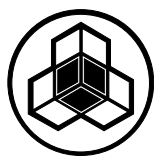

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of 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)

DISCLOSEABLE TRANSACTION

Financial advisor



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

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DEFINITIONS

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

“Announcement”	the joint announcement dated 25 April 2007 issued by the Company and Xteam regarding the Placing
“Board”	the board of Directors
“Business Day”	any day (not being a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Beijing Development (Hong Kong) Limited, a company incorporated in Hong Kong and the issued shares of which are listed on main board of the Stock Exchange
“Directors”	directors (including the independent non-executive directors) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) who, to the best of the directors of Xteam’s knowledge, information and belief having made all reasonable enquiries, is/are independent of, and not connected with, Xteam, any director(s), chief executive(s) or substantial shareholder(s) (as defined in the GEM Listing Rules) or management shareholder(s) (as defined in the GEM Listing Rules) of Xteam or any of its subsidiaries or their respective associates (as defined in the GEM Listing Rules)
“Latest Practicable Date”	7 May 2007, being the latest practicable date for ascertaining certain information referred to this circular prior to printing of this circular

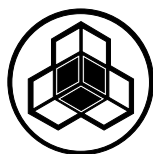
DEFINITIONS

“Listing Committee”	the Listing sub-committee appointed by the Stock Exchange for considering applications for the granting of, and permission to deal in all of the Placing Shares
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any individuals, corporate, institutional investors or other investors procured by or on behalf of the Placing Agent to purchase any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the offer by way of placing of the Placing Shares by or on behalf of the Placing Agent to selected investors pursuant to the Placing Agreement
“Placing Agent”	China Merchants Securities (HK) Co., Ltd., a licensed corporation licensed under the Securities and Futures Ordinance, Cap.571 of the Laws of Hong Kong to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
“Placing Agreement”	the agreement dated 24 April 2007 and entered into between Xteam and the Placing Agent in respect of the Placing
“Placing Price”	the placing price of HK\$0.315 per Placing Share
“Placing Shares”	up to a total of 468,000,000 new Shares to be allotted and issued pursuant to the terms and conditions of the Placing Agreement and which will rank pari passu in all respects with the Shares in issue as at the date of allotment of the Placing Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of Xteam
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Xteam”	Xteam Software International Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the GEM
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



北京發展（香港）有限公司

BEIJING DEVELOPMENT (HONG KONG) LIMITED

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

(Stock Code: 154)

Executive Directors:

Mr. Zhang Honghai (*Chairman*)

Mr. Li Kangying

Mr. E Meng

Mr. Wang Yong

Mr. Cao Wei

Dr. Yu Xiaoyang

Mr. Ng Kong Fat, Brian

Registered Office:

Room 3401, West Tower

Shun Tak Centre

200 Connaught Road Central

Hong Kong

Independent Non-Executive Directors:

Mr. Cao Guixing

Prof. Liu Wei

Dr. Jin Lizuo

9 May 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

On 25 April 2007, the Board and the board of directors of Xteam announced that Xteam entered into the conditional Placing Agreement with the Placing Agent on a best endeavour basis for the placing of up to 468,000,000 new Shares to not less than six Placees at the Placing Price of HK\$0.315 per Placing Share. All the Placing Shares have been fully placed as at the Latest Practicable Date.

LETTER FROM THE BOARD

The Placing Shares represent approximately 11.17% of the existing issued share capital of Xteam as at the Latest Practicable Date and approximately 10.05% of the issued share capital of Xteam as enlarged by the allotment and issue of the Placing Shares assuming all the 468,000,000 Placing Shares are successfully placed out.

As the Placing of Xteam, which is a subsidiary of the Company as at the Latest Practicable Date, resulted in a reduction of the Company's interest in Xteam by approximately 5.08%, the Placing gave rise to deemed disposal of the Company pursuant to Rule 14.29 of the Listing Rules. As the relevant percentage ratios pursuant to Chapter 14 of the Listing Rules are more than 5% but less than 25%, the Placing constitutes a discloseable transaction pursuant to Chapter 14 of the Listing Rules.

The purpose of this circular is to give you further information in relation to the Placing and other information in compliance with Rule 14.38 of the Listing Rules.

THE PLACING AGREEMENT

Date: 24 April 2007

Issuer: Xteam

Placing Agent: China Merchants Securities (HK) Co., Ltd., an Independent Third Party

Placee(s)

The Placing Shares were placed on a best endeavour basis, to not fewer than six Placees which were individuals, corporate, institutional investors or other investors procured by or on behalf of the Placing Agent. All Placees and their beneficial owner(s) are Independent Third Parties. To the best knowledge of Xteam, none of them became a substantial shareholder (as defined in the GEM Listing Rules) of Xteam after the Placing. All the Placing Shares have been fully placed as at the Latest Practicable Date.

Placing Shares

Up to 468,000,000 Placing Shares have been allotted and issued to the Placee(s) and represented approximately 11.17% of the existing issued share capital of Xteam as at the Latest Practicable Date and approximately 10.05% of the issued share capital of Xteam of 4,656,906,368 Shares as enlarged by the allotment and issue of the Placing Shares after all the 468,000,000 Placing Shares have been successfully placed out.

The Placing Shares, rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the Placing Shares.

LETTER FROM THE BOARD

Placing Price

The Placing Price of HK\$0.315 per Placing Share represents (i) a discount of approximately 29.21% to the closing price of HK\$0.445 per Share as quoted on the Stock Exchange on the Latest Practicable Date; (ii) a discount of approximately 14.86% to the closing price of HK\$0.37 per Share as quoted on the Stock Exchange on 23 April 2007, being the last trading day immediately before the date on which the Placing Agreement was signed; and (iii) a discount of approximately 16.67% to the average closing price of approximately HK\$0.378 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including 23 April 2007.

The Placing Price, net of estimated expenses, is approximately HK\$0.305 per Placing Share.

The Placing Price was arrived at after arm's length negotiations between Xteam and the Placing Agent with reference to the closing prices as shown above. The directors of Xteam consider that the Placing Price and the terms and conditions of the Placing Agreement are fair and reasonable and are in the interests of Xteam and its shareholders as a whole.

Placing Costs

Upon completion of the Placing Agreement, Xteam should pay to the Placing Agent the placing commission of 3% of the aggregate Placing Price of the total number of Placing Shares sold on behalf of Xteam by the Placing Agent in pursuance of its obligations under the Placing Agreement and all costs, fees and expenses in relation to the Placing and the allotment and issue of the Placing Shares.

General mandate to issue the Placing Shares

The Placing Shares have been allotted and issued pursuant to the general mandate granted to the directors of Xteam at the annual general meeting of Xteam held on 26 April 2006 to issue up to a total of 768,521,274 Shares. Save for the Placing Shares, a total of 300,000,000 new Shares were issued under the above general mandate since 26 April 2006.

LETTER FROM THE BOARD

Condition of the Placing

The Placing was conditional upon the Listing Committee granting approval for the listing of, and permission to deal in, the Placing Shares.

In the event that the condition of the Placing was not fulfilled on or before 14 Business Days from the date of the Placing Agreement, that is on or before 15 May 2007 (or such other date as may be agreed between the parties in writing), the Placing Agreement would cease and neither Xteam nor the Placing Agent would have any claim against the others under the Placing Agreement.

Completion of the Placing

Completion of the Placing should take place on the second Business Day after the condition of the Placing was fulfilled.

Application for listing

Application has been made by Xteam to the Listing Committee for the listing of, and permission to deal in, all the Placing Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The principal business activities of Xteam and its subsidiaries are the development and sale of computer software primarily for large scale applications and provision of related support services to government and major corporate customers in mainland China. As stated in the annual report of Xteam for the year ended 31 December 2006, the audited consolidated net assets value of 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 the Company for the year ended 31 December 2005 were approximately HK\$15.95 million and HK\$15.50 million respectively. The principal business activities of the Company is investment holding, whereas its subsidiaries are the construction, operation and maintenance of information systems in mainland China.

The board of directors of Xteam has considered various ways of raising funds and believes that taking into account of the current market conditions, the Placing represents an opportunity to raise capital for Xteam and its subsidiaries while broadening its shareholder and capital base.

LETTER FROM THE BOARD

Assuming all the 468,000,000 Placing Shares are successfully placed out, the gross proceeds of the Placing will amount to approximately HK\$147.42 million. The net proceeds receivable by Xteam, after deducting the placing commission and all costs, fees and expenses to be borne by Xteam, are estimated to be approximately HK\$142.87 million assuming all the 468,000,000 Placing Shares are successfully placed out. It is presently expected that not less than 60% of the net proceeds will be applied towards the future and potential investment(s) of Xteam and its subsidiaries in the People's Republic of China, if identified, and the remaining will be applied as general working capital. As stated in the announcement of Xteam dated 23 March 2007, a subsidiary of Xteam entered into a letter of intent with a potential vendor in relation to the possible acquisition of a group of companies which are involved in the business of information technology. If the above acquisition proceed, part of the net proceeds may be applied for that acquisition. Otherwise, Xteam will continue to identify other suitable investment. As at the Latest Practicable Date, Xteam and its subsidiaries has not identified any other potential investment.

Immediately after the Placing, Xteam will not become a subsidiary of the Company and will no longer be consolidated in the accounts of the Company after the completion of the Placing.

CHANGES ON SHAREHOLDING STRUCTURE OF XTEAM

The changes of the shareholding structure of Xteam as a result of the Placing, assuming all the 468,000,000 Placing Shares are successfully placed out, are as follows:

Names	As at the Latest Practicable Date and immediately before completion of the Placing		Immediately after completion of the Placing	
	<i>Approximate</i>		<i>Approximate</i>	
	<i>No. of Shares</i>	<i>Percentage</i>	<i>No. of Shares</i>	<i>Percentage</i>
The Company	2,115,513,445	50.50	2,115,513,445	45.43
The Placees	–	–	468,000,000	10.05
Other public shareholders	2,073,392,923	49.50	2,073,392,923	44.52
	<u>4,188,906,368</u>	<u>100.00</u>	<u>4,656,906,368</u>	<u>100.00</u>

LETTER FROM THE BOARD

FINANCIAL IMPACT OF THE DEEMED DISPOSAL

Upon completion of the Placing, Xteam will cease to become a subsidiary of the Company and hence its account will not be consolidated into the Group, and that Xteam will become an associate of the Company based on the Company's shareholding of Xteam immediately after completion of the Placing of approximately 45.43%. Hence, the interest of the Company on Xteam will be diluted by approximately 10.04%. Nevertheless, the deemed disposal by the Company will result to an increase in earnings and net assets attributable to the Group of approximately HK\$57 million.

GENERAL

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

Yours faithfully,
Zhang Honghai
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

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

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

Name of Directors	Name of corporations	Number of ordinary shares held	Number of share options held	Percentage of shareholding
Zhang Honghai	the Company	–	4,000,000* <i>Note (i)</i>	0.64%
	Beijing Enterprises Holdings Limited (“BEHL”)®	–	450,000* <i>Note (ii)</i>	0.07%
Li Kangying	the Company	304,000*	–	0.05%
E Meng	the Company	801,000*	–	0.13%
	BEHL	50,000*	110,000* <i>Note (ii)</i>	0.03%
Cao Wei	the Company	190,000*	–	0.03%
Yu Xiaoyang	the Company	–	2,800,000* <i>Note (i)</i>	0.45%

Name of Directors	Name of corporations	Number of ordinary shares held	Number of share options held	Percentage of shareholding
Ng Kong Fat, Brian	the Company	8,792,755 [^]	–	1.40%
	the Company	–	1,600,000* <i>Note (i)</i>	0.25%
	BD Ah Yat Abalone Group Limited [#]	1,462,000*	–	21.50%

@ *the holding company of the Company*

a direct non-wholly owned subsidiary of the Company

* *directly beneficially owned by the Directors*

[^] *through a controlled corporation*

Notes:

- (i) These options were granted on 27 June 2006 at an exercise price of HK\$1.00 per share in the Company. The options can be exercised at any time commencing on 27 June 2006 and, if not otherwise exercised, will lapse on 16 June 2011.
- (ii) These options were granted on 19 July 2006 at an exercise price of HK\$12.55 per share in BEHL. The options can be exercised in two portions. The first portion representing 80% of the total number of options granted to a grantee is exercisable at any time after 19 January 2007. The second portion representing the remaining 20% of the total number of options granted to a grantee is exercisable after 19 January 2007 and upon BEHL's full satisfaction of performance appraisal at the end of the grantee's contract with BEHL.

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

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

Long positions:

Name	Number of ordinary shares of the Company held	Percentage of the shareholding
Idata Finance Trading Limited (“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>	76,022,250	12.09%
Trophy Asset Management Limited <i>Note (ii)</i>	76,022,250	12.09%
Hung Kam Biu <i>Note (ii)</i>	76,022,250	12.09%
Chu Jocelyn <i>Note (ii)</i>	76,022,250	12.09%
Citigroup Inc. <i>Note (iii)</i>	70,788,250	11.26%

* *directly beneficially owned*

Notes:

- (i) Idata is a direct wholly-owned subsidiary of BEHL. BEHL is held directly as to approximately 35.95% and indirectly as to approximately 16.06% by BEIL. BEIL is held indirectly as to approximately 72.72% by BHL. Accordingly, BEHL, BEIL and BHL are deemed to be interested in the shares of the Company 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 of the Company owned by Trophy Fund.

- (iii) The interest disclosed includes 70,622,250 shares of the Company held as a person having a security interest in the shares of the Company and 166,000 shares of the Company held as a custodian corporation/approved lending agent.

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

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

4. SERVICE CONTRACTS

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

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his or her respective associates was considered to have an interest in a business which 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.

6. LITIGATION

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

7. MISCELLANEOUS

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