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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)



Xteam Software International Limited
衝浪平台軟件國際有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8178)

JOINT ANNOUNCEMENT

DISCLOSEABLE TRANSACTION FOR BEIJING DEVELOPMENT (HONG KONG) LIMITED INVOLVING PLACING OF EXISTING SHARES OF XTEAM SOFTWARE INTERNATIONAL LIMITED BY BEIJING DEVELOPMENT (HONG KONG) LIMITED

Placing Agent



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

SUMMARY

On 7 June 2007, the Vendor, which together with parties acting in concert with it (as defined in the Takeovers Code) holds approximately 45.38% of the existing issued share capital of Xteam as at the date of the Placing Agreement, entered into the Placing Agreement with the Placing Agent, pursuant to which the Vendor has agreed to place and the Placing Agent has agreed, on a best endeavours basis, to procure the placing of the Placing Shares, being up to a total of 220,000,000 Shares, to the Placees at the Placing Price of HK\$0.62 per Placing Share. The Placing Shares represent approximately 4.72% of the issued share capital of Xteam as at the date of the Placing Agreement.

The net proceeds of the Placing of approximately HK\$132.2 million will be applied for general working capital purpose. As at the date of this announcement, Beijing Development has no intention to use the net proceeds raised for any specific purpose and there is no negotiation in progress or agreement entered into by Beijing Development and its subsidiaries, which triggers the disclosure obligation on the part of Beijing Development pursuant to the Listing Rules.

The Placing constitutes a discloseable transaction for Beijing Development as the relevant percentage ratios pursuant to Chapter 14 of the Listing Rules are more than 5% but under 25%. A circular containing further details of the Placing will be dispatched to the shareholders of Beijing Development as soon as practicable and in accordance with the Listing Rules.

This announcement is made by Xteam pursuant to Rule 17.10 of the GEM Listing Rules, which is or may be a price-sensitive nature.

Pursuant to the Placing Agreement, the Placing Agent has agreed with the Vendor to place up to a total of 220,000,000 existing Shares at the Placing Price on a best effort basis.

THE PLACING AGREEMENT DATED 7 JUNE 2007 ENTERED INTO BETWEEN THE VENDOR AND THE PLACING AGENT

Vendor

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

Placing Agent

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

Placees

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

Number of the Placing Shares

Pursuant to the Placing Agreement, the number of Placing Shares shall be up to a total of 220,000,000. The Placing Shares represent approximately 4.72% of the issued share capital of Xteam as at the date of the Placing Agreement.

Placing Price

The Placing Price of HK\$0.62 per Placing Share represents

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

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

Basis of the Placing

Pursuant to the Placing Agreement, the Placing Agent shall place the Placing Shares on a best endeavours basis.

Completion of the Placing

The Placing is unconditional. Completion of the Placing is expected to take place before 5:00 p.m. on the second Business Day immediately after the date of the Placing Agreement, or such other date and time as may be agreed between the Vendor and the Placing Agent.

CHANGES IN THE SHAREHOLDING INTERESTS OF XTEAM

The shareholding interests of Xteam as at the date of the Placing Agreement and immediately after completion of the Placing, assuming all 220,000,000 existing Shares are placed by the Placing Agent are as follows:

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

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

INFORMATION OF XTEAM

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

REASONS FOR THE PLACING AND USE OF THE NET PROCEEDS

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

It is the strategy of Beijing Development to concentrate on its principal activities, to streamline the asset portfolio and reorganise assets so as to deliver optimal value for its shareholders. The Directors (including the independent non-executive Directors) considered that the Placing represents an opportunity to realize a part of its investment in Xteam but still maintain a controlling stake in Xteam. The gross proceeds and the net proceeds of the Placing are estimated to be approximately HK\$136.4 million and HK\$132.2 million respectively. Beijing Development intends to apply such amount as general working capital of Beijing Development and its subsidiaries. As at the date of this announcement, Beijing Development has no intention to use the net proceeds raised for any specific purpose and there is no negotiation in progress or agreement entered into by Beijing Development and its subsidiaries, which triggers the disclosure obligation on the part of Beijing Development pursuant to the Listing Rules. By reference to the net proceeds of the Placing of approximately HK\$132.2 million and the adjusted net assets value of Xteam attributable to Beijing Development immediately before and after the Placing, the Directors estimate that the expected gain to be derived from the Placing will amount to approximately HK\$118 million.

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

IMPLICATIONS UNDER THE LISTING RULES AND THE GEM LISTING RULES

The Placing constitutes a discloseable transaction for Beijing Development as the relevant percentage ratios pursuant to Chapter 14 of the Listing Rules are more than 5% but under 25%. A circular containing further details of the Placing will be dispatched to the shareholders of Beijing Development as soon as practicable and in accordance with the Listing Rules.

This announcement is made by Xteam pursuant to Rule 17.10 of the GEM Listing Rules, which is or may be a price-sensitive nature.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Beijing Development”	Beijing Development (Hong Kong) Limited, a company incorporated in Hong Kong and the issued shares of which are listed on main board of the Stock Exchange
“Business Day”	a day (other than a Saturday) on which banks in Hong Kong are open for business
“Director(s)”	director(s) of Beijing Development
“GEM”	the Growth Enterprise Market of the Stock Exchange

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Placing Shares pursuant to the Placing Agreement
“Placing Agent”	China Merchants Securities (HK) Co., Ltd, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 regulated activity (advising on corporate finance) and type 9 (asset management) of the regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong),
“Placing Agreement”	the placing agreement entered into on 7 June 2007 by the Vendor and the Placing Agent in relation to the Placing
“Placing Price”	HK\$0.62 per Placing Share
“Placing Shares”	up to a total of 220,000,000 existing Shares owned by the Vendor as at the date of the Placing Agreement
“PRC”	the People’s Republic of China
“Share(s)”	share(s) of HK\$0.01 each in the share capital of Xteam
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers and Share Repurchases
“Vendor”	Prime Technology Group Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of Beijing Development
“Xteam”	Xteam Software International Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the GEM

“HK\$” Hong Kong dollar(s), the lawful currency of Hong Kong

“%” per cent.

By order of the board of directors
Beijing Development (Hong Kong) Limited
Wong Kwok Wai, Robin
Company Secretary

By order of the board of directors
Xteam Software International Limited
Ng Weng Sin
Company Secretary

Hong Kong, 7 June 2007

As at the date of this announcement, the executive directors of Beijing Development are Mr. Zhang Honghai, Mr. Li Kangying, Mr. E Meng, Mr. Wang Yong, Mr. Cao Wei, Dr. Yu Xiaoyang and Mr. Ng Kong Fat, Brian; and the independent non-executive directors of Beijing Development are Mr. Cao Guixing, Prof. Liu Wei and Dr. Jin Lizuo.

As at the date of this announcement, the executive directors of Xteam are Mr. Li Kang Ying, Mr. Wang Dong Bin, Mr. Cao Wei, Mr. E Meng, Mr. Yan Qing, Mr. Ng Kong Fat, Brian and Ms. Chen Zhi; and the independent non-executive directors of Xteam are Ms. Ma Yu Hua, Ms. Liang Ye Ping and Mr. Jiang Qi Ping.

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Please also refer to the published version of this announcement in The Standard.