
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Hong Kong Exchanges and Clearing Limited and 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 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

A notice convening an extraordinary general meeting of the Company to be held at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 10:00 a.m. on 17 June 2011 is set out on pages 30 to 31 of this circular. If you are unable to attend the meeting in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

A letter from the board of the Company is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee, containing its recommendation to the Independent Shareholders is set out on pages 12 to 13 of this circular. A letter from Guangdong Securities Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 22 of this circular.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	12
Letter from Guangdong Securities	14
Appendix — General information	23
Notice of the EGM	30

DEFINITIONS

In this circular, 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
“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 for the purpose of considering, and if thought fit, to approve the Agreement and the Disposal
“Group”	the Company and its subsidiaries

DEFINITIONS

“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation under the SFO 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 activities 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
“Latest Practicable Date”	26 May 2011, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
“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)

DEFINITIONS

“RMB” and “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the share(s) of HK\$1.00 each in the share capital 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 as at the Latest Practicable Date
“Vendor”	Business Net Limited (商網有限公司), a company incorporated under the laws of the BVI, a wholly owned subsidiary of the Company
“%”	per cent.

For the purpose of this circular, 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.



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)

Executive Directors:

Mr. E Meng
Mr. Zhang Honghai
Mr. Wang Yong
Mr. Yan Qing
Ms. Sha Ning
Mr. Ng Kong Fat, Brian

Registered Office:

66th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Independent Non-executive Directors:

Dr. Jin Lizuo
Dr. Huan Guocang
Dr. Wang Jianping

30 May 2011

To the Shareholders

Dear Sir/Madam,

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

INTRODUCTION

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 circular, 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.

LETTER FROM THE BOARD

The purpose of this circular is to (i) provide you with information on the Disposal, (ii) set out the recommendations of the Independent Board Committee in relation to the Disposal; (iii) set out the recommendation of Guangdong Securities to the Independent Board Committee and the Independent Shareholders in relation to the Disposal; and (iv) give you a notice of the EGM set out on pages 30 to 31 of this circular.

THE AGREEMENT DATED 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

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:

- (a) 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**”);
- (b) 30% of the consideration (being RMB28,914,000) payable by cash on or before 31 December 2011;
- (c) 20% of the consideration (being RMB19,276,000) payable by cash on or before 30 June 2012; and
- (d) 20% of the consideration (being RMB19,276,000) payable by cash on or before 31 December 2012.

LETTER FROM THE BOARD

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).

LETTER FROM THE BOARD

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 Latest Practicable Date. 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).

LETTER FROM THE BOARD

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.

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.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2010, being the date to which the latest published audited consolidated accounts of the Group were made up.

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 Latest Practicable Date.

LETTER FROM THE BOARD

GENERAL

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 Latest Practicable Date. 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. To the best knowledge, belief and information of the Directors, having made all reasonable enquiries, (save and except the Purchaser and its associates and the Directors who have a material interest in the Disposal, that is, Mr. E Meng and Mr. Zhang Honghai who are, as of the Latest Practicable Date, together interested in 295,060,000 shares of the Company (representing approximately 43.55% of the issued share capital of the Company) and are required to abstain from voting on the resolutions in relation to the Disposal together with the transactions contemplated thereunder) no Shareholder is required to abstain from voting on the resolutions put forward at the EGM.

Save and except for Mr. E Meng, who is also a director of certain subsidiaries of the Purchaser, and Mr. Zhang Honghai, who is also a director of the Purchaser and certain subsidiaries of the Purchaser have abstained from voting on the resolutions in relation to the Disposal together with the transactions contemplated thereunder, none of the Directors has a material interest in the Agreement and the transaction contemplated thereunder or was required to abstain from voting on the Board resolutions for considering and approving the same.

LETTER FROM THE BOARD

EGM

The notice of the EGM is set out on pages 30 to 31 of this circular. At the EGM, resolutions will be proposed to the Shareholders to consider, and if thought fit, to confirm, ratify and approve, inter alia, the Agreement and the Disposal.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the website of the Stock Exchange (www.hkexnews.hk). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at the Company's share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM.

In accordance with the requirements of the Listing Rules, the vote in respect of the ordinary resolutions to approve the Disposal at the EGM shall be conducted by poll. An announcement will be made by the Company following the conclusion of the EGM to inform you of the results of the EGM.

RECOMMENDATION

Having noted and considered the reasons stated under the section captioned "Reasons for and Benefits of the Disposal", the Directors (including the independent non-executive Directors whose views have been set out in this circular on pages 12 to 13 after taking into account of the advice of the Guangdong Securities) considered that the terms of the Agreement, the Disposal and the transactions contemplated thereunder are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to approve the Agreement, the Disposal and the transactions contemplated thereunder.

LETTER FROM THE BOARD

FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 12 to 13 of this circular, and the letter from Guangdong Securities to the Independent Board Committee and Independent Shareholders in respect of the Agreement set out on pages 14 to 22, and the information set out in the Appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



北京發展(香港)有限公司

BEIJING DEVELOPMENT (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability under Companies Ordinance)
(Stock Code: 154)

30 May 2011

To the Independent Shareholders

Dear Sir or Madam,

We have been appointed as members of the Independent Board Committee to advise you in connection with the Agreement, the Disposal and the transactions contemplated thereunder, details of which are set out in the letter from the Board in a circular dated 30 May 2011 to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

Guangdong Securities has been appointed to advise us and the Independent Shareholders on whether the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and whether the Agreement, the Disposal and the transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole. Details of its advice are set out on pages 14 to 22 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 11 of the Circular.

Having considered the advice and recommendation of Guangdong Securities, we consider the Agreement, the Disposal and the transactions contemplated thereunder to be fair and reasonable so far as the Independent Shareholders are concerned and are in the best interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve the Agreement, the Disposal and the transactions contemplated thereunder.

Yours faithfully

Beijing Development (Hong Kong) Limited

Dr. Jin Lizuo, Dr. Huan Guocang and Dr. Wang Jianping

Independent Board Committee

LETTER FROM GUANGDONG SECURITIES

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal for the purpose of inclusion in this circular.



粵海證券有限公司
GUANGDONG SECURITIES LIMITED

Units 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

30 May 2011

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

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 30 May 2011 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 13 May 2011, the Vendor (being a wholly-owned subsidiary of the Company) entered into the Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 43% of the entire issued share capital of the Target Company for a cash consideration of RMB96,380,000 (equivalent to approximately HK\$115,220,000) (the “**Consideration**”).

Given that the Purchaser is a substantial shareholder of the Company, the Purchaser is a connected person of the Company and the Disposal therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Furthermore, as the applicable percentage ratios in respect of the Disposal are greater than 5% but are

LETTER FROM GUANGDONG SECURITIES

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 Disposal is subject to the reporting and announcement requirements and the Independent Shareholders' approval under the Listing Rules.

The Independent Board Committee comprising Dr. Jin Lizuo, Dr. Huan Guocang and Dr. Wang Jianping (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Disposal is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Agreement and the transactions contemplated thereunder at the EGM. We, Guangdong Securities, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

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

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

LETTER FROM GUANGDONG SECURITIES

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Vendor, the Target Company and the Purchaser or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of and reasons for the Disposal

Business overview of the Group

The Company is incorporated in Hong Kong and is principally engaged in investment holding. The principal activities of the subsidiaries of the Group 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.

LETTER FROM GUANGDONG SECURITIES

Set out below is the audited financial information of the Group for each of the two years ended 31 December 2010 as extracted from the Company's annual report for the year ended 31 December 2010 (the "Annual Report"):

	For the year ended 31 December 2010	For the year ended 31 December 2009	% change from 2009 to 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Revenue	211,639	225,376	(6.10)
Cost of sales	(176,752)	(230,010)	(23.15)
Gross profit/(loss)	<u>34,887</u>	<u>(4,634)</u>	<u>Not applicable</u>
Loss for the year	<u>(27,763)</u>	<u>(176,854)</u>	<u>(84.30)</u>

From the above table, we noted that the revenue of the Group decreased slightly by approximately 6.10% from approximately HK\$225.38 million for the year ended 31 December 2009 to approximately HK\$211.64 million for the year ended 31 December 2010. Nevertheless, the Group was able to improve its loss making condition substantially during the year ended 31 December 2010.

With reference to the Annual Report, since it is uncertain that a fixed financial subsidy mechanism can be established and the specific rules of relevant policies and regulations of the PRC in relation to non-financial institutes providing payment services are unclear, the prospect of profitability of the Target Company cannot be reliably forecasted. Going forward, the Group will precisely assess its portfolio of assets, optimise and realise its under-performing assets and further adjust its business structure in light of market conditions in order to improve the performance of the Group.

Information on the Target Company

As referred to in the Board Letter, 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. The Target Company has a fully paid-up registered capital of RMB100 million (equivalent to approximately HK\$119.55 million) and the Company has been investing in it since 2003. As at the Latest Practicable Date, the Target Company was directly owned as to 43% by the Company.

LETTER FROM GUANGDONG SECURITIES

The principal business of the Target Company includes: (i) the production, issuance and settlement service of municipal administration and communications card, namely “Yikatong”; and (ii) the investment and management of the “Yikatong” system and its related equipment.

Set out below is the audited financial information of the Target Company prepared in accordance with the generally accepted accounting principles in the PRC for each of the three years ended 31 December 2010:

	For the year ended 31 December 2010 RMB	For the year ended 31 December 2009 RMB	For the year ended 31 December 2008 RMB
Revenue	62,758,595	50,107,666	93,242,871
Loss before and after taxation	(825,362)	(8,230,624)	(20,625,415)
	As at 31 December 2010 RMB	As at 31 December 2009 RMB	As at 31 December 2008 RMB
Current assets	2,426,382,582	792,374,910	584,449,912
Non-current assets	145,692,555	189,071,771	256,483,365
Current liabilities	(2,657,363,781)	(1,065,909,963)	(917,165,936)
Non-current liabilities	—	—	—
Net liabilities	(85,288,644)	(84,463,282)	(76,232,659)

As illustrated by the above table, the Target Company recorded continual losses for the three years ended 31 December 2010. In addition, it was at a net liability position as at 31 December 2008, 31 December 2009 and 31 December 2010. According to the Annual Report, the service charges for public transportation settlements, being the primary income stream of the “Yikatong” system, have not been determined. The Target Company received government subsidy of RMB100 million, RMB130 million and RMB120 million for each of the years ended 31 December 2010 respectively, but no profit was contributed to the Group by the Target Company for the three

LETTER FROM GUANGDONG SECURITIES

years ended 31 December 2010. As further referred to in the Board Letter, the Target Company has not contributed any investment return to the Company since the Company's investment in it in 2003.

Reasons for the Disposal

With reference to the Board Letter and as aforementioned, the Target Company has not contributed any investment return to the Company since the Company's investment in it in 2003. Although the Target Company has been co-ordinating with various Beijing Municipal Government departments and units over the years, the Target Company has not reached any agreement with public buses and subway operators in Beijing, the PRC on the charges of settlement services, and it therefore could not achieve a steady income from its principal business. As it is uncertain whether a fixed financial subsidy mechanism can be established, or 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 institutes providing payment services in the PRC are unclear for the time being, the prospect of profitability of the Target Company cannot be reliably forecasted. 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.

Given that it is the Group's strategy to assess its portfolio of assets, optimise and realise its under-performing assets and further adjust its business structure in light of market conditions in order to improve the performance of the Group, we are of the view that the Disposal is in line with the development strategy of the Group.

Moreover, we also noted from the Board Letter that the Company intends to use the sale proceeds from the Disposal (after deducting all relevant fees and expenses) for acquiring other business with potential growth prospects. In the event that the Company is unable to identify such acquisition targets, the Company shall apply the sale proceeds from the Disposal as general working capital of the Group.

In view of all of the foregoing, including (i) the uncertainty that a subsidy will continue to be granted to the Target Company and hence the prospect of profitability of the Target Company cannot be reliably forecasted; (ii) the Disposal represents an opportunity for the Company to realise its investment in the Target Company and thereby allowing the Company to adjust its business structure to acquire other business with potential growth prospects, we concur with the Directors that the Disposal is conducted in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole.

2. Terms of the Agreement

The Agreement

On 13 May 2011, the Vendor (being a wholly-owned subsidiary of the Company) entered into the Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 43% of the entire issued share capital of the Target Company for the cash Consideration of RMB96,380,000 (equivalent to approximately HK\$115,220,000).

Basis of the Consideration

The cash Consideration of RMB96,380,000 (equivalent to approximately HK\$115,220,000) shall be paid by the Purchaser to the Vendor in the following manner:

- (i) 30% of the Consideration (being RMB28,914,000) payable by cash within five Business Days upon the fulfilment of the conditions precedent as stipulated in the Agreement;
- (ii) 30% of the Consideration (being RMB28,914,000) payable by cash on or before 31 December 2011;
- (iii) 20% of the Consideration (being RMB19,276,000) payable by cash on or before 30 June 2012; and
- (iv) 20% of the Consideration (being RMB19,276,000) payable by cash on or before 31 December 2012.

As confirmed by the Directors, the Consideration was arrived at after arm's length negotiations between the parties to the Agreement on normal commercial terms by reference to the Company's original cost of investment in the Target Company of approximately HK\$64.62 million (the "**Original Cost**").

In light of that (i) the Consideration represents a premium of approximately 78.30% over the Original Cost; (ii) the Target Company recorded continual losses for the three years ended 31 December 2010; and (iii) the Target Company was at a net liability position as at 31 December 2008, 31 December 2009 and 31 December 2010, we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

Other terms of the Agreement

We have also reviewed the other major terms of the Agreement and are not aware of any terms which are uncommon. Consequently, we consider that the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. Possible financial effects of the Disposal

As extracted from the Board Letter, the Group will cease to hold any interest in the Target Company upon Completion.

Effect on net asset value

As extracted from the Annual Report, the audited consolidated net assets of the Group were approximately HK\$644.17 million as at 31 December 2010. The Directors expected that the Disposal would increase the net assets of the Group.

Effect on earnings

As stated in the Board Letter and also confirmed by the Directors, the Disposal would result in an expected gain, before expenses and taxation, of approximately HK\$115.22 million (subject to audit) for the Group.

Effect on gearing

The gearing level (calculated as total liabilities over total equity) of the Group was approximately 43.66% as at 31 December 2010. The Directors expected that the gearing level of the Group would be reduced upon Completion.

Effect on working capital

As mentioned under the section headed “Reasons for the Disposal” of this letter, the Company intends to use the sale proceeds from the Disposal (after deducting all relevant fees and expenses) for acquiring other business with potential growth prospects. In the event that the Company is unable to identify such acquisition targets, the Company shall apply the sale proceeds from the Disposal as general working capital of the Group.

LETTER FROM GUANGDONG SECURITIES

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon Completion.

RECOMMENDATION

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

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of the Directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were as follows:

Long positions in ordinary shares of the Company:

Name of Director	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through a controlled corporation	Total	
Mr. E Meng	601,000	—	601,000	0.09
Mr. Zhang Honghai	4,000,000	—	4,000,000	0.59
Mr. Yan Qing	4,000	—	4,000	—
Mr. Ng Kong Fat, Brian	1,600,000	8,792,755 [#]	10,392,755	1.53
	<u>6,205,000</u>	<u>8,792,755</u>	<u>14,997,755</u>	<u>2.21</u>

[#] The 8,792,755 ordinary shares are held by Sunbird Holdings Limited, a company beneficially owned by Mr. Ng Kong Fat, Brian.

Long positions in share options of the Company:

Name of Director	<i>Notes</i>	Number of share options
Mr. E Meng	<i>(a)</i>	4,500,000
	<i>(b)</i>	1,500,000
	<i>(d)</i>	<u>3,000,000</u>
		<u>9,000,000</u>
Mr. Zhang Honghai	<i>(a)</i>	<u>6,800,000</u>
Mr. Wang Yong	<i>(a)</i>	6,000,000
	<i>(d)</i>	<u>1,000,000</u>
		<u>7,000,000</u>
Mr. Yan Qing	<i>(a)</i>	3,200,000
	<i>(d)</i>	<u>1,500,000</u>
		<u>4,700,000</u>
Mr. Ng Kong Fat, Brian	<i>(a)</i>	4,000,000
	<i>(d)</i>	<u>1,500,000</u>
		<u>5,500,000</u>
Dr. Jin Lizuo	<i>(a)</i>	<u>680,000</u>
Dr. Huan Guocang	<i>(c)</i>	<u>680,000</u>
Dr. Wang Jianping	<i>(c)</i>	<u>680,000</u>
		<u><u>35,040,000</u></u>

Notes:

- (a) These share options were granted on 30 October 2007 at an exercise price of HK\$4.03[@] per ordinary share of the Company. The share options may be exercised in two equal portions. The first portion is exercisable at any time commencing on 1 May 2008, and the other portion is exercisable from 1 May 2009 and, if not otherwise exercised, will lapse on 17 June 2011. Subject to the approval of the remuneration committee of the Company, the Directors are entitled to exercise all the share options within three months from the date of termination of their employment with the Company.
- (b) These share options were granted on 4 February 2008 at an exercise price of HK\$3.17[@] per ordinary share of the Company. The share options may be exercised at any time commencing on 1 May 2008, and if not otherwise exercised, will lapse on 17 June 2011.
- (c) These share options were granted on 4 February 2008 at an exercise price of HK\$3.17[@] per ordinary share of the Company. The share options may be exercised in two equal portions. The first portion is exercisable at any time commencing on 1 May 2008, and the other portion is exercisable from 1 May 2009 and, if not otherwise exercised, will lapse on 17 June 2011. Subject to the approval of the remuneration committee of the Company, the Directors are entitled to exercise all the share options within three months from the date of termination of their employment with the Company.
- (d) These share options were granted on 9 July 2008 at an exercise price of HK\$2.07[@] per ordinary share of the Company. The share options may be exercised at any time commencing on 11 August 2008, and if not otherwise exercised, will lapse on 17 June 2011.

[@] The exercise price of these share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the share capital of the Company.

Save as disclosed above, as at the Latest Practicable Date, there were no interest of the Directors or chief executives of the Company in the shares and the underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

Long positions in ordinary shares of the Company:

Name	Notes	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital
		Directly beneficially owned	Through controlled corporations	Total	
Idata Finance Trading Limited ("Idata")		275,675,000	—	275,675,000	40.69
Beijing Enterprises Holdings Limited ("BEHL")	(a)	14,784,000	275,675,000	290,459,000	42.87
Beijing Enterprises Group (BVI) Company Limited ("BEBVI")	(b)	—	290,459,000	290,459,000	42.87
The Purchaser	(b)	—	290,459,000	290,459,000	42.87

Notes:

- (a) The interest disclosed includes the ordinary shares owned by Idata. Idata is a wholly-owned subsidiary of BEHL. Accordingly, BEHL is deemed to be interested in the ordinary shares owned by Idata.
- (b) The interests disclosed include the ordinary shares owned by BEHL and Idata. BEBVI and the Purchaser are the immediate holding company and the ultimate holding company of BEHL, respectively. Accordingly, each of BEBVI and the Purchaser is deemed to be interested in the ordinary shares owned by each of BEHL and Idata.
- (c) Save for Mr. E Meng, who is also a director of certain subsidiaries of the Purchaser, and Mr. Zhang Honghai, who is also a director of the Purchaser and certain subsidiaries of the Purchaser, none of the other Directors are, as of the Latest Practicable Date, also serving as directors of any of Idata, BEHL, BEBVI or the Purchaser.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than the Directors or the chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2010 (being the date to which the latest published audited financial statements of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his or her respective associates was considered to have an interest in a business which competes or is likely to compete, enter directly or indirectly, with the business of the Group other than those business to which the Directors and his or her associates who appointed to represent the interests of the Company and/or the Group.

5. QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualification
Guangdong Securities	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 activities as defined under the SFO

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

As at the Latest Practicable Date, Guangdong Securities:—

- (a) did not have any direct or indirect interest in any assets which have since 31 December 2010 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

6. LITIGATION

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

7. SERVICE CONTRACTS

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

8. GENERAL

- (a) The registered office of the Company is situated at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (b) The share registrar of the Company is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Mr. Wong Kwok Wai, Robin, who is a fellow member of the Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the registered office of the Company in Hong Kong at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including 17 June 2011:

- (a) the Agreement;
- (b) the letter dated 30 May 2011 from the Independent Board Committee, the text of which is set out on pages 12 to 13 of this circular;
- (c) the letter dated 30 May 2011 from Guangdong Securities, the Independent Financial Adviser, the text of which is set out on pages 14 to 22 of this circular;
- (d) the consent letter from Guangdong Securities as referred to in the paragraph headed "Qualification and Consent of Expert" in this Appendix; and
- (e) 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 Companies Ordinance)
(Stock Code: 154)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of the shareholders of Beijing Development (Hong Kong) Limited (the “Company”) will be held at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 10:00 a.m. on 17 June 2011 for the following purpose:

To consider as special business and, if thought fit, passing (with or without amendments) the following resolutions as ordinary resolutions:

“THAT

- (a) the contents of the equity transfer agreement dated 13 May 2011 (the “Agreement”) entered into between Business Net Limited (商網有限公司) (“Vendor”) as the vendor and Beijing Enterprises Group Company Limited (北京控股集團有限公司) (“Purchaser”) as the purchaser, for the sale and purchase of the 43% equity interest in Beijing Municipal Administration & Communications Card Co., Ltd. (北京市政交通一卡通有限公司); and all transactions contemplated in and under the Agreement (a copy of which is tabled at the meeting and marked “A” for the purpose of identification), be and are hereby approved in all respects;
- (b) any one director of the Company be and is hereby confirmed to be authorised for and on behalf of the Company to do all such further acts and things and execute all such further documents and take all steps which in his opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of, and all transactions contemplated under, the Agreement and to approve any changes and amendments thereto as such director may consider necessary, desirable or expedient; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

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

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

Hong Kong, 30 May 2011

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy (or at most two proxies) to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company.
2. To be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company's share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before either the time appointed for holding the Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the Meeting or any adjournment thereof if the shareholder so desires.
3. The ordinary resolutions set out above will be determined by way of poll.
4. As at the date hereof, 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.