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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 Companies Ordinance)

(Stock Code: 154)

**DISCLOSEABLE AND CONNECTED TRANSACTION
INVOLVING DISPOSAL OF AN EQUITY INTEREST IN
BEIJING MUNICIPAL ADMINISTRATION & COMMUNICATIONS
CARD CO., LTD.**

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



粵海證券有限公司

GUANGDONG SECURITIES LIMITED

THE AGREEMENT

Reference is made to the announcement of the Company dated 31 March 2011. The Board is pleased to announce that on 13 May 2011, the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase 43% of the entire issued share capital of the Target Company for a total consideration of RMB96,380,000 (equivalent to approximately HK\$115.22 million), which will be settled in cash.

The Target Company is a sino-foreign equity joint venture company established in the PRC and a jointly controlled entity indirectly held as to 43% by the Company through the Vendor. Upon Completion, the Company will cease to hold any interest in the Target Company.

DISCLOSEABLE AND CONNECTED TRANSACTION

The Vendor is a wholly-owned subsidiary of the Company. As at the date of this announcement, the Purchaser indirectly holds 290,459,000 shares of the Company (representing approximately 42.87% of the issued share capital of the Company). The Purchaser is therefore a connected person of the Company under the Listing Rules and as such, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Further, as the applicable percentage ratios in respect of the Disposal are greater than 5% but less than 25%, the Disposal also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

In light of the above, the Disposal is subject to the reporting and announcement requirements and the Independent Shareholders' approval under the Listing Rules.

DESPATCH OF CIRCULAR TO THE SHAREHOLDERS

A circular containing, amongst other things: (a) a notice of the Company's upcoming EGM to seek approval from the Independent Shareholders of the Disposal together with the transactions contemplated thereunder; (b) further details of the Disposal; (c) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Agreement and other information as required under the Listing Rules; and (d) a letter of recommendation from the Independent Board Committee to the Independent Shareholders, will be despatched to the Shareholders on or before 3 June 2011.

THE AGREEMENT

Reference is made to the announcement of the Company dated 31 March 2011. The Board is pleased to announce that on 13 May 2011, the Vendor as vendor entered into the Agreement with the Purchaser as purchaser pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase 43% of the entire issued share capital of the Target Company for a total consideration of RMB96,380,000 (equivalent to approximately HK\$115.22 million), which will be settled in cash.

As at the date of this announcement, the Target Company is a jointly controlled entity indirectly held as to 43% by the Company. Upon Completion, the Company will cease to hold any interest in the Target Company.

Date

13 May 2011

Parties

- Vendor : Business Net Limited, a company incorporated under the laws of the BVI and a wholly-owned subsidiary of the Company
- Purchaser : Beijing Enterprises Group Company Limited, a limited liability company established in the PRC and a substantial shareholder of the Company

As at the date of this announcement, the Purchaser indirectly holds 290,459,000 shares of the Company (representing approximately 42.87% of the issued share capital of the Company) and is therefore a connected person of the Company under the Listing Rules.

Assets to be disposed

43% equity interest in the Target Company

Consideration

The aggregate consideration for the Disposal of RMB96,380,000 (equivalent to approximately HK\$115.22 million) shall be paid by the Purchaser to the Vendor as follows:

1. 30% of the consideration (being RMB28,914,000) payable by cash within 5 Business Days upon the fulfilment of the conditions precedent as stipulated in the “Conditions Precedent” section below (the “**First Instalment**”);
2. 30% of the consideration (being RMB28,914,000) payable by cash on or before 31 December 2011;
3. 20% of the consideration (being RMB19,276,000) payable by cash on or before 30 June 2012; and
4. 20% of the consideration (being RMB19,276,000) payable by cash on or before 31 December 2012.

The consideration for the Disposal was arrived at after arm’s length negotiations between the parties to the Agreement on normal commercial terms and having regard to the original cost of investment in the Target Company of approximately HK\$64.62 million.

Conditions Precedent

Payment of the First Instalment, as referred to above, is conditional upon the following conditions:

- (a) the Agreement having been signed by the parties and affixed with their seals according to law and comes into effect;

- (b) for the purpose of signing the Agreement and other relevant documents, and for completing the matters required under the Agreement and other relevant documents, the Vendor having obtained all its requisite internal approvals, including (but not limited to) (i) the rules to be complied with pursuant to the articles of association of the Target Company; and (ii) the Company obtaining the approval of the Disposal by its Independent Shareholders at the EGM;
- (c) the obtaining of all required approvals for the Disposal from the relevant competent government and regulatory authorities;
- (d) there being no effective prohibition order or any similar decree which is likely to prohibit or restrict either parties from completing the Agreement or other definitive agreements; and
- (e) no material adverse change having occurred in the Target Company.

If any of the above conditions precedent has not been satisfied on or before 29 December 2011 (or such other dates as may be mutually agreed by the Vendor and the Purchaser), the Agreement shall lapse and have no further effect and none of the parties to the Agreement shall have any claims against the other party (without prejudice to the rights of the parties in respect of any antecedent breaches of the Agreement).

INFORMATION OF THE GROUP, THE VENDOR, THE PURCHASER AND THE TARGET COMPANY

Information of the Group

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. There will be no change in the principal activities of the Company upon Completion.

Information of the Vendor

The Vendor is a company incorporated under the laws of the BVI and a wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Information of the Purchaser

The Purchaser is a limited liability company established in the PRC and is indirectly interested in 290,459,000 shares of the Company as of the date of this announcement. It is principally engaged in investment holding.

Information of the Target Company

The Target Company is a sino-foreign equity joint venture company established in the PRC on 23 October 2000 for a term of 20 years, and has a fully paid-up registered capital of RMB100 million. The Target Company is principally engaged in (1) the production, issuance and settlement service of municipal administration and communications card, namely “Yikatong”; and (2) the investment and management of the “Yikatong” system and its related equipment.

Financial Information of the Target Company

In accordance with the generally accepted accounting principles in the PRC, the audited loss before and after taxation of the Target Company for the years ended 31 December 2009 and 2010 were approximately RMB8.23 million (equivalent to approximately HK\$9.35 million) and RMB0.83 million (equivalent to approximately HK\$0.98 million), respectively, and the audited net liabilities of the Target Company as at 31 December 2010 were approximately RMB85.29 million (equivalent to approximately HK\$100.34 million).

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Company has not contributed any investment return to the Company since the Company’s investment in it from 2003. Although the Target Company has been coordinating with various Beijing Municipal Government departments and units over the years, it has not reached any agreement with public buses and subway operators in Beijing on the charges of settlement services. It has therefore been unable to achieve a steady income from its principal business.

The profitability of the Target Company cannot be reliably forecasted because it is uncertain as to whether a fixed financial subsidy mechanism can be established, nor a subsidy will continue to be granted to the Target Company, and the specific rules of relevant policies and regulations in relation to non-financial institutions providing payment services in the PRC remains unclear at present. The Directors, excluding members of the Independent Board Committee, considered that the Disposal represents an opportunity for the Company (through the Vendor) to realise its investment in the Target Company.

The Directors (excluding members of the Independent Board Committee, who will give their opinion after considering the letter of advice from the Independent Financial Adviser) are of the view that the terms of the Agreement are on normal commercial terms, which are fair and reasonable and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

As the cost of investment in the Target Company in the books of the Company has been fully written off in prior years, the Company expects a gain to be derived from the Disposal before expenses and taxation, which will amount to approximately HK\$115.22 million.

USE OF PROCEEDS

The Company intends to use the sale proceeds from the Disposal (after deducting all relevant fees and expenses) for acquiring other businesses with potential growth prospects. In the event that the Company is unable to identify such acquisition targets, the Company intends to apply the sale proceeds from the Disposal as general working capital of the Group. No specific target has been identified as at the date of this announcement.

LISTING RULES IMPLICATIONS

The Vendor is a wholly-owned subsidiary of the Company. The Purchaser indirectly holds 290,459,000 shares of the Company (representing approximately 42.87% of the issued share capital of the Company) as at the date of this announcement. The Purchaser is therefore a connected person of the Company under the Listing Rules and as such, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Further, as the applicable percentage ratios in respect of the Disposal are greater than 5% but less than 25%, the Disposal also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

In light of the above, the transaction contemplated under the Disposal is subject to the reporting and announcement requirements and the Independent Shareholders' approval under the Listing Rules.

An Independent Board Committee, which formation has been approved by the Board, has been formed to make recommendations to the Independent Shareholders in respect of the Disposal, and Guangdong Securities has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

An EGM will be convened at which ordinary resolution(s) to approve the Disposal together with the transactions contemplated thereunder will be considered. The Purchaser and its associates (if any) will abstain from voting on such resolution(s).

GENERAL

A circular containing, amongst other things: (a) a notice of the Company's upcoming EGM to seek approval by the Independent Shareholders of the Disposal together with the transactions contemplated thereunder; (b) further details of the Disposal; (c) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Agreement and other information as required under the Listing Rules; and (d) a letter of recommendation from the Independent Board Committee to the Independent Shareholders, will be dispatched to the Shareholders on or before 3 June 2011.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Agreement”	the conditional equity transfer agreement dated 13 May 2011 made between the Vendor and the Purchaser in relation to the Disposal
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company
“Business Day”	any day that is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Company”	Beijing Development (Hong Kong) Limited, a company incorporated under the laws of Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange (stock code: 154)
“Completion”	the completion of the transfer of the 43% equity interest in the Target Company under the Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Disposal”	the disposal of 43% equity interest in the Target Company pursuant to the Agreement
“EGM”	the extraordinary general meeting of the Company to be held in June 2011 for the purpose of considering, and if thought fit, to approve the Disposal
“Group”	the Company and its subsidiaries

“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activity as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Disposal
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising the independent non-executive Directors which has been formed for the purpose of advising the Independent Shareholders in relation to the Disposal
“Independent Shareholders”	Shareholders other than the Purchaser and its associates and any Directors who may have a material interest in the Disposal and are required to abstain from voting in respect of the resolution(s) to be voted on at the EGM concerning the Disposal
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Beijing Enterprises Group Company Limited (北京控股集團有限公司), a limited liability company established in the PRC and is wholly-owned, supervised and controlled by the State-owned Assets Supervision and Administrative Commission of People’s Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會)
“RMB” and “Renminbi”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules

“Target Company”	Beijing Municipal Administration & Communications Card Co., Ltd. (北京市政交通一卡通有限公司), a sino-foreign equity joint venture company established in the PRC, which is directly held as to 43% by the Vendor
“Vendor”	Business Net Limited (商網有限公司), a company incorporated under the laws of the BVI
“%”	per cent.

By order of the Board
Beijing Development (Hong Kong) Limited
E Meng
Chairman

Hong Kong, 13 May 2011

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.

For the purpose of this announcement, the exchange rate of HK\$1.00 = RMB0.8365 has been used for currency translation, where applicable. Such exchange rates are for illustration purposes and do not constitute representations that any amount in RMB or HK\$ have been, could have been or may be converted at such rates.