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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)**



北京控股有限公司

**BEIJING ENTERPRISES HOLDINGS LIMITED**

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

**(Stock Code: 392)**

**MEMORANDUM OF COOPERATION  
PROPOSED SUBSCRIPTION OF NEW SHARES AND BONDS AND  
PROPOSED GRANT OF OPTION TO  
SUBSCRIBE FOR BONDS  
CONNECTED TRANSACTIONS  
APPLICATION FOR WHITEWASH WAIVER  
INCREASE IN AUTHORISED SHARE CAPITAL  
AND  
RESUMPTION OF TRADING**

**MEMORANDUM OF COOPERATION**

On 11 September 2011, the Company and BEHL entered into the MOU, pursuant to which (i) the Company conditionally agreed to issue and BEHL conditionally agreed to subscribe for 163,000,000 new Shares at a price of HK\$1.23 per new Share; (ii) the Company conditionally agreed to issue and BEHL conditionally agreed to purchase the Firm Bonds; (iii) the Company conditionally agreed to grant the Call Option to BEHL; and (iv) the Company and BEHL agreed to appoint professionals to finalise the terms of the issue of and subscription for the Subscription Shares and the Firm Bonds and the grant of the Call Option and to prepare the necessary legal documents.

## **THE SUBSCRIPTION AGREEMENT**

On 15 September 2011, the Company, the Subscriber and BEHL (as guarantor) entered into the Subscription Agreement which superseded the MOU. Pursuant to the Subscription Agreement, (i) the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for 163,000,000 new Shares at a price of HK\$1.23 per new Share; (ii) the Company conditionally agreed to issue and the Subscriber conditionally agreed to purchase the Firm Bonds; and (iii) the Company conditionally agreed to grant the Call Option to the Subscriber. Pursuant to the Subscription Agreement, BEHL unconditionally and irrevocably guaranteed the performance and discharge by the Subscriber of all its obligations under the Subscription Agreement in favour of the Company.

## **LISTING RULES IMPLICATIONS**

BEHL is a substantial shareholder of the Company and the Subscriber is a wholly-owned subsidiary of BEHL. As at the date of this announcement, BEHL is interested in 290,459,000 Shares (representing approximately 42.87% of the issued share capital of the Company), BEHL is therefore a connected person of the Company. The Subscriber is an associate of BEHL and is therefore also a connected person of the Company under the Listing Rules and as such, the Proposed Transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules. In light of the above, the Subscription Agreement would be subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

## **WHITEWASH WAIVER**

Immediately following the allotment and issue of the Subscription Shares to the Subscriber on Completion, the Subscriber, BEHL and parties acting in concert with any of them will be interested in 453,459,000 Shares, representing approximately 53.95% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The Subscriber will make an application to the Executive for the Whitewash Waiver and such grant will be subject to, among other things, approval of the Independent Shareholders in respect of the Whitewash Waiver at the EGM where voting on the relevant resolution shall be taken by poll.

## **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

As at the date of this announcement, the authorised share capital of the Company is HK\$1,000,000,000 divided into 1,000,000,000 Shares, of which 677,460,150 Shares have been issued and fully paid or credited as fully paid. In order to fulfill one of the conditions precedent of the Subscription Agreement, and to provide the Group with flexibility in future expansion and growth by means of issuing new Shares and fund raising activities as the Directors may consider appropriate from time to time, the Directors propose to increase the authorised share capital of the Company to HK\$5,000,000,000 divided into 5,000,000,000 Shares by the creation of an additional 4,000,000,000 unissued Shares. The increase in the authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM and no Shareholders are required to abstain from voting on such resolution.

## **GENERAL**

The EGM will be held to consider and if thought fit, pass the resolutions to approve, among other things, the Subscription Agreement and the Whitewash Waiver. The Subscriber, BEHL and parties acting in concert with any of them and their respective associates and those parties who are involved in, or interested in, the Subscription Agreement will abstain from voting on the resolutions approving the Subscription Agreement and the Whitewash Waiver at the EGM.

The Independent Board Committee, which formation has been approved by the Board, will make recommendations to the Independent Shareholders in respect of the terms of the Subscription Agreement and the transactions contemplated thereunder, including the Whitewash Waiver and an Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of (i) the Subscription Agreement, (ii) the Whitewash Waiver, (iii) the recommendation of the Independent Board Committee in relation to the Subscription Agreement and the Whitewash Waiver, (iv) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the Whitewash Waiver together with (v) a notice of the EGM to all Shareholders will be despatched to the Shareholders on or about 7 October 2011 in accordance with the requirements of the Takeovers Code and the Listing Rules.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares was suspended with effect from 9:00 a.m. on 12 September 2011 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:00 a.m on 16 September 2011.

Completion of the Subscription Agreement is subject to fulfilment of conditions precedent including the obtaining of the approval of the Independent Shareholders and the grant of the Whitewash Waiver and may or may not proceed. Shareholders and investors are advised to exercise caution when dealing in the Shares.

## **THE MEMORANDUM OF COOPERATION**

On 11 September 2011, the Company and BEHL entered into the MOU, pursuant to which (i) the Company conditionally agreed to issue and BEHL conditionally agreed to subscribe for 163,000,000 new Shares at a price of HK\$1.23 per new Share; (ii) the Company conditionally agreed to issue and

BEHL conditionally agreed to purchase the Firm Bonds; (iii) the Company conditionally agreed to grant the Call Option to BEHL; and (iv) the Company and BEHL agreed to appoint professionals to finalise the terms of the issue of and subscription for the Subscription Shares and the Firm Bonds and the grant of the Call Option and to prepare the necessary legal documents.

On 15 September 2011, the Company and the Subscriber entered into the Subscription Agreement which superseded the MOU.

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

15 September 2011

### **Parties**

- (a) The Company;
- (b) Idata Finance Trading Limited (i.e., the Subscriber), a company which is directly and wholly-owned by BEHL; and
- (c) BEHL (as guarantor), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange.

BEHL is a substantial shareholder of the Company and the Subscriber is a wholly-owned subsidiary of BEHL. As at the date of this announcement, BEHL is interested in 290,459,000 Shares (representing approximately 42.87% of the issued share capital of the Company), BEHL is therefore a connected person of the Company. The Subscriber is an associate of BEHL and is therefore also a connected person of the Company.

### **The Subscription Shares**

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for, 163,000,000 new Shares at a subscription price of HK\$1.23 per new Share. The Subscription Shares represent approximately 24.06% of the existing issued share capital and approximately 19.39% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The Subscription Shares when allotted and issued shall rank *pari passu* with all other Shares in issue in the share capital of the Company. There is no restriction on the subsequent sale of the Subscription Shares by the Subscriber. Pursuant to the Subscription Agreement, BEHL unconditionally and irrevocably guaranteed the performance and discharge by the Subscriber of all its obligations under the Subscription Agreement in favour of the Company.

The Subscription Shares will be issued under a specific mandate proposed to be sought from the Shareholders at the EGM.

### **The Subscription Price**

The Subscription Price of HK\$1.23 per Subscription Share represents:

- (a) a premium of approximately 1.65% to the closing price of HK\$1.21 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a discount of approximately 0.32% to the average closing price of HK\$1.234 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date;
- (c) a discount of approximately 1.68% to the average closing price of HK\$1.251 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date; and
- (d) a premium of approximately 34.57% to the net asset value of the Company of approximately HK\$0.914 per Share as at 31 December 2010, being the date to which the latest audited financial statements of the Company were made up.

The Subscription Price was determined with reference to the prevailing market price of the Shares after taking into account the financial position of the Company including the net asset value per Share, and was negotiated on an arm's length basis between the Company and the Subscriber.

### **The Firm Bonds**

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for, the Firm Bonds at the selling price of HK\$1,300,110,000.

The Firm Bonds will be issued under a specific mandate proposed to be sought from the Shareholders at the EGM.

### **The Call Option**

Pursuant to the Subscription Agreement, the Company has agreed to grant the Subscriber the Call Option to require the Company to issue the Option Bonds any time during the five-year period commencing on the Completion Date (which may be extended by agreement between the Subscriber and the Company). Pursuant to the Subscription Agreement, the Subscriber is entitled to unilaterally renounce its rights to exercise the Call Option at any time after the Completion Date.

## Principal terms of the Bonds

Issuer	:	The Company
Principal amount	:	Firm Bonds – HK\$1,300,110,000 Option Bonds – HK\$1,999,980,000
Maturity date	:	The date falling on the fifth anniversary of the date of issue by the Company of the Firm Bonds and the Option Bonds (as the case may be).
Initial conversion price	:	HK\$1.23 per Conversion Share.

The Initial Conversion Price was determined with reference to the prevailing market price of the Shares and the Subscription Price and was negotiated on an arm's length basis between the Company and the Subscriber. No minimum conversion price was stipulated in the Subscription Agreement.

The Initial Conversion Price is subject to adjustment upon the occurrence of certain prescribed events, among other things, consolidation or subdivision of shares, capitalization of profits or reserves, extraordinary distributions, rights issues of Shares or options over Shares, rights issues of other securities, and issues at less than current market price. The Initial Conversion Price may not be reduced so that, on conversion of the Bonds, Shares would be issued at a discount to their par value. The Company considers that foregoing events of adjustment are normal and customary of their kind.

The Initial Conversion Price represents:

- (a) a premium of approximately 1.65% to the closing price of HK\$1.21 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a discount of approximately 0.32% to the average closing price of HK\$1.234 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date;
- (c) a discount of approximately 1.68% to the average closing price of HK\$1.251 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date; and

- (d) a premium of approximately 34.57% to the net asset value of the Company of approximately HK\$0.914 per Share as at 31 December 2010, being the date to which the latest audited financial statement of the Company were made up.

The holders of the Bonds shall have the rights at any time during the applicable conversion period to convert the Bonds in whole, or in any part representing at least HK\$10,000,000 of the outstanding principal amount of the Bonds, into the Conversion Shares at the applicable conversion price.

- Ranking : The Conversion Shares, when allotted and issued, will rank pari passu in all respects with the other Shares in issue as at the date of issue of the Conversion Shares.
- Interest : The Bonds shall bear interest from the Completion Date at the rate of 1% per annum payable in arrears on the last day of every six months from the Completion Date and the first interest payment date shall fall on the day that is six months immediately following the Completion Date.
- Transferability : The Bonds may be transferable in whole or in part in multiples of HK\$10,000,000, provided that if necessary, the prior approval of the Stock Exchange shall be required for any transfer to any transferee which is a connected person (as defined in the Listing Rules) of the Company.
- Early Repayment : At any time following the second anniversary of the Completion Date, the holder(s) of the Bonds shall have the right at such holder's option to demand by giving three-months prior written notice to the Company for repayment of the aggregate amount of the outstanding Bonds held by such bondholder which would have become payable on the maturity date of the Bonds together with any interest accrued thereon.
- Voting rights : The Bonds do not confer on the holder(s) of the Bonds the right to vote at a general meeting of the Company.
- Events of default : On the occurrence of certain events of default specified in the Bonds (e.g., liquidation), the holder(s) of the Bonds shall be entitled to demand repayment of the relevant Bonds.

- Listing : No application will be made for the listing of the Bonds on the Stock Exchange or any other stock exchange
- Public float : The Company, at all times, shall use its reasonable endeavours to ensure that the relevant provisions as to the minimum public float requirement of the Listing Rules are complied with. It will be a term of the Bonds that the holder(s) of the Bonds shall not exercise any of the conversion rights attaching to the Bonds, if following such exercise, the Company's minimum public float cannot be maintained.

Upon exercise in full of the conversion rights attaching to the Firm Bonds (any such exercise will be conducted in compliance with the relevant requirements of the Takeovers Code), an aggregate of 1,057,000,000 Conversion Shares would fall to be allotted and issued by the Company at the Initial Conversion Price, which represents (a) approximately 156.02% of the existing issued share capital; (b) approximately 125.76% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares; and (c) approximately 55.71% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Conversion Shares upon full exercise of the Firm Bonds.

Upon exercise in full of the conversion rights attaching to Option Bonds (any such exercise will be conducted in compliance with the relevant requirements of the Takeovers Code), an aggregate of 1,626,000,000 Conversion Shares would fall to be allotted and issued by the Company at the Initial Conversion Price, which represents (a) approximately 240.01% of the existing issued share capital; (b) approximately 193.47% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares; (c) approximately 85.69% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Conversion Shares upon full exercise of the Firm Bonds; and (d) approximately 46.15% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares, the Conversion Shares upon full exercise of the Firm Bonds and the Conversion Shares upon full exercise of the Option Bonds.

### **Conditions Precedent**

Completion of the Subscription Agreement is conditional upon:

- (a) (i) the passing by the Independent Shareholders (other than those prohibited from voting under the Listing Rules and/or the Takeovers Code, if applicable) of all necessary resolutions at the EGM approving:
- (A) the Subscription Agreement and the transactions contemplated thereunder including (but not limited to) the grant of the Call Option, the issue of the Subscription Shares, the Bonds and the Conversion Shares in accordance with the terms of the Subscription Agreement;



- (B) the grant of a waiver in respect of the obligation of the Subscriber and the parties acting in concert with it (if any) to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired or subscribed by the Subscriber or parties acting in concert with it (if any) as a result of the issue of the Subscription Shares in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code; and
- (ii) the passing by the Shareholders of the resolution at the EGM approving the increase in the authorised share capital of the Company from HK\$1,000,000,000 to HK\$5,000,000,000;
- (b) the Executive granting to the Subscriber a waiver of the obligation to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired or subscribed by the Subscriber or parties acting in concert with it (if any) as a result of the issue of the Subscription Shares;
- (c) the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares (and such permission and listing not subsequently being revoked prior to the delivery of the definitive certificate(s) with respect to the Subscription Shares and the bond certificates with respect to the Firm Bonds);
- (d) the Subscriber being reasonably satisfied with the results of the due diligence review on the Group, including in relation to the Group's assets, liabilities, contracts, commitments, and its business and financial, legal, taxation and compliance aspects, provided that such due diligence review shall be completed within 7 days from the date of the Subscription Agreement;
- (e) the grant of the approval by the Stock Exchange for the resumption of trading in Shares on the Stock Exchange pending the release of this announcement;
- (f) the current listing of the Shares not having been withdrawn and the Shares continuing to be traded on the Stock Exchange (save for any temporary suspension of not more than seven consecutive trading days (as defined in the Listing Rules) or any suspension pending clearance of any announcement in connection with the execution of the Subscription Agreement or the transactions contemplated under the Subscription Agreement); no indication having been received on or before the Completion Date from the Stock Exchange or the Securities and Futures Commission to the effect that the listing of the Shares may be withdrawn or objected to for any reason having arisen which may adversely affect the listing status of the Company on the Stock Exchange;
- (g) the warranties set forth in the Subscription Agreement remaining true and accurate and not misleading in any material respects;
- (h) all other requisite consents, authorisations and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of the Subscription Agreement having been obtained by the Company;

- (i) the Subscriber being reasonably satisfied that there has been no material adverse change;
- (j) there being no event existing or having occurred and no condition being in existence which would (if after the issue of the Firm Bonds) constitute an event of default and no event or act having occurred which, with the giving of notices, or the lapse of time, or both, would (if after the issue of the Firm Bonds) constitute an event of default; and
- (k) the Subscriber being reasonably satisfied that there has been no material breach of obligations and undertakings given by the Company under the Subscription Agreement to be performed not later than one hour before the agreed time for Completion.

The Subscriber may in its absolute discretion waive the conditions precedent referred to in paragraph (d), (f), (g), (h), (i), (j) and (k) above at any time by notice in writing to the Company. Except the foregoing conditions precedent, the Subscriber does not have the rights to waive the conditions precedent under the Subscription Agreement. In the event that not all of the conditions precedent are fulfilled, or waived by the Subscriber (as the case may be) by the Long Stop Date, then none of the parties shall be bound to proceed with the issue and subscription of the Subscription Shares and the Firm Bonds and the grant of the Call Option, and the Subscription Agreement shall be automatically terminated forthwith and cease to be of any effect whereupon the parties shall have no claim against each other arising out of or in connection with the Subscription Agreement and save in respect of claims arising out of any antecedent breach thereof.

Subject to the continuing fulfillment of the conditions precedent or waiver thereof (as the case may be) in accordance with the Subscription Agreement, Completion shall take place on the third Business Day immediately following the fulfillment or satisfaction (or if applicable, waiver) of the conditions precedent. At Completion, the Company shall issue all of the Subscription Shares and the Firm Bonds and grant the Call Option (but not part only unless the Subscriber agrees to do so).

### **Indemnification**

The Company has represented and warranted to the Subscriber that the Company has no liabilities, actual, contingent or otherwise, except (i) liabilities expressly provided in the audited consolidated accounts of the Group for the financial year ended 31 December, 2010 and the unaudited consolidated management accounts of the Group for the six months ended 30 June 2011; and (ii) actual liabilities incurred in the ordinary course of business of the relevant members of the Group not exceeding HK\$10,000,000 in a single transaction or HK\$30,000,000 in aggregate. Subject to and conditional on the Completion, in the event of any breach of the foregoing warranty, the Company shall indemnify the Subscriber and pay to the Subscriber on demand an amount equal to the product of the liabilities to which any member of the Group is liable as confirmed and certified by the auditors of the Company and the percentage of the Shares held by the Subscriber in the then issued share capital of the Company upon Completion.

The maximum aggregate liability of the Company for breach of any warranty contained in the Subscription Agreement shall not exceed the aggregate amount of the consideration of the Subscription Shares and selling price of the Bonds received by the Company. All claims for indemnification shall be brought in writing to the Company no later than the third anniversary of the Completion Date.

## **WHITEWASH WAIVER**

Immediately following the allotment and issue of the Subscription Shares to the Subscriber on Completion, the Subscriber, BEHL and parties acting in concert with any of them will be interested in 453,459,000 Shares, representing approximately 53.95% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. In the absence of the Whitewash Waiver, the Subscriber would incur an obligation pursuant to Rule 26 of the Takeovers Code to make a mandatory offer to the Shareholders to acquire all the Shares other than those held by the Subscriber and parties acting in concert with it.

The Subscriber will make an application to the Executive for the Whitewash Waiver and such grant will be subject to, among other things, (i) approval of the Independent Shareholders in respect of the Whitewash Waiver at the EGM where voting on the relevant resolutions shall be taken by poll; (ii) the Subscriber and the parties acting in concert with it not having acquired any Shares in the six months prior to the date of this announcement but subsequent to negotiations, discussions or the reaching of understanding or agreements with the Directors in relation to the subscription of the Subscription Shares under the Subscription Agreement; and (iii) the Subscriber and parties acting in concert with it not having any acquisitions or disposals of the Shares between the date of this announcement and the Completion.

As at the date of this announcement, the Company had 51,420,000 share options outstanding under the share option scheme adopted by the Company on 31 May 2011. Save for such options, the Company does not have any outstanding options, warrants, derivatives and other securities convertible or exchangeable into Shares or any other derivatives as at the date of this announcement.

The Subscriber, BEHL and parties acting in concert with any of them and their respective associates and those parties who are involved in, or interested in, will abstain from voting on the resolutions approving the Subscription Agreement and the transactions contemplated thereunder, including the Whitewash Waiver, at the EGM.

## CHANGE OF THE SHAREHOLDING STRUCTURE

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; (ii) upon issue and allotment of the Subscription Shares; (iii) upon full conversion of the Firm Bonds; and (iv) upon full conversion of the Option Bonds:

Shareholders	As at the date of this Announcement		Upon issue and allotment of the Subscription Shares		Upon issue and allotment of the Subscription Shares and upon full conversion of the Firm Bonds		Upon issue and allotment of the Subscription Shares and upon full conversion of the Firm Bonds and upon full conversion of the Option Bonds	
	Number of Shares	Approximate shareholding %	Number of Shares	Approximate shareholding %	Number of Shares	Approximate shareholding %	Number of Shares	Approximate shareholding %
The Subscriber, BEHL, and parties acting in concert with any of them	290,459,000	42.87	453,459,000	53.95	1,510,459,000	79.60	3,136,459,000	89.02
Directors (in aggregate) (Note (d))	14,997,755	2.21	14,997,755	1.78	14,997,755	0.79	14,997,755	0.43
Other public shareholders	372,003,395	54.91	372,003,395	44.26	372,003,395	19.61	372,003,395	10.56
Total	<u>677,460,150</u>	<u>100.00</u>	<u>840,460,150</u>	<u>100.00</u>	<u>1,897,460,150</u>	<u>100.00</u>	<u>3,523,460,150</u>	<u>100.00</u>

### Notes:

- The interest disclosed includes the 275,675,000 Shares owned by the Subscriber, a wholly-owned subsidiary of BEHL. Accordingly, BEHL is deemed to be interested in the Shares owned by the Subscriber. BEHL directly owns 14,784,000 Shares. Beijing Enterprises Group (BVI) Company Limited (“BEBVI”) and Beijing Enterprises Group Company Limited (“BEGCL”) are immediate holding company and the ultimate holding company of BEHL, respectively. Accordingly, each of BEBVI and BEGCL is deemed to be interested in the Shares owned by each of BEHL and the Subscriber.
- It is a term of the Bonds that the holder(s) of the Bonds shall not exercise any of the conversion rights attaching to the Bonds, if following such exercise, the Company’s minimum public float cannot be maintained.
- The shareholding figures above may not add up to 100 due to rounding to 2 decimal places.
- Mr. E Meng and Mr. Zhang Honghai are also directors of BEHL and are together interested in 4,601,000 Shares.

## HIGHEST AND LOWEST SHARE PRICE

The highest and lowest closing price of the Shares as quoted on the Stock Exchange during the six-month period preceding the date of this announcement was HK\$1.40 recorded on 13 April 2011 and HK\$1.12 recorded on 10 June 2011 and 16 June 2011 respectively.

## **DEALINGS IN THE SHARES BY THE SUBSCRIBER AND PARTIES ACTING IN CONCERT WITH IT AND OTHER MISCELLANEOUS MATTERS**

Save for the entering into of the MOU and the Subscription Agreement, there has been no dealing of Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company by the Subscriber and parties acting in concert with it during the six month period immediately prior to the date of this announcement and up to the date of this announcement.

As at the date of this announcement, other than the approximately 42.87% of the issued share capital of the Company owned by the Subscriber, BEHL and parties acting in concert with any of them and transactions contemplated under the Subscription Agreement and as disclosed in this announcement:

- i) the Subscriber, BEHL and parties acting in concert with any of them did not hold any other shares, convertible securities, warrants or options of the Company, or any outstanding derivative in respect of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- ii) with reference to Note 8 to Rule 22 of the Takeovers Code, there was no other arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Subscriber or the Company and which may be material to the Whitewash Waiver and/or the Subscription Agreement;
- iii) there was no other agreement or arrangement to which any of the Subscriber, BEHL and parties acting in concert with any of them was a party which related to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Whitewash Waiver and/or the Subscription Agreement;
- iv) the Subscriber, BEHL and parties acting in concert with any of them had not received any irrevocable commitment to accept or reject the Subscription Agreement or to vote in favour of or against the resolutions to be proposed at the EGM; and
- v) the Subscriber, BEHL and parties acting in concert with any of them had not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

## **INFORMATION ON THE SUBSCRIBER**

The Subscriber is a company incorporated in the British Virgin Islands with limited liability and is directly and wholly-owned by BEHL. The principal business of the Subscriber is investment holding.

Set out below is the key financial information of the Company based on its unaudited financial statements for the six months ended 30 June 2011 prepared under Hong Kong Financial Reporting Standards:

<i>(HK\$'000)</i>	<b>Six months ended 30 June 2011 (unaudited)</b>
Revenue	45,690
Loss before taxation and extraordinary items	55,205
Loss after taxation and extraordinary items	55,771

According to the unaudited financial statements of the Company as at 30 June 2011, the net asset value of the Company was approximately HK\$628,441,000.

The Company is incorporated in Hong Kong and is principally engaged in investment holding. The principal activities of the Group's subsidiaries comprise the provision of information technology ("IT") related services, including: (i) system integration; (ii) the construction of information networks and sale of related equipment; (iii) the provision of IT technical support and consultation services; (iv) the development and sale of software; and (v) the implementation of smart card systems.

BEHL is a company incorporated in Hong Kong with limited liabilities, the shares of which are listed on the Main Board of the Stock Exchange. BEHL's group of companies is principally engaged in public utilities, infrastructure projects, investment holding and investment management.

Beijing Enterprise Group (BVI) Company Limited directly owns approximately 36.16% of the issued share capital of BEHL, while its subsidiary, Beijing Enterprises Investments Limited, a company incorporated in the British Virgin Islands with limited liability, directly and indirectly owns an aggregate of approximately 23.19% of the issued share capital of BEHL. Accordingly, Beijing Enterprise Group (BVI) Company Limited together with Beijing Enterprises Investments Limited own an aggregate of approximately 59.35% of the issued share capital of BEHL.

Based on the price of the Subscription Shares and the price of the Firm Bonds, the payment term of the Subscription Agreement and the value of the Group, the directors of BEHL are of the view that the Subscription Agreement is on normal commercial terms, fair and reasonable and the entering into of the Subscription Agreement is beneficial to BEHL and its shareholders as a whole.

## **REASONS FOR ENTERING INTO THE SUBSCRIPTION AGREEMENT**

Upon Completion, the Company will become a non wholly-owned indirect subsidiary of BEHL and the results of the Group will be consolidated to the financial statements of BEHL. The Subscriber intends to maintain the listing status of the Company on the Stock Exchange following the Completion.

BEHL has expressed its intention to invest in the Group and to use the Group as its platform to secure and explore suitable business opportunities in the future. As at the date of this announcement, BEHL has not identified any such business opportunities. The Directors also believe that the Group will be benefited by BEHL's extensive experience and expertise in the market. The Directors are of the view that the Proposed Transactions would be the best method to strengthen the Company's strategic capability.

Having taken into consideration the factors discussed above, the Directors (excluding the independent non-executive Directors) consider that the terms of the Subscription Agreement, the Firm Bonds and the Call Option are fair and reasonable and the entering into of the Subscription Agreement, the issue of the Subscription Shares and the Firm Bonds and the grant of the Call Option are in the interests of the Company and the Shareholders as a whole. The independent non-executive Directors' view are subject to the advice to be received from the Independent Financial Adviser, which advice and recommendations in respect of, among other things, the Subscription Agreement and the Whitewash Waiver will be set out in the circular to be issued by the Company to the Shareholders as required by the Takeover Code and the Listing Rules.

## **USE OF PROCEEDS**

The net proceeds from the issue of the Subscription Shares and the Firm Bonds (taking no account of the Option Bonds) are estimated to be approximately HK\$1,499 million. The Directors at present intend to apply the net proceeds to explore new business and project acquisitions when suitable opportunities arise in the future. As at the date of this announcement, the Company has not identified any such opportunities and, given the state of the current global economy, the Directors have been and will continue to actively seek business opportunities in applying the net proceeds and in anticipation of the proceeds that may eventuate should the subscription rights under the Option Bonds be exercised under the Subscription Agreement. Given the Firm Bonds carry a maturity date of more than a year and given the subscription rights pursuant to the Option Bonds are exercisable at the sole discretion of BEHL and that such subscription rights may or may not ultimately be exercised, the Company shall nevertheless comply with the requirements under Rule 14.82 of the Listing Rules in respect of any proposed exercise of the subscription rights under the Option Bonds.

## **FUND RAISING ACTIVITIES FOR THE PAST 12 MONTHS**

The Company has not conducted any equity fund raising exercises in connection with any issue of equity securities in the 12 months immediately preceding the date of this announcement.

## **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

As at the date of this announcement, the authorised share capital of the Company is HK\$1,000,000,000 divided into 1,000,000,000 Shares, of which 677,460,150 Shares have been issued and fully paid or credited as fully paid. In order to fulfill condition precedent (a)(ii) referred to in the paragraph headed "Conditions precedent" above, and to provide the Group with flexibility in future expansion and growth by means of issuing new Shares and fund raising activities as

the Directors may consider appropriate from time to time, the Directors propose to increase the authorised share capital of the Company to HK\$5,000,000,000 divided into 5,000,000,000 Shares by the creation of an additional 4,000,000,000 unissued Shares. The increase in the authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM and no Shareholders are required to abstain from voting on such resolution.

## LISTING RULES IMPLICATIONS

BEHL is a substantial shareholder of the Company and the Subscriber is a wholly-owned subsidiary of BEHL. As at the date of this announcement, BEHL is interested in 290,459,000 Shares (representing approximately 42.87% of the issued share capital of the Company), BEHL is therefore a connected person of the Company. The Subscriber is an associate of BEHL and is therefore also a connected person of the Company under the Listing Rules and as such, the Proposed Transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules. In light of the above, the Subscription Agreement would be subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Pursuant to Rule 14.82 of the Listing Rules which stipulates that if the assets of a listed issuer consist wholly or substantially of cash or short-dated securities, it will not be regarded as suitable for listing and trading in its securities will be suspended. Pursuant to Rule 14.84 of the Listing Rules, the listed issuer may apply to the Stock Exchange to lift the suspension once it has a business suitable for listing. The Stock Exchange will treat its application for lifting the suspension as if it were an application for listing from a new applicant. The Stock Exchange reserves the right to cancel the listing if such suspension continues for more than twelve months or in any other case where it considers it necessary.

The Company would advise that upon Completion, the Company may or may not become a “cash company” as stipulated under Rule 14.82 of the Listing Rules. Shareholders and potential investors of the Company should note that Completion of the Subscription Agreement is subject to, among other things, the granting of the listing of and permission to deal in the Subscription Shares and the Conversion Shares by the Listing Committee of Stock Exchange and therefore, Completion may or may not take place. **Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares in view of the “cash company” issue and the possibility that Completion may or may not take place.**

## GENERAL

The EGM will be held to consider and if thought fit, pass the resolutions to approve, among other things, the Subscription Agreement and the Whitewash Waiver. The Subscriber, BEHL and parties acting in concert with any of them and their respective associates and those parties who are involved in, or interested in, the Subscription Agreement will abstain from voting on the resolutions approving the Subscription Agreement and the Whitewash Waiver at the EGM.



The Independent Board Committee, which formation has been approved by the Board, will make recommendations to the Independent Shareholders in respect of the terms of the Subscription Agreement and the transactions contemplated thereunder, including the Whitewash Waiver and an Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of (i) the Subscription Agreement, (ii) the Whitewash Waiver, (iii) the recommendation of the Independent Board Committee in relation to the Subscription Agreement and the Whitewash Waiver, (iv) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the Whitewash Waiver together with (v) a notice of the EGM to all Shareholders will be despatched to the Shareholders on or about 7 October 2011 in accordance with the requirements of the Takeovers Code and the Listing Rules.

An application will be made by the Company for the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares.

## **RESUMPTION TRADING**

At the request of the Company, trading in the Shares was suspended with effect from 9:00 a.m. on 12 September 2011 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on Stock Exchange with effect from 9:00 a.m on 16 September 2011.

**Completion of the Subscription Agreement is subject to fulfillment of conditions precedent including the obtaining of the approval of the Independent Shareholders and the grant of the Whitewash Waiver and may or may not proceed. Shareholders and investors are advised to exercise caution when dealing in the Shares.**

## **DEFINITION**

In this announcement, unless the context otherwise requires, the following terms shall have the following meaning:

“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“associate(s)”	has the meanings ascribed thereto under the Listing Rules
“BEHL”	Beijing Enterprises Holdings Limited, a company incorporated in Hong Kong with limited liability, the share of which are listed on the Main Board of the Stock Exchange
“Board”	the board of Directors

“Bonds”	the Firm Bonds and the Option Bonds
“Call Option”	an option proposed to be granted by the Company to the Subscriber to require the Company to issue the Option Bonds at their full face value to the Subscriber or its nominee (which would be a subsidiary of BEHL) as the Subscriber may direct pursuant to the Subscription Agreement
“Company”	Beijing Development (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of Stock Exchange
“Completion”	completion of the Subscription Agreement
“Completion Date”	the date on which Completion takes place
“Conversion Shares”	Shares to be issued upon conversion of the Firm Bonds and the Option Bonds (as the case may be)
“Director(s)”	director(s) of the Company
“EGM”	extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, to approve, among other matters, the Subscription Agreement and the transactions contemplated thereunder, including the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Firm Bonds”	the convertible bonds due 2016 in the aggregate principal amount of HK\$1,300,110,000 proposed to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent board committee of the Board comprising the independent non-executive Directors, namely, Dr. Jin Lizuo, Dr. Huan Guocang and Dr. Wang Jianping, which has been formed for the purpose of advising the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder, including the Whitewash Waiver and approving the appointment of the Independent Financial Adviser
“Independent Financial Adviser”	independent financial adviser to be appointed to advise the Independent Board Committee and Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, including the Whitewash Waiver
“Independent Shareholders”	Shareholders other than the Subscriber, BEHL and parties acting in concert with any of them and their respective associates and those parties who are involved in, or interested in, the Subscription Agreement and/or the Whitewash Waiver
“Initial Conversion Price”	the initial conversion price of each Conversion Share of HK\$1.23
“Last Trading Date”	9 September 2011, being the last trading day of the Shares on the Stock Exchange prior to the suspension of trading of the Shares with effect from 9:00 a.m. on 12 September 2011
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 November 2011 or any later date as agreed by the parties to the Subscription Agreement
“MOU”	the memorandum of cooperation dated 11 September 2011 among the Company and BEHL
“Option Bonds”	the convertible bonds in the aggregate principal amount of HK\$1,999,980,000 proposed to be issued by the Company pursuant to the exercise of the Call Option
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Transactions”	the proposed issue of and subscription for the Subscription Shares and the Firm Bonds and the grant of the Call Option pursuant to the Subscription Agreement

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Idata Finance Trading Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by BEHL
“Subscription Agreement”	the conditional subscription agreement dated 15 September 2011 among the Company, the Subscriber and BEHL in relation to the Proposed Transactions
“Subscription Price”	the subscription price of each Subscription Share of HK\$1.23
“Subscription Shares”	a total of 163,000,000 new Shares proposed to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Whitewash Waiver”	a waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code from the obligation of the Subscriber and parties acting in concert with it to make a mandatory general offer for all the Shares other than those held by the Subscriber and parties acting in concert with it as a result of the proposed issue of the Subscription Shares
“%”	per cent.

*As at the date of this announcement, the executive directors of the Company are Mr. E Meng, Mr. Zhang Honghai, Mr. Wang Yong, Mr. Yan Qing, Ms. Sha Ning and Mr. Ng Kong Fat, Brian, and the independent non-executive directors of the Company are Dr. Jin Lizuo, Dr. Huan Guocang and Dr. Wang Jianping.*

*As at the date of this announcement, the board of directors of BEHL comprises Mr. Wang Dong, Mr. Zhang Honghai, Mr. Lin Fusheng, Mr. Li Fucheng, Mr. Zhou Si, Mr. E Meng, Mr. Liu Kai, Mr. Guo Pujin, Mr. Lei Zhengang, Mr. Jiang Xinhao and Mr. Tam Chun Fai as executive directors; Mr. Wu Jiesi, Mr. Robert A. Theleen, Mr. Lam Hoi Ham and Mr. Fu Tingmei as independent non-executive directors.*

*As at the date of this announcement, the board of directors of the Subscriber comprises Mr. Liu Kai and Mr. E Meng.*

By order of the Board  
**Beijing Development (Hong Kong) Limited**  
**Wang Yong**  
*Executive Director*

By order of the Board  
**Beijing Enterprises Holdings Limited**  
**Zhang Honghai**  
*Vice Chairman*

Hong Kong, 15 September 2011

*All the directors of Beijing Development (Hong Kong) Limited jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, other than that relating to the Subscriber and BEHL, and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement, other than that relating to the Subscriber and BEHL, have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*The respective directors of the Subscriber and BEHL jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, other than that relating to the Group, and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement, other than that relating to the Group, have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*