the efficiency of existing projects, the Company will also explore other development projects in the sector. For instance, it will closely monitor the progress of the Beijing Subway projects and actively explore cooperative opportunities in relation to subway projects with other provinces and cities.
3. Speed up and step up organization restructuring and adjustment efforts. The Company will let go of non-core businesses and dispose of ineffective assets and consolidate existing businesses. It will strengthen strategic management and control on its subsidiaries, especially Xteam, and actively identify new opportunities that agree with the Company's development strategies.

Save as disclosed above, there is not any future plan or strategy of the Group which will materially affect the Group's current and future profits. The Directors expect the business will not be materially and adversely affected by the Disposal during the financial year ending 31 December 2007.

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## LETTER FROM THE BOARD

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At 31 December 2006, being the date to which the Group's latest published audited consolidated financial statements were made up, the Group had equity attributable to Shareholders of approximately HK\$565 million. The Group had a current ratio of 1.9 and gearing of 14.7% for the year ended 31 December 2006. The Group had a net cash surplus of approximately HK\$219 million (being total cash and bank balances and pledged deposit of approximately HK\$302 million less bank borrowings of approximately HK\$83 million). The Directors expect that the Group will continue to maintain a very strong financial position to support the business operations with a relative low level of debts and a high liquidity during the current financial year ending 31 December 2007.

### **EGM**

As the Purchaser is a connected person of the Company, and as such, the Disposal is a connected transaction of the Company under the Listing Rules. The Disposal is also a major transaction of the Company under the Listing Rules, where the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules are more than 25%. Pursuant to Rule 14A.32 of the Listing Rules, the Disposal and the Disposal Agreement is subject to the Independent Shareholders' approval by way of poll.

The Directors will seek the approval of the Independent Shareholders of the Disposal at the EGM. As at the Latest Practicable Date, the Purchaser does not have any interests in the Shares and Mr. Thio Seng Tji personally holds 170,000 Shares. As such, Mr. Thio Seng Tji and his associates will be required to abstain from voting on the Disposal.

### **PROCEDURE BY WHICH THE SHAREHOLDERS MAY DEMAND A POLL AT A GENERAL MEETING**

According to Article 75 of the articles of association of the Company at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (a) the chairman of such meeting; or
- (b) at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

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## LETTER FROM THE BOARD

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- (d) a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

Unless a poll is so demanded and not withdrawn, a declaration by the chairman of such meeting that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

### RECOMMENDATION

The Directors, including the independent non-executive Directors, consider the Disposal is in the interest of the Company and the Shareholders as a whole and, accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

### ADDITIONAL INFORMATION

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

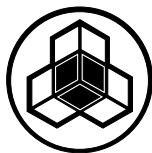
By order of the Board of  
**Beijing Development (Hong Kong) Limited**  
**Zhang Honghai**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Disposal Agreement and the Disposal, which has been prepared for the purpose of inclusion in this circular.*



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)**

4 June 2007

*To the Independent Shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION  
DISPOSAL OF 51% OF THE ENTIRE ISSUED SHARE CAPITAL OF  
BD AH YAT ABALONE GROUP LIMITED**

We have been appointed as members of the Independent Board Committee to advise you in connection with the Disposal, details of which are set out in the letter from the Board in a circular dated 4 June 2007 to the Shareholders (the “Circular”), of which this letter forms a part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

South China Capital has been appointed to advise us and the Independent Shareholders on whether the Disposal Agreement is on normal commercial terms and is fair and reasonable as far as the Independent Shareholders are concerned and whether the Disposal is in the interest of the Company and the Shareholders as a whole. Details of its advice are set out on pages 14 to 24 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 11 of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the advice and recommendation of South China Capital, we consider the Disposal is fair and reasonable so far as the Independent Shareholders are concerned and is in the best interests of the Company and the Shareholders as a whole. We, therefore, recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Disposal Agreement and transaction contemplated thereby.

Yours faithfully

**Beijing Development (Hong Kong) Limited**

**Mr. Cao Guxing and Prof. Liu Wei**

*Independent Board Committee*

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## LETTER FROM SOUTH CHINA CAPITAL

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*Set out below is the text of a letter received from South China Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Disposal for the purpose of inclusion in this circular.*



**South China Capital Limited**

28th Floor, Bank of China Tower,  
No. 1 Garden Road,  
Central,  
Hong Kong

4 June 2007

*To: The independent board committee and the independent shareholders  
of Beijing Development (Hong Kong) Limited*

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTION –  
DISPOSAL OF 51% OF THE ENTIRE ISSUED SHARE CAPITAL OF  
BD AH YAT ABALONE GROUP LIMITED**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Disposal, details of which are set out in the letter from the Board (the “Board Letter”) contained in the circular dated 4 June 2007 issued by the Company to the Shareholders (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 11 May 2007, the Company and the Purchaser entered into the Disposal Agreement, pursuant to which the Purchaser agreed to purchase and the Company agreed to sell its entire 51% equity interest in BD Ah Yat for a total consideration of HK\$25,300,000.

According to Rule 14.07 of the Listing Rules, the Disposal constitutes a major transaction of the Company as the applicable percentage ratios are more than 25%. In addition, since the Purchaser is solely and beneficially owned by Mr. Thio Seng Tji, who is also a director and shareholder of BD Ah Yat, a subsidiary of the Company, the Disposal constitutes a connected transaction for the Company under Rule 14A.32 of the Listing Rules and is therefore subject to the Independent Shareholders’ approval at the EGM by way of poll. Mr. Thio Seng Tji and his associates shall be required to abstain from voting on the Disposal at the EGM.

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## LETTER FROM SOUTH CHINA CAPITAL

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An Independent Board Committee comprising Mr. Cao Guixing and Prof. Liu Wei (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the Disposal Agreement is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Disposal is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the Disposal Agreement and the transactions contemplated thereunder at the EGM. We, South China Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **BASIS OF OUR OPINION**

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true, complete and accurate in all material respects at the time when they were made and continue to be so as at the date of the despatch of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful considerations. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our recommendation in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquires, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal.

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## LETTER FROM SOUTH CHINA CAPITAL

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Disposal, we have taken into consideration the following principal factors and reasons:

#### (1) Background of the Disposal

##### *Business overview of the Group*

As stated in the Board Letter, the Company is an investment holding company of which its subsidiaries are principally engaged in the construction, operation and maintenance of information systems in the PRC (the “Core Business Segment”). The Group is also engaged in other businesses such as restaurant operations and property investments.

The following table sets out the audited financial results of the Group during the two years ended 31 December 2006 as extracted from the annual report 2006 of the Company (the “Annual Report”):

	For the year ended 31 December 2006		For the year ended 31 December 2005		Year-on-year change
	<i>HK\$'000</i>	<i>% of total turnover of the Group</i>	<i>HK\$'000</i>	<i>% of total turnover of the Group</i>	<i>%</i>
Turnover	584,832	100%	531,298	100%	10.08%
– Information technology	289,787	49.55%	273,199	51.42%	6.07%
– Restaurants	292,413	50.00%	253,408	47.70%	15.39%
– Property investments	2,632	0.45%	4,691	0.88%	(43.89)%
		<i>HK\$'000</i>		<i>HK\$'000</i>	<i>%</i>
Profit before tax and interest		58,308		(1,427)	N/A
– Information technology		50,999		(7,431)	N/A
– Restaurants		11,248		17,901	(37.17)%
– Property investments		(3,939)		(11,897)	66.89%

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## LETTER FROM SOUTH CHINA CAPITAL

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We note from the above table that the audited total turnover of the Group rose from approximately HK\$531.30 million to HK\$584.83 million, representing an increase of approximately 10.08% from 2005 to 2006. During the same said years under review, although the restaurants segment was one of the major sources of revenue for the Group, its profit before tax and interest dropped largely by approximately 37.17%. Nevertheless, the information technology segment, being the other major source of revenue of the Group, had successfully rebounded from net loss position during the year ended 31 December 2005 into profit making position during the year ended 31 December 2006.

### *Information on BD Ah Yat*

BD Ah Yat is an investment holding company incorporated in Hong Kong. The principle business of BD Ah Yat is the trading of dried seafood and restaurant operations.

The following table sets out the key audited financial results of BD Ah Yat according to the accounting principles generally accepted in Hong Kong for the two years ended 31 December 2006:

	<b>For the year ended 31 December 2006 HK\$'000</b>	<b>For the year ended 31 December 2005 HK\$'000</b>	<b>Year-on-year change %</b>
Revenue	291,499	253,408	15.03%
Gross profit	153,746	138,876	10.71%
Net profit attributable to equity holders	5,364	13,782	(61.08)%
Gross profit margin	53%	55%	(3.76)%
Net profit margin	2%	5%	(66.17)%

As illustrated from the above table, there had been a substantial decrease in the net profit attributable to equity holders of BD Ah Yat by approximately 61.08% from 2005 to 2006 despite that its revenue and gross profit both recorded an increase during the same said years under review. Moreover, BD Ah Yat also suffered from a reduction on gross and net profit margins from 2005 to 2006. As confirmed by the Directors, the deterioration in profitability of BD Ah Yat was mainly due to keen competition in restaurants operations in the PRC and mounting of production cost, and the Directors expect that such situation will continue in the near future.

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## LETTER FROM SOUTH CHINA CAPITAL

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As referred to in the Annual Report and will be further elaborated in the paragraph headed “The Group’s future development strategies” of this letter, it is the strategy of the Company to let go of non-core businesses and dispose of ineffective assets and consolidate existing businesses. Having this being the case and in view of also (i) the growing importance of the information technology segment to the Group in terms of profit before tax and interest and the substantial decline in contribution of the restaurants segment to the Group in the same respect; (ii) the considerable reduction on the net profit attributable to equity holders of BD Ah Yat; and (iii) the worsening gross and net profit margins of BD Ah Yat, we are of the opinion that the business of the restaurants segment is ineffective and thus the Disposal is in line with the Group’s strategy to restructure its business and it could also allow the Group to concentrate its resources to develop and expand the Core Business Segment while exiting from the weakening non-core business. For this reason, we consider that the Disposal is in the interests of the Company and the Shareholders as a whole.

### *The Group’s future development strategies*

As mentioned in the foregoing and tabulated in the table in the paragraph headed “Business overview of the Group” of this letter, the information technology segment is currently the core business segment of the Group. As extracted also from the Board Letter, it has been the strategy of the Group to restructure business and clarify operational focuses by optimizing and streamlining its business.

List out below are the major reorganization activities accomplished by the Group from 1 January 2005 to 11 May 2007, being the date of the Disposal Agreement:

<b>Date</b>	<b>Details</b>
December 2005	Acquisition of 51% equity interest in Asren, the principal business of which is the provision of information technology services
January 2005	Acquisition of 51% equity interests in 北京博大電信通網絡技術有限公司, the principal business of which is the provision of telecommunication services

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## LETTER FROM SOUTH CHINA CAPITAL

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As depicted above, we are aware of that the Group has started to realize its business strategy and restructuring plan in 2005. With reference to the Annual Report, the Company identified the construction, operation and maintenance of the electronic settlement and clearance platform for infrastructure and public utilities as its core business within the Core Business Segment. It had also further promoted the Xteam business of the research and development of IT software. Under the guidance of its new business strategy, the Group began a series of initiatives and achieved concrete results:

- Set clear strategy direction and core business focus.
- Restructured business and clarified operational focuses through gradually exiting from non-core businesses and optimizing and streamlining its organization structure.
- Strengthened internal management and lowered management cost.
- Gained exposure in the capital market.

In 2007, the Company will continue its development strategies as outlined above. In addition, through measures such as capital injection, strategic re-engineering and adjustment of organizational structure and business integration, the Group will expand its core business further in scale and scope.

### *Reasons for the Disposal*

As just mentioned, the Group has adjusted its business strategy to focus on the Core Business Segment. We have also enquired into and the Directors confirmed that the business of the restaurants segment has been classified as non-core and unattractive business of the Group. Given the falling significance of the restaurants segment to the Group in net profit terms and the poor profit generating ability of BD Ah Yat for the years ended 31 December 2005 and 31 December 2006 (as detailed in the paragraph headed “Business overview of the Group” of this letter), we consider such classification to be justified. As extracted from the Board Letter, the Company has from time to time been actively looking for opportunity to realize its investment in BD Ah Yat at a reasonable price and the expected gain from the Disposal before expenses would amount to approximately HK\$8,545,000. In addition, the Group will cease to engage in the trading of dried seafood and restaurant operations after the completion of the Disposal. In light of the all the above, we concur with the Directors that the Disposal would provide a good opportunity for the Group to realize its investment and is aligned with the Group’s overall development strategies of disposing ineffective business and concentrating on the Core Business Segment.

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## LETTER FROM SOUTH CHINA CAPITAL

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### (2) Principal terms of the Disposal Agreement

The Disposal Agreement was entered into between the Company and the Purchaser on 11 May 2007. Pursuant to the Disposal Agreement, the Purchaser agreed to purchase and the Company agreed to sell its entire 51% equity interest in BD Ah Yat for a total consideration of HK\$25,300,000 (the “Consideration”). The Consideration will be payable by cash in two installments with the first installment of HK\$12.65 million being payable upon completion of the Disposal while the second installment of HK\$12.65 million being payable before 30 June 2008.

Furthermore, the Purchaser will enter into a deed of charge and assignment with the Company upon completion of the Disposal, pursuant to which the Purchaser will charge and assign to the Company 25.5% of the entire issued share capital of BD Ah Yat as security for due and punctual payment of the remaining Consideration by the Purchaser to the Company.

Completion of the Disposal is subject to and conditional upon the passing of the relevant resolution by the Independent Shareholders at the EGM. If such condition is not fulfilled on or before 31 July 2007 or such other date as the parties may agree, the Disposal Agreement will cease to be of any further effect and none of the parties to the Disposal Agreement shall have any claims against the other (save for any antecedent breach).

#### *Basis of the Consideration*

As referred to in the Board Letter, the Consideration was determined after arm’s length negotiation between the Company and the Purchaser with reference to the adjusted consolidated net asset value of BD Ah Yat attributable to the shareholders of the Company as at 31 December 2006, which was approximately HK\$16,755,000 (the “Adjusted NAV”).

To assess the fairness and reasonableness of the Consideration, we have considered different commonly adopted valuation methodologies, namely (i) price to earning approach; (ii) dividend approach; and (iii) net asset value (“NAV”) approach.

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## LETTER FROM SOUTH CHINA CAPITAL

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(a) *Price to earning approach*

For the year ended 31 December 2006, the total audited net profit of BD Ah Yat attributable to the Company was approximately HK\$2,736,000 (the “Attributable Profit”). Accordingly, the Consideration of HK\$25,300,000 represents a premium of approximately 824.71% over the Attributable Profit. As referred to the audited financial performance of BD Ah Yat as set forth in the paragraph headed “Information on BD Ah Yat” of this letter, the net profit attributable to equity holders of BD Ah Yat had been shrinking continuously to approximately HK\$5,364,000 during the year ended 31 December 2006 and is expected by the Directors to drop even further in the near future. In light of such unstable profit making position of BD Ah Yat, we concur with the Directors that the price to earning approach may not be a reliable reference to assess the Consideration.

(b) *Dividend approach*

BD Ah Yat had not declared any dividends to its shareholders during the two years ended 31 December 2006. As a result, there is no basis to assess the Consideration based on the historical dividend yield of BD Ah Yat, and hence the dividend approach would not be applicable.

(c) *NAV approach*

As confirmed by the Directors, the Consideration of HK\$25,300,000 was determined by reference to the Adjusted NAV of approximately HK\$16,755,000. The difference between the Consideration and the Adjusted NAV is approximately HK\$8,545,000, representing a gain of approximately HK\$8,545,000 or a premium of approximately 51%. Given the inappropriateness of using the price to earning approach and the dividend approach as references to assess the Consideration as aforementioned, we are of the opinion that the determination of the Consideration by reference to the Adjusted NAV is fair and reasonable so far as the Independent Shareholders are concerned.

In addition, in view of:

- (i) the Consideration represents a premium of approximately 824.71% over the Attributable Profit;
- (ii) the Consideration represents a premium of approximately 51% over the Adjusted NAV and accordingly, the Disposal is a good opportunity for the Company to realize its investment in BD Ah Yat at a reasonable price; and

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## LETTER FROM SOUTH CHINA CAPITAL

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- (iii) the impaired profitability of BD Ah Yat in recent years and hence the Disposal is consistent with the Group's overall development strategies of disposing ineffective business and concentrating on the Core Business Segment,

we consider that the Disposal is in the interests of the Company and the Shareholders as a whole. In addition, we have also reviewed the other terms of the Disposal Agreement and are not aware of any other terms which are uncommon to normal market practice. Hence, we are of the view that the terms of the Disposal Agreement (including the Consideration) are fair and reasonable so far as the Independent Shareholders are concerned.

### (3) Financial effects of the Disposal

#### *Effect on net asset value*

According to the Annual Report, the audited consolidated NAV of the Group attributable to the shareholders of Company was approximately HK\$565.34 million as at 31 December 2006. As confirmed by the Directors, there would be an overall increase in the Group's NAV upon completion of the Disposal due to the excess of the Consideration of HK\$25,300,000 over the Adjusted NAV of approximately HK\$16,755,000.

#### *Effect on earnings*

As stated in the Board Letter, the Directors expect that the gain to be derived from the Disposal before expenses is approximately HK\$8.55 million. Besides that, upon completion of the Disposal, BD Ah Yat will cease to be a subsidiary of the Company and therefore the financial results of BD Ah Yat will no longer be consolidated in the financial statements of the Group. Based on the impaired profitability of BD Ah Yat as discussed above, especially that its net profit margin did not exceed 5% for both the two years ended 31 December 2006, we consider that the future possible loss in the Group's earnings which may result from such deconsolidation would be immaterial.

#### *Effect on gearing*

The Group had total outstanding debts of approximately HK\$83.35 million (including short term interest bearing bank borrowings of approximately HK\$76.93 million and long term interest bearing bank borrowings of approximately HK\$6.42 million) while its audited equity attributable to the shareholders of the Company was

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## LETTER FROM SOUTH CHINA CAPITAL

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approximately HK\$565.34 million as at 31 December 2006. Consequently, the gearing ratio (calculated as total debts over equity) was approximately 14.7% as at 31 December 2006. From the information provided by the Company, the total debts of BD Ah Yat attributable to the Company was approximately HK\$9.10 million as at 31 December 2006. Upon completion of the Disposal, such amount would be eliminated from the total outstanding debts of the Group. Whereas the Group's equity attributable to the shareholders of the Company would be increased to approximately HK\$573.88 million (representing the audited equity attributable to the shareholders of the Company of HK\$565.34 million as at 31 December 2006 and the gain on the Disposal of HK\$8.55 million) upon completion of the Disposal. Consequently, the gearing position of the Group would be improved upon completion of the Disposal.

### *Effect on working capital*

The Group's audited total cash and bank balances and pledged deposit were approximately HK\$302.38 million as at 31 December 2006. We understand from the Board Letter that the Company will apply the net proceeds from the Disposal as general working capital of the Group and for future investment and expenses of the business of the Group. Based also on the terms of payment of the Consideration, 50% of the Consideration, being HK\$12.65 million, is payable upon completion of the Disposal while the remaining HK\$12.65 million will be payable on or before 30 June 2008. Accordingly, the level of working capital of the Group would be increased in two stages by the amount of net proceeds from the Disposal upon completion of and approximately one year after the Disposal.

Given the aforementioned possible financial effects of the Disposal on the Group, namely (i) the possible improvement in the NAV of the Group; (ii) the immediate gain of approximately HK\$8.55 million; (iii) the enhancement in the gearing position of the Group; and (iv) the enlargement of the working capital of the Group, we are of the opinion that the Disposal is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM SOUTH CHINA CAPITAL

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### RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that the Disposal Agreement is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Disposal Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,  
For and on behalf of  
**South China Capital Limited**  
**Graham Lam**  
*Director*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purposes 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 inquiries, 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

- (a) As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and 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, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange, was as follows:

### Long position in the Shares or shares of any of its associated corporations

Name of Director	Name of corporations	Nature of interest	Number of shares held	Number of shares options held	Percentage of shareholdings (%)
Zhang Honghai	the Company	Beneficial owner	–	4,000,000 (Note 2)	0.64
	BEHL	Beneficial owner	–	90,000 (Note 3)	0.01
Li Kangying	the Company	Beneficial owner	304,000	–	0.05
E Meng	the Company	Beneficial owner	601,000	–	0.10
	BEHL	Beneficial owner	–	60,000 (Note 3)	0.01
Cao Wei	the Company	Beneficial owner	190,000	–	0.03

Name of Director	Name of corporations	Nature of interest	Number of shares held	Number of shares options held	Percentage of shareholdings (%)
Ng Kong Fat, Brian	the Company	Through a controlled corporation	8,792,755 (Note 1)	–	1.40
	the Company	Beneficial owner	–	1,600,000 (Note 2)	0.25
	BD Ah Yat	Beneficial owner	1,462,000	–	21.5
Yu Xiaoyang	the Company	Beneficial owner	–	2,800,000 (Note 2)	0.45

*Notes:*

- (1) The 8,792,755 Shares were beneficially owned by Sunbird Holdings Limited, a company beneficially owned by Mr. Ng Kong Fat, Brian who is therefore deemed to be interested in the 8,792,755 Shares. Accordingly, the interest in the 8,792,755 Shares held by each of Sunbird Holdings Limited and Mr. Ng Kong Fat, Brian refers to the same parcel of Shares.
- (2) These options were granted on 27 June 2006 at an exercise price per Share of HK\$1.00. The options may be exercised at any time commencing on 27 June 2006 and, if not otherwise exercised, will lapse on 16 June 2011.
- (3) These options were granted on 19 July 2006 at an exercise price per share of HK\$12.55. The options may be exercised at any time commencing on 19 January 2007 and, if not otherwise exercised, will lapse on 18 July 2011.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (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 and 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange.

- (b) As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of Shares held	Percentage of shareholding (%)
Idata	275,675,000*	43.84
BEHL <i>Note (i)</i>	275,675,000	43.84
Beijing Enterprises Investments Limited (“BEIL”) <i>Note (i)</i>	275,675,000	43.84
Beijing Holdings Limited (“BHL”) <i>Note (i)</i>	275,675,000	43.84
Trophy Fund	65,476,250*	10.41
Winnington Capital Limited <i>Note (ii)</i>	82,022,250	13.04
Trophy Asset Management Limited <i>Note (ii)</i>	82,022,250	13.04
Hung Kam Biu <i>Note (ii)</i>	82,022,250	13.04
Chu Jocelyn <i>Note (ii)</i>	82,022,250	13.04
Citigroup Inc. <i>Note (iii)</i>	76,788,250	12.21

\* *Directly beneficially owned*

*Notes:*

- (i) Idata is a direct wholly-owned subsidiary of BEHL. BEHL is held directly as to 35.84% and indirectly as to approximately 16.01% by BEIL. Accordingly, BEHL, BEIL and BHL are deemed to be interested in the Shares owned by Idata.
- (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, Winnington Capital Limited, Trophy Asset Management Limited, Hung Kam Biu and Chu Jocelyn are deemed to be interested in the Shares owned by Trophy Fund.

- (iii) The interest disclosed includes 76,622,250 Shares held as a person having a security interest in the Shares and 166,000 Shares held as a custodian corporation/approved lending agent.

Save as disclosed above, the Directors and the chief executive of the Company are not aware of any person (other than a Director, chief executive or any member of the Group) who, as at the Latest Practicable Date, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or any options in respect of such capital.

### **3. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS**

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2006 (the date of which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of or leased to any member of the Group.

### **4. 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 competes or is 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.

**5. QUALIFICATION AND CONSENT OF EXPERT**

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
South China Capital	a deemed licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO as set out in Schedule 5 to the SFO

South China Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, South China Capital had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, South China Capital was not interested, directly or indirectly, in any assets which had since 31 December 2006 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of 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 to the Group and no litigation or claim of material importance to the Group was known to the Directors to be pending or threatened by or against any member of the Group.

**7. 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 is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

**8. MATERIAL CONTRACTS**

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

- (a) On 21 November 2005, Go Good, Xteam, Asren, Mr. Zhang and Mr. Liu entered into an acquisition and subscription agreement. Pursuant to the agreement, Go Good would acquire 51% of the enlarged issued share capital of Asren at a total consideration of RMB17,000,000 (equivalent to approximately HK\$16,346,155). The consideration would be satisfied as to (i) RMB7,000,000 (equivalent to approximately HK\$6,730,770) by the issue of 84,134,616 new shares of Xteam in aggregate to Mr. Zhang and Mr. Liu in relation to the acquisition and (ii) RMB10,000,000 (equivalent to approximately HK\$9,615,385) by the issue of a promissory note in the principal amount of RMB10,000,000 by Go Good to Asren in relation to the subscription. Asren is principally engaged in the development and sale of a system which integrates various applications, such as access, routing and security of a network, mail services, and enterprise websites into a system comprising an embedded Linux hardware platform and a backend support system;
- (b) On 30 November 2006, Idata and the Company entered into a placing and subscription agreement with CMS, as placing agent. Pursuant to the agreement, Idata would place up to a total of 98,000,000 existing Shares at the placing price of HK\$1.10 per placing Share to third parties independent of the Group. After the placing, Idata would subscribe for Shares which are equal to the number of placing Shares. After the placing and the subscription, the Company has ceased to be a subsidiary of Idata and has become an associated company of Idata;
- (c) On 8 February 2007, Prime and Xteam entered into a placing and subscription agreement with CMS, as placing agent. Pursuant to the agreement, Prime would place up to a total of 300,000,000 existing shares of Xteam at the placing price of HK\$0.098 per placing share to third parties independent of the Group. After the placing, Prime would subscribe for shares of Xteam which are equal to the number of placing shares;
- (d) On 24 April 2007, Xteam entered into a placing agreement with CMS, as placing agent. Pursuant to the agreement, Xteam would place up to a total of 468,000,000 new shares of Xteam at the placing price of HK\$0.315 per placing share to third parties independent of the Group. After the placing, Xteam has ceased to be a subsidiary of the Company and has become an associated company of the Company; and
- (e) the Disposal Agreement.

Save as disclosed above, no material contract (not being a contract entered into in the ordinary course of business carried on by the Group) has been entered into by any member of the Group within two years preceding the Latest Practicable Date which are or may be material.

**9. GENERAL**

- (a) The registered office of the Company is situated 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 secretary and the qualified accountant of the Company is Mr. Wong Kwok Wai, Robin, who is a fellow member of the Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

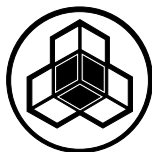
Copies of the following documents will be available for inspection during normal business hours at the registered office of the Company in Hong Kong at Room 3401, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong from the date of this circular up to and including 20 June 2007:

- (a) the memorandum and articles of association of the Company;
- (b) all the material contracts of the Company referred to in the section headed "Material Contracts" in this Appendix;
- (c) the consolidated audited accounts of the Company and its subsidiaries for two financial years ended 31 December 2006;
- (d) the circular of the Company to its Shareholders dated 9 May 2007 in relation to a placing of shares of Xteam;
- (e) a letter from the Independent Board Committee as set out in pages 12 to 13 of this circular;
- (f) the letter from South China Capital as set out in pages 14 to 24 of this circular; and
- (g) the written consents of South China Capital referred to in this Appendix.

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “Meeting”) of the shareholders of Beijing Development (Hong Kong) Limited (the “Company”) will be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 10:00 a.m. on Wednesday, 20 June 2007 for the following purpose:

1. to consider as special business and, if thought fit, passing (with or without amendments) the following resolution as an ordinary resolution:

**“THAT**

- (a) the agreement in respect of the sale and purchase of shares in BD Ah Yat Abalone Group Limited (the “Disposal Agreement”) entered into between the Company and Charterwood Limited on 11 May 2007, pursuant to which, among others, the Company has conditionally agreed to sell to Charterwood Limited 51% of the entire issued share capital of BD Ah Yat Abalone Group Limited (a copy of the Disposal Agreement has been produced to the meeting marked “A” and has been initialled by the chairman of the meeting for the purpose of identification), the terms thereof, the execution and delivery thereof by the Company and the performance and implementation of the transactions contemplated thereunder be and are hereby confirmed, approved and ratified;
- (b) any one director of the Company be and is hereby authorised for and on behalf of the Company to do all such further acts and things and execute all such further documents and take all steps which in his opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of, and all transactions contemplated under, the Disposal Agreement and to approve any changes and amendments thereto as such director may consider necessary, desirable or expedient; and

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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- (c) the affixing of the common seal of the Company to any instrument or document in the presence of any one director of the Company as may be required for any of the above purposes be and is hereby confirmed and approved.”

By order of the Board  
**Wong Kwok Wai, Robin**  
*Company Secretary*

Hong Kong, 4 June 2007

*Notes:*

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy (or at most two proxies) to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company.
2. A form of proxy for use at the Meeting is enclosed herewith.
3. To be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company's share registrar, Tegis Limited, at Level 25, Three Pacific Place, 1 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before either the time appointed for holding the Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the Meeting or any adjournment thereof if the shareholder so desires.