



北京控股有限公司

BEIJING ENTERPRISES HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)



BEIJING DEVELOPMENT (HONG KONG) LIMITED

北京發展（香港）有限公司

(Incorporated in Hong Kong with limited liability)

MAJOR AND CONNECTED TRANSACTIONS OF BEIJING DEVELOPMENT (HONG KONG) LIMITED

Conditional agreements for IFTL, a wholly-owned subsidiary of BEHL, GDL and INC Funds to subscribe for and the Placing Agent to place the New Shares, conditional agreement for the Disposals and application for the Whitewash Waiver and the Special Deal Consent

<p>SUMMARY</p> <p>Subscription Agreements</p> <p>On 18th January, 2001, the Company entered into the BEHL Subscription Agreement, the GDL Subscription Agreement and the INC Funds Subscription Agreement, pursuant to which each of IFTL, GDL and INC Funds has conditionally agreed to subscribe for 168,000,000, 10,000,000 and 10,000,000 New Shares respectively, at an issue price of HK\$1.00 per New Share. The Issue Price represents a discount of approximately 33.33% to the average closing price of approximately HK\$1.50 per Share over the 10 trading days leading up to and including the Latest Practicable Date.</p> <p>The 168,000,000 New Shares under the BEHL Subscription represent approximately 195.90% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 55.31% of the issued share capital of the Company as enlarged by the New Shares to be issued under the Subscriptions.</p> <p>At present, none of IFTL, BEHL and any of their associates and concert parties (if any) owns any Shares or is interested in any Shares other than Shares to be acquired pursuant to the BEHL Subscription Agreement. Upon the Subscription Completion, IFTL will be interested in an aggregate of 168,000,000 Shares, representing approximately 55.31% of the issued share capital of the Company as enlarged by the New Shares to be issued under the Subscriptions.</p> <p>Apart from Mr. Bai Jin Rong who is a director of BEHL, as well as a Director and the Chairman of the Company, none of IFTL, BEHL, directors of BEHL and any of their respective associates has any interest in the Company.</p> <p>It is the intention of BEHL to utilise the Company as the major investment vehicle within the BEHL Group for investment in information technology and telecommunications sectors. Given the well-established business networks of BEHL, particularly in the PRC, the Directors believe that the BEHL Subscription will enable the Company to better explore various business opportunities. The amount payable by BEHL in respect of the BEHL Subscription is HK\$168,000,000, representing approximately 3.55% of the audited consolidated net tangible assets of BEHL of approximately HK\$4,734,000,000 as at 31st December, 1999.</p> <p>The 20,000,000 New Shares under the Corporate Investor Subscriptions represent approximately 23.32% of the issued share capital of the Company as at the Latest Practicable Date and approximately 6.58% of the issued share capital of the Company as enlarged by the New Shares to be issued under the Subscriptions. At present, the Corporate Investors and their associates do not own any interest in the Company. Accordingly, upon the Subscription Completion, GDL and INC Funds will be interested in 10,000,000 Shares each, representing approximately 3.29% of the issued share capital of the Company each as enlarged by the New Shares to be issued under the Subscriptions.</p> <p>The completion of the BEHL Subscription Agreement is subject to the conditions as set out in the section headed “Conditions of the BEHL Subscription” below, the completion of the Corporate Investor Subscription Agreements is subject to the conditions as set out in the section headed “Conditions of the Corporate Investor Subscriptions” below.</p> <p>Under Rule 26 of the Takeovers Code, upon the BEHL Subscription Completion, IFTL and its concert parties would be obliged, unless the Whitewash Waiver is granted, to make an unconditional general offer for all the issued Shares not already owned or agreed to be acquired by IFTL and its concert parties. An application will be made by IFTL to the Executive for the Whitewash Waiver which, if granted, would normally be subject to the approval of the Independent Shareholders on a vote taken by way of a poll. The Executive may or may not grant the Whitewash Waiver. The BEHL Subscription Completion is conditional upon, amongst other things, the granting of the Whitewash Waiver by the Executive. If the Executive does not grant the Whitewash Waiver, the Subscriptions will lapse as a consequence.</p> <p>There will be no general offer for the Shares as a result of the BEHL Subscription.</p> <p>If the Whitewash Waiver is approved by the Independent Shareholders and granted by the Executive, and immediately upon the Subscription Completion, BEHL (through IFTL) and its concert parties (if any) will hold approximately 55.31% of the issued share capital of the Company as enlarged by the New Shares to be issued under the Subscriptions and as such, BEHL may be free to acquire additional Shares thereafter without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.</p> <p>The Placing Agent has conditionally agreed to place 30,000,000 New Shares at an issue price of HK\$1.00 per New Share for total gross proceeds of HK\$30,000,000. The 30,000,000 New Shares represent approximately 34.98% of the existing issued share capital of the Company or approximately 9.88% of the issued share capital of the Company as enlarged by the New Shares to be issued under the Subscriptions.</p> <p>The 30,000,000 New Shares will be placed to institutional or professional investors as placees. The placees will be independent of and not connected and not acting in concert with the Company, IFTL or BEHL, the directors, chief executives or substantial shareholders of the Company, IFTL or BEHL, any of their subsidiaries or any of their respective associates or concert parties (if any).</p> <p>The completion of the Placing Agreement is subject to the conditions as set out in the section headed “Conditions of the Placing” below.</p> <p>Disposal Agreements</p> <p>In addition, the Company has entered into the following agreements on 18th January, 2001:</p> <p>(i) the HK Disposal Agreement with GMG and IHL, pursuant to which the Company has conditionally agreed to sell to GMG the Sale Shares, the Shareholder’s Loan and the Worsted Products at an aggregate cash consideration of HK\$6,021,227; and</p> <p>(ii) the JV Disposal Agreement with GMG and IHL, pursuant to which the Company has conditionally agreed to sell to GMG the Company’s entire 50% interest in Beijing Jin Yang at a cash consideration of HK\$19,618,897.</p> <p>The aggregate consideration for the Disposals is HK\$25,640,124, representing approximately 53.64% of the audited consolidated net assets of the Company of approximately HK\$47,800,000 as at 31st December, 1999.</p> <p>The net proceeds of the Subscriptions and the Disposals will be applied partly to the repayment of bank loans and other borrowings of not more than half of the proceeds received from the Subscriptions and the Disposals and the remaining as working capital principally to invest and develop the business of the Group to include those in the information technology and telecommunications sector, in particular network infrastructure facilities, network construction, network system integration, Internet support related services as well as smart card development.</p> <p>The Disposals constitute special deals under Rule 25 of the Takeovers Code and hence require consent from the Executive. An application will be made to the Executive for the Special Deal Consent which, if granted, would normally be subject to the approval of the Independent Shareholders on a vote taken by way of a poll.</p> <p>As IHL is the controlling shareholder of the Company, the Disposals constitute connected transactions of the Company for the purposes of the Listing Rules. Since the aggregate consideration of the Disposals of HK\$25,640,124 represents approximately 53.64% of the audited consolidated net assets of the Group as at 31st December, 1999, the Disposals also constitute major transactions of the Company for the purposes of the Listing Rules. Accordingly, the Disposals are subject to, among other things, approval by the Independent Shareholders.</p> <p>IFTL, BEHL, IHL, GDL, HWL, INC Funds, any of their associates and persons acting in concert with any of them in relation to the Company for the purpose of the Takeovers Code and the Listing Rules will abstain from voting on the resolutions to approve the Subscriptions, the Whitewash Waiver and the Disposals at the EGM. An Independent Board Committee has been appointed to advise the Independent Shareholders in respect of the Subscriptions, the Whitewash Waiver and the Disposals. Two independent financial advisers have been appointed to advise the Independent Board Committee whether the Subscriptions, the Whitewash Waiver and the Disposals are to the benefit of the Company and are fair and reasonable so far as the Independent Shareholders are concerned.</p> <p>A composite document containing, among other things, information on the Subscriptions, the Whitewash Waiver, the Special Deal Consent and the Disposals, the recommendation of the Independent Board Committee in relation to the Subscriptions, the Whitewash Waiver and the Disposals, the letter of the independent financial advisers as to whether the Subscriptions, the Whitewash Waiver and the Disposals are fair and reasonable to the Independent Shareholders and are of benefit to the Company as a whole and the notice of the EGM will be despatched to the Shareholders as soon as practicable.</p> <p>Trading of the Shares was suspended at the request of the Company from 10:00 a.m. on 17th January, 2001. Application has been made for trading of the Shares to resume from 10:00 a.m. on 19th January, 2001. Shareholder’s and public investors are advised to exercise caution when dealing in the Shares.</p>	
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1. **THE BEHL SUBSCRIPTION AGREEMENT**

Date:
18th January, 2001

Parties:
Issuer: The Company
Subscriber: IFTL, a direct wholly-owned subsidiary of BEHL
Warrantor: IHL

Mr. Bai Jin Rong, a director of BEHL, is also a Director and the Chairman of the Company. IFTL is otherwise independent of the directors, chief executives and substantial shareholders of the Company, any of its subsidiaries and their respective associates. IHL is the controlling shareholder of the Company.

Shares to be issued:
Pursuant to the BEHL Subscription Agreement, 168,000,000 New Shares are to be subscribed by IFTL at the Issue Price, representing approximately 195.90% of the existing issued share capital of the Company and approximately 55.31% of the issued share capital of the Company as enlarged by the New Shares to be issued under the Subscriptions.

Issue Price:
HK\$1.00 per Share, further information about the Issue Price is set out in the section headed “Issue Price of the New Shares” below.

Conditions of the BEHL Subscription:
The BEHL Subscription Completion is conditional upon the following conditions being fulfilled or, in the case of conditions (d), (f), (i) and (j), being waived by IFTL:

 - (a) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the New Shares to be issued by the Company upon the BEHL Subscription Completion, the Corporate Investor Subscription Completion and the Placing Completion (subject only to issue);
 - (b) the authorised share capital of the Company being increased from HK\$160,000,000 to HK\$1,000,000,000 by the addition of 840,000,000 New Shares;
 - (c) the passing of ordinary resolutions by the Independent Shareholders at the EGM by poll, approving:–
 - (i) the allotment and issue of the 168,000,000 New Shares to IFTL; and
 - (ii) the Whitewash Waiver;
 - (d) the Shares remaining listed and traded on the Stock Exchange, save for temporary suspension or suspensions for not longer than 10 consecutive trading days and any temporary suspension in connection with clearance of the related press announcement at all times prior to the date of the BEHL Subscription Completion;
 - (e) the granting by the Executive of the Whitewash Waiver;
 - (f) no notification being received by the Company prior to the date of the BEHL Subscription Completion from the Stock Exchange or the SFC to the effect that the listing of the Shares on the Stock Exchange will or is likely to be withdrawn as a result of the BEHL Subscription Completion;
 - (g) the Corporate Investor Subscription Agreements and the Placing Agreement becoming unconditional in all respects save for any condition therein requiring the BEHL Subscription Agreement to be unconditional in all respects;
 - (h) the Disposal Agreements becoming unconditional in all respects, other than condition (a) of the JV Disposal as set out below and any conditions in the Disposal Agreements requiring the BEHL Subscription Agreement to be unconditional in all respects;
 - (i) there being no material breach of the warranties given by the Company under the BEHL Subscription Agreement as at the date on which all other conditions have been fulfilled or waived; and
 - (j) completion of due diligence by IFTL or their advisors on the Group to the satisfaction of IFTL in respect of the contingent liabilities of and the titles to properties owned by the Group and some other associated companies.

In the event that any of the above conditions has not been fulfilled or waived in whole or in part on or before 27th April, 2001 (or such later date as may be agreed between the parties), then the BEHL Subscription Agreement and all rights and obligations thereunder will cease and terminate and no party shall have any liability under them (without prejudice to the rights of any such parties in respect of antecedent breaches). Pursuant to the BEHL Subscription Agreement, IFTL will not waive condition (e) stated above.

Completion of the BEHL Subscription:
BEHL Subscription Completion will take place on the third business day following the day on which the conditions of the BEHL Subscription Agreement have been fulfilled or waived or such other date as may be agreed between IFTL and the Company and shall take place simultaneously with the completion of the HK Disposal Agreement, the Placing Agreement and the Corporate Investor Subscription Agreements. It is expected that the date of the BEHL Subscription Completion will be on or before 27th April, 2001. The amount payable by IFTL under the BEHL Subscription will be settled upon the BEHL Subscription Completion.

Cost and expenses:
The Company and IFTL will bear their own costs and expenses incurred in relation to the preparation of the BEHL Subscription Agreement and the BEHL Subscription except that the Company shall bear all capital duty in relation to the increase in the authorised share capital of the Company.

Ranking:
The New Shares to be issued to IFTL will rank pari passu in all respects with the Shares in issue on the date of the BEHL Subscription Completion, including ranking for payment of any dividend declared on and after the date of the BEHL Subscription Completion.
2. **THE CORPORATE INVESTOR SUBSCRIPTION AGREEMENTS**

Date:
18th January, 2001

Parties:
In respect of the GDL Subscription Agreement
Issuer: The Company
Subscriber: GDL

In respect of the INC Funds Subscription Agreement
Issuer: The Company
Subscriber: INC Funds

Each of GDL and INC Funds is independent of and not connected or acting in concert with the Company, the directors, chief executives or substantial shareholders of the Company, any of its subsidiaries or any of their respective associates.

Shares to be issued:
Pursuant to the GDL Subscription Agreement, 10,000,000 New Shares are to be subscribed by GDL, representing approximately 11.66% of the existing issued share capital of the Company and approximately 3.29% of the issued share capital of the Company as enlarged by the New Shares to be issued under the Subscriptions. Pursuant to the INC Funds Subscription Agreement, 10,000,000 New Shares are to be subscribed by INC Funds, representing approximately 11.66% of the existing issued share capital of the Company and approximately 3.29% of the issued share capital of the Company as enlarged by the New Shares to be issued under the Subscriptions.

Issue Price:
HK\$1.00 per Share, further information about the Issue Price is set out in the section headed “Issue Price of the New Shares” below.

Conditions of the Corporate Investor Subscriptions:
Corporate Investor Subscription Completion is conditional upon the following conditions being fulfilled or, in the case of conditions (e) and (f), being waived by the relevant Corporate Investor:

 - (a) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the New Shares to be issued by the Company upon the Corporate Investor Subscription Completion;
 - (b) the authorised share capital of the Company being increased from HK\$160,000,000 to HK\$1,000,000,000 by the addition of 840,000,000 New Shares;
 - (c) the passing of an ordinary resolution by the Independent Shareholders at the EGM by poll authorising the allotment and issue of the New Shares to each of the Corporate Investors;
 - (d) the BEHL Subscription Agreement becoming unconditional in all respects (including but not limited to the Whitewash Waiver being approved by the Independent Shareholders at the EGM by poll and being granted by the Executive), other than any condition therein requiring the Corporate Investor Subscription Agreements to be unconditional in all respects;
 - (e) the warranties given by the Company remaining true and accurate and not misleading in any material respect as given at the date of the Corporate Investor Subscription Agreements and at the Corporate Investor Subscription Completion; and
 - (f) the continued listing and trading of the Shares on the Stock Exchange, save for any temporary suspension not exceeding 10 consecutive trading days and any temporary suspension in connection with clearance of the announcement in relation to the Corporate Investor Subscription Agreements or the BEHL Subscription Agreement at all times prior to the date of the Corporate Investor Subscription Completion and no indication being received on or before the Corporate Investor Subscription Completion from the SFC or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange will or may be withdrawn or objected to (or conditions will or may be attached thereto except those the Company shall reasonably accept) as a result of the Corporate Investor Subscription Completion or in connection with the terms of the Corporate Investor Subscription Agreements or the BEHL Subscription Agreement.

In the event that any of the above conditions has not been fulfilled or waived on or before 27th April, 2001 (or such later date as may be agreed between the parties), then the Corporate Investor Subscription Agreements and all rights and obligations thereunder will cease and terminate and no party shall have any liability under them (without prejudice to the rights of any such parties in respect of antecedent breaches).

Completion of the Corporate Investor Subscriptions:
The Corporate Investor Subscription Completion will take place on the third business day following the day on which the conditions of the Corporate Investor Subscription Agreements have been fulfilled or waived or such other date as may be agreed between the parties and shall take place simultaneously with the completion of the BEHL Subscription Agreement, the Placing Agreement and the HK Disposal Agreement. It is expected that the date of completion of the Corporate Investor Subscription Agreements will be on or before 27th April, 2001.
- Cost and expenses:**
The Company and the Corporate Investors will bear their own costs and expenses incurred in relation to the preparation of the Corporate Investor Subscription Agreements and the Corporate Investor Subscriptions except that the Company shall bear all capital duty in relation to the increase in the authorised share capital of the Company.

Ranking:
The New Shares to be issued to the Corporate Investors will rank pari passu in all respects with the Shares in issue on the date of the Corporate Investor Subscription Completion, including ranking for payment of any dividend declared on and after the date of the Corporate Investor Subscription Completion. There will be no restrictions on the disposal of the New Shares to be issued to the Corporate Investors.
3. **THE PLACING AGREEMENT**

Date:
18th January, 2001

Parties:
The Company and the Placing Agent. The Placing Agent is independent of, and not acting in concert with, the Company, the directors, chief executive or substantial shareholders of the Company, any of its subsidiaries, or their respective associates or concert parties (if any).

Shares to be placed:
Pursuant to the Placing Agreement, 30,000,000 New Shares will be placed, which represents approximately 34.98% of the existing issued share capital of the Company or approximately 9.88% of the issued share capital of the Company as enlarged by the New Shares to be issued under the Subscriptions.

Issue Price:
HK\$1.00 per Share, further information about the Issue Price is set out in the section headed “Issue Price of the New Shares” below.

Placees:
The placees will be institutional or professional investors. Each of the placees will be independent of, and not connected and not acting in concert with, the Company, IFTL or BEHL, the directors, chief executives or substantial shareholders of the Company, IFTL or BEHL, or any of their subsidiaries or any of their respective associates or concert parties (if any).

Conditions of the Placing:
The Placing Completion is conditional upon:

 - (a) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the New Shares to be issued by the Company upon the Placing Completion;
 - (b) the BEHL Subscription Agreement becoming unconditional in all respects save for any condition therein requiring the Placing Agreement to be unconditional in all respects;
 - (c) the passing of ordinary resolutions by the Independent Shareholders at the EGM by poll authorising the allotment and issue of the New Shares pursuant to the Placing; and
 - (d) the representations, warranties and undertakings given by the Company remaining true and accurate in all material respects at the Placing Completion.

In the event that any of the above conditions has not been fulfilled prior to 27th April, 2001 (or such later date as may be agreed between the parties), then the Placing Agent shall not be bound to proceed with the Placing and the Placing Agreement shall cease to be of any effect, save in respect of claims arising out of any antecedent breach of the Placing Agreement.

Completion of the Placing
Subject to the fulfillment of the above conditions, the Placing Completion will take place simultaneously with the completion of the BEHL Subscription Agreement, the Corporate Investor Subscription Agreements and the HK Disposal Agreement.
4. **ISSUE PRICE OF THE NEW SHARES**
The issue price per New Share of HK\$1.00 representing (i) a discount of approximately 33.33% to the closing price of HK\$1.50 per Share as quoted on the Stock Exchange on the Latest Practicable Date, being the last trading date prior to the suspension of the trading of the Shares on 17th January, 2001; (ii) a discount of approximately 33.33% to the average closing price of approximately HK\$1.50 per Share over the 10 trading days leading up to and including the Latest Practicable Date; (iii) a discount of approximately 25.37% to the average closing price of approximately HK\$1.34 per Share over the 30 trading days leading up to and including the Latest Practicable Date; and (iv) a premium of approximately 78.57% to the audited consolidated net asset value per Share of approximately HK\$0.56 as at 31st December, 1999. The Issue Price has been determined after arm’s length negotiations between the parties involved, and the Directors, BEHL, the Corporate Investors and the Placing Agent have taken into account, amongst other things, the following factors:

 - the significant increment in the prices and trading volume of the Shares after the publication of the clarification announcement of the Company dated 6th December, 2000. The closing price per Share increased from HK\$1.19 on 6th December, 2000 to HK\$1.50 on the Latest Practicable Date, representing an increase of about 26.05%;
 - the respective average closing prices per Share for the 10, 30 and 60 days period up to and including the Latest Practicable Date were about HK\$1.50, HK\$1.34 and HK\$1.12 respectively;
 - the audited consolidated net asset value per Share of approximately HK\$0.56 as at 31st December, 1999; and
 - the audited net loss attributable to the Shareholders for the year ended 31st December, 1999 of approximately HK\$50.19 million.

Both the Directors and the directors of BEHL believe that the Issue Price is fair and reasonable as far as the Shareholders are concerned.
5. **REASONS FOR THE SUBSCRIPTIONS**
The audited net loss attributable to the Shareholders was approximately HK\$50,190,000 for the year ended 31st December, 1999 and the unaudited net loss attributable to the Shareholders for the six months ended 30th June, 2000 was approximately HK\$11,500,000. The audited consolidated net asset value of the Company as at 31st December, 1999 was approximately HK\$47,800,000. The Group also incurred interest bearing borrowings of approximately HK\$157,700,000 and HK\$169,500,000 as at 31st December, 1999 and 30th June, 2000 respectively. Given such operating results and level of borrowings of the Company, the Directors consider that there is funding pressure on the Company.

The Directors (including the independent non-executive directors of the Company) consider that the Subscriptions will increase the capital base of the Company and provide a solid financial foundation for the Group to continue the development of its existing business and invest in other businesses, including business in the information technology and telecommunications sectors. The Directors further believe that the Subscriptions will not only improve the Group’s financial position but is also important to the Group’s future business development.

Upon the Subscription Completion, BEHL, through IFTL, will become the controlling shareholder of the Company and intends to use the Company as the major investment vehicle for investment in the information technology and telecommunications sectors. Further information about the intention of BEHL on the Group is set out in the paragraph headed “BEHL’s intention on the Group” below. The Directors believe that given the well-established business networks and resources of BEHL and its strong financial backings, the BEHL Subscription will enable the Group to enhance its relationship with BEHL, and through such relationship, to explore various business opportunities, including opportunities in the information technology and telecommunication sectors. Therefore, the Directors consider that the implementation of the Subscriptions including the BEHL Subscription are in the interest of the Group.

The Directors intend to maintain the listing of the Shares on the Stock Exchange. The purpose of the Corporate Investor Subscriptions and the Placing is to maintain sufficient Shares in public hands to satisfy Rule 8.08 of the Listing Rules. The Corporate Investor Subscriptions and the Placing are expected to result in the public holding approximately 25.39% of the issued share capital of the Company as enlarged by the New Shares to be issued under the Subscriptions. In addition, the Directors believe the investments by the Corporate Investors in the Company could help the future business development of the Company after the Subscription Completion.

The Directors intend that the Company will continue its existing business except for the trading and manufacturing business of woollen and worsted products which will be disposed of pursuant to the Disposals and also actively study various business opportunities of further diversifying into other businesses, including exploring business opportunities in the information technology and telecommunications sectors, including network infrastructure facilities, network construction, network system integration, Internet support related services as well as smart card development.
6. **THE DISPOSAL AGREEMENTS**

In respect of the HK Disposal Agreement

Date:
18th January, 2001

Parties:
Vendor: The Company
Purchaser: GMG
Guarantor: IHL

Particulars of the HK Disposal Agreement:
The HK Disposal Agreement provides for the sale by the Company to GMG of (a) the interest of the Company of 70% of the issued share capital of Sino Textile for a cash consideration of HK\$1.00 per share, amounting to a cash consideration of HK\$70; (b) all the benefits and interest of and in the Shareholder’s Loan at a dollar-for-dollar cash consideration of HK\$1,518,208; and (c) the Worsted Products at a cash consideration of HK\$4,502,949. IHL will guarantee the performance of the obligations on the part of GMG and indemnify the Company against all losses or expenses which the Company may suffer through or arising from any breach by GMG of such obligations. The Directors consider that the terms of the HK Disposal Agreement, which have been agreed on commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned. As a result of the HK Disposal, the Group will recognise a profit of approximately HK\$777,000 (which is estimated based on the consideration less current book value).

Consideration:
The aggregate cash consideration for the HK Disposal is HK\$6,021,227, which was determined by reference to the aggregate of (i) the aggregate par value of the 70 shares of Sino Textile of HK\$70; (ii) the amount of HK\$1,518,208 of the Shareholder’s Loan; and (iii) the book value of Worsted Products of HK\$4,502,949 as at 31st October, 2000. The Directors consider that taking into account (i) the net liabilities of approximately HK\$1,110,000 of Sino Textile as at 31st October, 2000; (ii) the track record and financial position of Sino Textile as set out in the section headed “Information on Sino Textile” below; (iii) the market environment of Sino Textile; (iv) the cash consideration of the Shareholder’s Loan on a dollar-for-dollar basis; and (v) the aggregate cash consideration of the HK Disposal which is equivalent to a premium of approximately HK\$777,000 to the aggregate value of the Company’s attributable interest to the net liabilities of Sino Textile as at 31st October, 2000, the amount of the Shareholder’s Loan and the book value of the Worsted Products as at 31st October, 2000, the aggregate consideration for the HK Disposal is fair and reasonable so far as the Shareholders, including the Independent Shareholders, are concerned.

Conditions of the HK Disposal Agreement

Completion of the HK Disposal Agreement is conditional upon the following conditions being fulfilled or, in the case of condition (a), being waived by GMG:

(a) the warranties under the HK Disposal Agreement remaining true and accurate and not misleading in all material respects at the completion of the HK Disposal Agreement;

(b) the transactions contemplated under the HK Disposal Agreement being approved by the Independent Shareholders at the EGM taken by a poll;

(c) the BEHL Subscription Agreement becoming unconditional in all respects save for any condition therein requiring the HK Disposal Agreement to be unconditional in all respects;

(d) the PRC Party which owns the remaining 50% interest in Beijing Jin Yang granting its written consent to the transfer of the Company's 50% interest in Beijing Jin Yang from the Company to GMG and a written waiver of its pre-emptive right to purchase such interest of the Company; and

(e) the Special Deal Consent being obtained under Rule 25 of the Takeovers Code in connection with the HK Disposal Agreement and the JV Disposal Agreement.

In the event that any of the above conditions has not been fulfilled or waived on or before 27th April, 2001 (or such later date as may be agreed between the parties), then GMG shall not be bound to proceed with the purchase of the Sale Shares, the Shareholder's Loan and the Worsteds Products and the HK Disposal Agreement shall cease to be of any effect save in respect of claims arising out of any antecedent breach of the HK Disposal Agreement.

In respect of the JV Disposal Agreement

Date: 18th January, 2001

Parties:

Vendor: The Company

Purchaser: GMG

Guarantor: IHL

Particulars of the JV Disposal Agreement:

Pursuant to the JV Disposal Agreement, the Company has conditionally agreed to sell, and GMG has conditionally agreed to purchase, the Company's 50% interest in Beijing Jin Yang at a cash consideration of HK\$19,618,897. The Directors consider that the terms of the JV Disposal Agreement, which have been agreed on commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned. As a result of the JV Disposal, the Group will not recognise any profit or loss (which is estimated based on the consideration less current book value).

Consideration:

The cash consideration for the JV Disposal is HK\$19,618,897, which was determined by reference to the 50% share of net asset value of Beijing Jin Yang attributable to the Group of HK\$19,618,897 based on its unaudited management account as at 31st October, 2000. The Directors consider that taking into account (i) the track record and financial position of Beijing Jin Yang as set out in the section headed "Information on Beijing Jin Yang" below; (ii) the market environment of Beijing Jin Yang; and (iii) the consideration of the JV Disposal being equivalent to the share of net asset value of 50% interest in Beijing Jin Yang as at 31st October, 2000, the consideration for the JV Disposal is fair and reasonable so far as the Shareholders, including the Independent Shareholders, are concerned.

Conditions of the JV Disposal:

Completion of the JV Disposal is conditional upon the following conditions being fulfilled or, in the case of condition (f), being waived by GMG, inter alia,

(a) the approval obtained from the relevant PRC approval authorities regarding the JV Disposal, the termination of the original joint venture contract, the revised joint venture contract and articles of association and change in the board of directors of Beijing Jin Yang;

(b) the PRC Party which owns the remaining 50% interest in Beijing Jin Yang granting its written consent to the transfer of the Company's 50% interest in Beijing Jin Yang from the Company to GMG and a written waiver of its pre-emptive right to purchase such interest of the Company;

(c) the transactions contemplated under the JV Disposal Agreement being approved by the Independent Shareholders at the EGM taken by a poll;

(d) the BEHL Subscription Agreement becoming unconditional in all respects;

(e) the Special Deal Consent being obtained under Rule 25 of the Takeovers Code in connection with the HK Disposal Agreement and the JV Disposal Agreement; and

(f) the warranties under the JV Disposal Agreement remaining true and accurate in all material respects and not misleading as at the completion of the JV Disposal Agreement.

In the event that any of the above conditions has not been fulfilled or waived on or before 29th June, 2001 (or such later date as may be agreed between the parties), then GMG shall have the right to terminate the JV Disposal Agreement. The JV Disposal Agreement shall terminate with effect from the date on which GMG issues a written notice of termination and the parties shall cease to be bound by their obligations thereunder save in respect of claims arising out of any antecedent breach of the JV Disposal Agreement.

The PRC Party which owns the remaining 50% interest in Beijing Jin Yang has already granted its consent to the transfer of the Company's 50% interest in Beijing Jin Yang from the Company to GMG and the waiver of its pre-emptive right to purchase such interest of the Company. Accordingly, condition (b) of the JV Disposal Agreement has been satisfied.

REASONS FOR THE DISPOSALS

The trading and manufacturing operations of woollen and worsted products of the Company has suffered loss during the past few years. The Directors consider that strong competition would continue to be present in the trading and manufacturing business of woollen and worsted products. It would take time and demand resources for the Group to improve the trading and manufacturing operations of the woollen and worsted products. Accordingly, it is the intention of the Group to discontinue the trading and manufacturing businesses of woollen and worsted products as a result of the Disposals and the Directors believe that the Disposals represent a good opportunity to realise its investments in the trading and manufacturing operations of woollen and worsted products and allow additional capital to expand and diversify the Group's business. The Directors consider that the terms of the Disposal Agreements are fair and reasonable and are in the interest of the Group.

USE OF PROCEEDS FROM THE SUBSCRIPTIONS AND THE DISPOSALS

The aggregate gross proceeds from the Subscriptions and the Disposals are estimated to amount to approximately HK\$243,640,000. It is intended that not more than half of the proceeds received from the Subscriptions and the Disposals will be used to repay part of the bank loans and other borrowings with an aggregate amount of approximately HK\$199,000,000 as at 31st October, 2000 and the remaining proceeds will be used as working capital principally to invest and develop the business of the Group to include those in the information technology and telecommunications sectors, in particular, network infrastructure facilities, network construction, network system integration, Internet support related services as well as smart card development. Such investment and/or development in the information technology and telecommunications sectors will be conducted through various means including, but not limited to, internal development, investments, joint ventures, share swaps, cooperative agreements and/or strategic alliances. Any acquisition by the Company will be subject to compliance with the requirements of the Listing Rules. At present, neither agreements nor negotiations have been entered into with respect to any acquisition.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY AS A RESULT OF THE SUBSCRIPTIONS

The shareholding structures of the Company immediately before and after the Subscription Completion are as follows:

	Immediately before the Subscription Completion		Immediately after the Subscription Completion	
	(Note 1)	%	(Note 1)	%
IFTL	–	–	168,000,000	55.31%
GDL (Note 2)	–	–	10,000,000	3.29%
INC Funds (Note 2)	–	–	10,000,000	3.29%
IHL	58,618,368	68.35%	58,618,368	19.30%
Placees (Note 2)	–	–	30,000,000	9.88%
Other shareholders (Note 2)	27,140,382	31.65%	27,140,382	8.93%
Total	85,758,750		303,758,750	

Notes:

1. The figures assume that other than the New Shares, no new Shares will be issued or repurchased by the Company after the date of this announcement and up to the date of the Subscription Completion.

2. Upon the Subscription Completion, these shareholders are regarded as public shareholders.

It is the intention of BEHL to maintain the listing of the Shares on the Stock Exchange after the Subscription Completion.

TAKEOVERS CODE IMPLICATIONS

At present, none of IFTL, BEHL, the Corporate Investors or any of their respective associates or concert parties (if any) owns any Shares or is interested in any Shares other than Shares to be acquired pursuant to the BEHL Subscription Agreement and the Corporate Investor Subscription Agreements respectively. Upon Subscription Completion, IFTL, BEHL and its associates will be interested in 168,000,000 Shares, representing approximately 55.31% of the issued share capital of the Company as enlarged by the New Shares to be issued under the Subscriptions. Neither IFTL, BEHL, the Corporate Investors nor persons acting in concert with any of them for the purposes of the Takeovers Code have dealt in the Shares during the six months period prior to the date of this announcement.

Under Rule 26 of the Takeovers Code, upon the BEHL Subscription Completion, IFTL and its concert parties would be obliged, unless the Whitewash Waiver is granted, to make an unconditional general offer for all the issued Shares not then already owned or agreed to be acquired by IFTL or its concert parties.

An application will be made by IFTL to the Executive for the Whitewash Waiver which, if granted, would normally be subject to the approval of the Shareholders who are not involved or interested in the BEHL Subscription on a vote taken by way of a poll. The Executive may or may not grant the Whitewash Waiver. The BEHL Subscription Completion is conditional upon, inter alia, the granting of the Whitewash Waiver by the Executive. If the Executive does not grant the Whitewash Waiver, the BEHL Subscription Agreement, the Corporate Investor Subscription Agreements and the Placing Agreement will lapse as a consequence. There will be no general offer for the Shares as a result of the BEHL Subscription.

If the Whitewash Waiver is approved by the Independent Shareholders and granted by the Executive, and immediately upon the Subscription Completion, BEHL (through IFTL) and its concert parties (if any) will hold approximately 55.31% of the issued share capital of the Company as enlarged by the New Shares to be issued under the Subscriptions and as such, BEHL may be free to acquire additional Shares thereafter without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

SPECIAL DEAL CONSENT/CONNECTED TRANSACTION

The Disposal Agreements constitute special deals under Rule 25 of the Takeovers Code and hence require consent from the Executive. An application will be made to the Executive for the Special Deal Consent which, if granted, will be subject to (1) the independent financial advisers to the Company stating that in their opinion the terms of each of the Disposal Agreements are fair and reasonable; and (2) such agreements being approved by the Independent Shareholders at the EGM on a vote taken by way of a poll.

In addition, as at the Latest Practicable Date, IHL beneficially owned an aggregate of approximately 68.35% of the issued share capital of the Company. Accordingly, the BEHL Subscription (in which IHL is acting as warrantor) and the Disposals constitute connected transactions of the Company for the purposes of the Listing Rules. Since the aggregate consideration of the Disposals of HK\$25,640,124 represents approximately 53.64% of the audited consolidated net assets of the Group as at 31st December, 1999, the Disposals also constitute major transactions of the Company for the purposes of the Listing Rules. Accordingly, the BEHL Subscription and the Disposals may only proceed if Independent Shareholders' approval is obtained.

IFTL, BEHL, IHL, GDL, HWL, INC Funds, any of their associates and their respective concert parties (if any) in relation to the Company will abstain from voting on the resolutions to approve the Subscriptions, the Whitewash Waiver and the Disposals at the EGM.

INFORMATION ON THE GROUP

Business

The Company is incorporated in Hong Kong with limited liability and its Shares are listed on the Stock Exchange. The Group is principally engaged in the trading and manufacturing of woollen and worsted products, property investment and restaurant operations.

Financial information

The following table sets out a summary of the results of the Company for the three years ended 31st December, 1999 and the six months ended 30th June, 2000:

	1997	For the year ended 31st December, 1998	1999	For the six months ended 30th June, 2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	113,580	117,716	127,785	90,391
Loss attributable to Shareholders	13,967	34,450	50,190	11,520

For the year ended 31st December, 1999, the turnover attributable to the trading and manufacturing operations of woollen and worsted products, the restaurants operations, the property investment operations and other general trading was approximately HK\$23,000,000, HK\$94,800,000, HK\$8,100,000 and HK\$1,800,000 respectively, representing approximately 18.02%, 74.22%, 6.32% and 1.44% respectively of the total turnover of the Group for the year ended 31st December, 1999. For the year ended 31st December, 1999, the loss from operating activities attributable to the trading and manufacturing operation of woollen and worsted products, the restaurants operations, the property investment operations and other general trading was approximately HK\$8,800,000, HK\$4,900,000, HK\$10,100,000 and HK\$590,000 respectively, representing approximately 36.12%, 20.21%, 41.27% and 2.40% respectively of the loss from operating activities for the year ended 31st December, 1999.

The audited consolidated net asset value of the Company as at 31st December, 1999 was approximately HK\$47,800,000. The interest bearing borrowings of the Group amounted to approximately HK\$157,700,000 and HK\$169,500,000 as at 31st December, 1999 and 30th June, 2000 respectively.

INFORMATION ON SINO TEXTILE

Sino Textile, a company incorporated in Hong Kong in 1995, is owned as to 70% by the Company and as to 30% by Ms. Wong Ching Yi. Irene, other than by virtue of the fact that Ms. Wong is a substantial shareholder of Sino Textile, Ms. Wong is an independent third party who is independent of, and not connected and not acting in concert with, the Company, IFTL or BEHL, the directors, chief executive or substantial shareholders of the Company, IFTL or BEHL, any of their subsidiaries or any of their respective associates or concert parties (if any). It is principally engaged in the trading of woollen and worsted products. The audited net profit (loss) of Sino Textile for the two years ended 31st December, 1999 were approximately HK\$264,000 and HK\$203,000 respectively. The audited net liabilities of Sino Textile as at 31st December, 1999 attributable to the Group was approximately HK\$738,000. In addition, based on the management accounts of the Group, the net loss of Sino Textile for the ten months ended 31st October, 2000 was approximately HK\$56,000 and the net liabilities of Sino Textile as at 31st October, 2000 was approximately HK\$1,110,000.

INFORMATION ON BEIJING JIN YANG

Beijing Jin Yang is a sino-foreign joint venture established in the PRC in 1996 with a term of 20 years. Beijing Jin Yang is owned as to 50% by the Company and as to the remaining 50% by the PRC Party, an independent third party who is independent of, and not connected and not acting in concert with, the Company, IFTL or BEHL, the directors, chief executive or substantial shareholders of the Company, IFTL or BEHL, any of their subsidiaries or any of their respective associates or concert parties (if any). The registered capital of Beijing Jin Yang is US\$11,180,000 (approximately HK\$86,394,000). It is engaged in the manufacturing of woollen and worsted products. The net loss of Beijing Jin Yang attributable to the Group, which had been made in the audited accounts of the Group, prepared in accordance with the HK GAAP, for each of the two years ended 31st December, 1999 were approximately RMB1,030,000 (approximately HK\$963,000) and RMB14,843,000 (approximately HK\$13,872,000) respectively. The Group's share of net assets of Beijing Jin Yang, which had been made in the audited accounts of the Group prepared in accordance with the HK GAAP as at 31st December, 1999, was approximately RMB25,947,000 (approximately HK\$24,250,000). In addition, based on the management accounts of the Group, the net loss of Beijing Jin Yang attributable to the Group for the ten months ended 31st October, 2000 was approximately RMB4,858,000 (approximately HK\$4,540,000) and the Group's share of net asset value of Beijing Jin Yang as at 31st October, 2000 was approximately RMB21,090,000 (approximately HK\$19,600,000).

INFORMATION ON IHL

IHL is a company incorporated in the British Virgin Islands and is the controlling shareholder of the Company and owned 58,618,368 Shares as at the Latest Practicable Date. Mr. Bai Jin Rong, Mr. Ng Kong Fat, Brian and Mr. Ng Kwong Fung, directors of IHL, are also directors of the Company. In addition, Mr. Bai Jin Rong is also the vice-president and a director of BEHL.

INFORMATION ON BEHL AND IFTL

Business

BEHL is an investment holding company incorporated in Hong Kong, whose shares are listed on the Stock Exchange. BEHL and its subsidiaries are principally engaged in four major sectors of businesses: consumer goods, infrastructure, services and technology. Consumer goods sector includes manufacture, distribution and sale of beer, wine, dairy products and processed meat and seafood products. Infrastructure sector includes management and operation of the Capital Airport Expressway in Beijing, the PRC and the operation concession of a water treatment plant. Service sector includes provision of tourism, retail and hotel services. Technology sector is mainly represented by the BEHL Group's 40% interest in a joint venture with Siemens AG producing switching system. The BEHL Group also started several technology-related projects.

IFTL is a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of BEHL.

Financial information

The following table sets out a summary of the results of the BEHL Group for the three years ended 31st December, 1999 and the six months ended 30th June, 2000:

	1997	For the year ended 31st December, 1998	1999	For the six months ended 30th June, 2000
	(Note)			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3,370,694	3,396,578	3,823,713	2,482,995
Profit attributable to shareholders	811,208	474,460	485,030	260,953

Note: The pro forma combined income statement for the year ended 31st December, 1997, which is presented for information purposes only, has been prepared in accordance with HK GAAP to show the results of the BEHL Group for the year ended 31st December, 1997 as if the BEHL Group structure had been in existence throughout that year.

The audited consolidated net asset value of BEHL as at 31st December, 1999 was approximately HK\$6,169 million.

INFORMATION ON GDL AND INC FUNDS

Information on GDL

GDL is a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of HWL. HWL is a company incorporated in Hong Kong, whose shares are listed on the Stock Exchange. HWL and its subsidiaries are principally engaged in ports and related services, telecommunications and e-commerce, property development and hotel, retail and manufacturing and energy, infrastructure, finance and investments.

Information on INC Funds

INC Funds, a company incorporated in the Cayman Islands, with fund size of US\$35 million was established in April 1996 and managed by WI Harper Group, a high technology venture capital firm based in San Francisco, the United States of America. WI Harper Group focuses particularly on investment opportunities in the high technology sector in the Greater China Region (including Hong Kong, China and Taiwan) and Silicon Valley in the United States of America. INC Funds focuses on investment opportunities in information technology and bio-technology sectors in North America, Asia Pacific and Europe.

BEHL'S INTENTION ON THE GROUP

Business

Upon the Subscription Completion, BEHL will become the controlling shareholder of the Company. It is the intention of BEHL that the Group will continue its existing businesses of property investment and restaurant operations. In addition, BEHL, together with the continuous support from Beijing Municipal Government, plans to develop the Company as its major flagship for investment in information technology and telecommunications sectors. Upon and after the Subscription Completion, it is the intention of BEHL that the Company will continue to evaluate investment opportunities (including the existing investments of the BEHL Group) in information technology and telecommunications sectors, when it arises. BEHL may or may not inject its existing investments in information technology and telecommunications sectors to the Group. However, the Company will only invest in projects that are in the interest of the shareholders as a whole and beneficial to the Group. Any future injection of assets into the Group will be subject to the provision of the Listing Rules. It is the intention of BEHL that the business of BEHL will not compete with that of the Group. In the event that any new business to be developed by the Group would result in competition between the Group and BEHL, the Company would disclose it in full, where appropriate.

It is also the intention of BEHL that the Company will continue to maintain strategic partnership with its Corporate Investors and capitalise on their advanced technology in the information technology and telecommunications sectors. Accordingly, the Group will diversify its business to include those in the information technology and telecommunications sectors, in particular, network infrastructure facilities construction, network system integration, Internet support related services as well as smart card development. It is aimed that the Group will become the leading network infrastructure facilities constructor, play an important role in the long-term development plan of electronic transactions and provide first-class network connection services in Beijing, the PRC.

Directors of the Company

There are currently five directors (including two independent non-executive directors) on the Board. It is intended that all of them will remain on the Board immediately after the Subscription Completion. It is also intended that there will be no material change in the existing senior management and employees of the Company. Depending on future business development, IFTL may nominate additional candidates to the Board. At present, IFTL is still in the process of finding suitable candidates with relevant information technology, telecommunications or professional corporate finance background. Further details will be provided to the Shareholders once identified.

MAINTAINING THE LISTING OF THE COMPANY

It is the intention of the directors of BEHL to maintain the listing of the Company on the Stock Exchange after the Subscription Completion.

The Stock Exchange has stated that it will closely monitor trading in the Shares if less than 25% of the Shares is held by the public. If the Stock Exchange believes that:

• a false market exists or may exist in the Shares; or

• there are too few Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend trading in the Shares.

The Stock Exchange will also closely monitor all future acquisitions or disposals of assets by the Company. The Stock Exchange has the discretion to require the Company to issue a circular to its shareholders irrespective of the size of any proposed transaction, particularly when such proposed transaction represents a departure from the principal activities of the Company. The Stock Exchange also has the power to aggregate a series of transactions and any such transactions may result in the Company being treated as if it were a new listing applicant.

EGM

The EGM will be convened to seek the approvals necessary for, inter alia, the increase in the authorised share capital of the Company, the Subscriptions, the Whitewash Waiver and the Disposals. IFTL, BEHL, IHL, GDL, HWL, INC Funds, any of their associates and their respective concert parties will abstain from voting on the resolution to approve the Subscriptions, the Whitewash Waiver and the Disposals at the EGM.

GENERAL

An Independent Board Committee has been appointed to advise the Independent Shareholders in respect of the Subscriptions, the Whitewash Waiver and the Disposals. Two independent financial advisers have been appointed to advise the Independent Board Committee.

BNP Paribas Peregrine has been appointed as the financial adviser of the Company. The Company will apply to the Stock Exchange for listing of and permission to deal in the New Shares.

A composite document containing, among other things, information on the Subscriptions, the Disposals and the increase in authorised share capital, the recommendation of the Independent Board Committee in relation to the Subscriptions, the Whitewash Waiver and the Disposals, the letter of the independent financial advisers as to whether the Subscriptions, the Whitewash Waiver and the Disposals are fair and reasonable to the Independent Shareholders and are of benefit to the Company as a whole and the notice of the EGM will be despatched to the Shareholders as soon as practicable. In addition, an announcement of the results of the EGM will be made by the Company after the meeting has been held.

Trading of the Shares was suspended at the request of the Company from 10:00 a.m. on 17th January, 2001. Application has been made for trading of the Shares to resume from 10:00 a.m. on 19th January, 2001.

Shareholders and public investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

As used in this Announcement, the following words and phrases shall have the following meanings:

"associates"	have the meaning as defined in the Listing Rules
"BEHL"	Beijing Enterprises Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"BEHL Group"	BEHL and its subsidiaries
"BEHL Subscription"	the subscription by IFTL of 168,000,000 New Shares under the BEHL Subscription Agreement
"BEHL Subscription Agreement"	the conditional agreement dated 18th January, 2001, entered into between IFTL, the Company and IHL regarding the BEHL Subscription
"BEHL Subscription Completion"	the completion of the BEHL Subscription Agreement, which are expected to be on or before 27th April, 2001
"Beijing Jin Yang"	Beijing Jin Yang Worstod Co. Ltd., a sino-foreign joint venture established in the PRC, 50% interest of which is held by the Company
"BNP Paribas Peregrine"	BNP Paribas Peregrine Capital Limited, an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
"Board"	the board of Directors
"Company"	Beijing Development (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"Corporate Investor Subscription Agreements"	the GDL Subscription Agreement and the INC Funds Subscription Agreement
"Corporate Investor Subscription Completion"	the completion of the Corporate Investor Subscription Agreements, which is expected to be on or before 27th April, 2001
"Corporate Investor Subscriptions"	the GDL Subscription and the INC Funds Subscription
"Corporate Investors"	GDL and INC Funds
"Director(s)"	the director(s) of the Company
"Disposal Agreements"	the HK Disposal Agreement and the JV Disposal Agreement
"Disposals"	the HK Disposal and the JV Disposal
"EGM"	the extraordinary general meeting of the Company to be convened for approving, amongst other things, the Subscriptions, the Whitewash Waiver and the Disposals
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"GDL"	Gateway Direct Limited, an indirect wholly-owned subsidiary of HWL
"GDL Subscription"	the subscription by GDL of 10,000,000 New Shares under the GDL Subscription Agreement
"GDL Subscription Agreement"	the conditional agreement dated 18th January, 2001 entered into between GDL and the Company regarding the GDL Subscription
"GDL Subscription Completion"	the completion of the GDL Subscription Agreement, which is expected to be on or before 27th April, 2001
"GMG"	Guang Ming Group (Hong Kong) Limited, a wholly-owned subsidiary of IHL
"Group"	the Company and its subsidiaries
"HK Disposal"	the disposal of the Sale Shares, the Shareholder's Loan and the Worsteds Products by the Company to GMG pursuant to the HK Disposal Agreement and the transactions contemplated therein
"HK Disposal Agreement"	the agreement dated 18th January, 2001 entered into between the Company, GMG and IHL in relation to the HK Disposal
"HK GAAP"	Hong Kong Generally Accepted Accounting Principles
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HWL"	Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"IFTL"	Idata Finance Trading Limited, a direct wholly-owned subsidiary of BEHL
"IHL"	Illumination Holdings Limited, the controlling shareholder of the Company with a 68.35% shareholding interest in the Company as at the Latest Practicable Date
"INC Funds"	International Network Capital LDC
"INC Funds Subscription"	the subscription by INC Funds of 10,000,000 New Shares under the INC Funds Subscription Agreement
"INC Funds Subscription Agreement"	the conditional agreement dated 18th January, 2001, entered into between INC Funds and the Company regarding the INC Funds Subscription
"INC Funds Subscription Completion"	the completion of the INC Funds Subscription Agreement, which are expected to be on or before 27th April, 2001
"Independent Board Committee"	a committee of the independent board of directors of the Company
"Independent Shareholder(s)"	the shareholders of the Company other than IFTL, BEHL, IHL, GDL, HWL, INC Funds, any of their associates and their respective concert parties (if any) who are prohibited from voting under the Takeovers Code or the Listing Rules
"Issue Price"	the issue price of HK\$1.00 per New Share, pursuant to the Subscription Agreements
"JV Disposal"	the disposal of 50% interest in Beijing Jin Yang by the Company to GMG pursuant to the JV Disposal Agreement and the transactions contemplated therein
"JV Disposal Agreement"	the agreement dated 18th January, 2001 entered into between the Company, GMG and IHL in relation to the JV Disposal
"Latest Practicable Date"	16th January, 2001, being the latest practicable date before the printing of this announcement for ascertaining certain information in this announcement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"New Share(s)"	218,000,000 new Shares to be issued at the Issue Price pursuant to the Subscriptions which will rank pari passu in all respects with all existing Shares, including but not limited to the right to receive all dividends and distributions declared, made or paid by the Company on or after the date of completion of each respective Subscription Agreement
"Placing"	the placing of 30,000,000 New Shares on the terms of the Placing Agreement
"Placing Agent"	Shen Yin Wanguo Securities (H.K.) Ltd., a securities dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
"Placing Agreement"	the placing agreement dated 18th January, 2001 entered into between the Company and the Placing Agent in relation to the Placing
"Placing Completion"	the completion of the Placing Agreement, which is expected to be on or before 27th April, 2001
"PRC"	the People's Republic of China
"PRC GAAP"	accounting principles generally accepted in the PRC
"PRC Party"	北京毛紡織集團有限公司, the PRC joint venture party of Beijing Jin Yang holding its 50% shareholding interest
"Sale Shares"	the 70 shares of HK\$1.00 each in the share capital of Sino Textile, representing 70% of the existing issued share capital of Sino Textile
"SFC"	the Securities and Futures Commission of Hong Kong
"Share(s)"	ordinary share(s) of HK\$1.00 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Shareholder's Loan"	the non-interest bearing shareholder's loan of HK\$1,518,208 which was due from Sino Textile to the Company
"Sino Textile"	Sino Textile Enterprises Limited, a company incorporated in Hong Kong and is owned as to 70% by the Company
"Special Deal Consent"	the consent from the Executive required under Note 4 to Rule 25 of the Takeovers Code
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscribers"	IFTL, GDL, INC Funds and the placees pursuant to the Placing
"Subscriptions"	the BEHL Subscription, the Corporate Investor Subscriptions and the Placing
"Subscription Agreement(s)"	the BEHL Subscription Agreement, the GDL Subscription Agreement, the INC Funds Subscription Agreement and the Placing Agreement or, where the context requires, any of such agreement
"Subscription Completion"	completion of the Subscription Agreements, which are expected to be on or before 27th April, 2001
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Whitewash Waiver"	a waiver from the obligation on a part of IFTL and persons acting in concert with it to make a general offer under the Takeovers Code for all the Shares not beneficially owned by IFTL and persons acting in concert with it as a result of the Subscriptions, pursuant to Note 1 of the Notes on Dispensations from Rule 26 of the Takeovers Code
"Worsteds Products"	all the woollen and worsted products owned by the Company
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US\$"	United States dollars, the lawful currency of the United States of America
"%"	per cent

By Order of the Board

Beijing Enterprises Holdings Limited

Hu Zhao Guang

Chairman

By Order of the Board

Beijing Development (Hong Kong) Limited

Ng Kong Fat, Brian

Director

Hong Kong, 18th January, 2001

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

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

In this announcement, for information purpose only, certain amounts in RMB have been translated into HK\$0.935. Such translation should not be construed as a representation that the RMB amounts have been, could have been or could be converted into HK\$, as the case may be, at this or any other rates or at all.