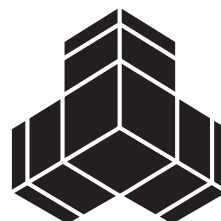


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(Incorporated in Hong Kong with limited liability)



北京發展(香港)有限公司

BEIJING DEVELOPMENT (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability)

CONNECTED TRANSACTION

MAJOR AND CONNECTED TRANSACTIONS

AND

ON-GOING CONNECTED TRANSACTIONS

**Acquisition of the Cyber Vantage Group by the Company,
through the acquisition of the entire issued share capital of
E-Tron and PTG**

SUMMARY

Pursuant to the Agreement dated 20th September, 2001, the Company has conditionally agreed to acquire the entire issued share capital of E-Tron and PTG from the Individual CV Owners and BEHL respectively. The sole assets owned by E-Tron and PTG are their respective 49% and 51% equity interests in Cyber Vantage. Accordingly, Cyber Vantage will be indirectly wholly-owned by the Company, via E-Tron and PTG, subsequent to Completion.

The Cyber Vantage Group is principally engaged in (i) the provision of last-mile networking service and telecommunication and data communication and management services; (ii) system integration for intelligent buildings; (iii) the construction of educational information network; and (iv) the provision of technical support, consultation and administrative services for Internet related operators in Beijing.

The Consideration of HK\$190,000,000 payable by the Company to the Vendors has been determined after arm's length negotiations between the parties to the Agreement. Both the directors of the Company and BEHL consider such Consideration to be fair and reasonable so far as the respective shareholders of the Company and BEHL are concerned. The Consideration payable will be satisfied as to (i) HK\$47,500,000 in cash; and (ii) HK\$142,500,000 by way of the allotment and issue of 142,500,000 Consideration Shares.

The 142,500,000 Consideration Shares represent approximately 46.91% of the existing issued share capital of the Company or approximately 31.93% of the issued share capital of the Company as enlarged by the Consideration Shares to be issued.

Each of BEHL and the Individual CV Owners has severally agreed to warrant, guarantee and undertake (in the proportion of 51% by BEHL, 14.7% by Cao Wei, 14.7% by Tian Ye, 7.35% by Zhong Yuan, 7.35% by Wang Dongbin and 4.9% by Liu Xiling) to the Company that the 2001 CV Audited Profit shall not be less than HK\$20,000,000.

Pursuant to the Listing Rules, the Transaction constitutes a major transaction for the Company. As BEHL is the controlling shareholder of the Company, the Transaction also constitutes a connected transaction for the Company. Since BETIT will after Completion become an indirect wholly-owned subsidiary of the Company and BTTE is a subsidiary and hence an associate of BEHL, the transactions contemplated under the Technical Services Agreements (as amended by the Supplemental Agreements) constitute on-going connected transactions for the Company. The Directors believe that strict compliance with the disclosure/shareholders' approval requirements in respect of the On-going Connected Transactions would be impractical and unduly onerous on the part of the Group as they are of a regular and continuing nature. As such,

the Company will apply to the Stock Exchange for a waiver from the disclosure/shareholders' approval requirements in connection with the On-going Connected Transactions under the Listing Rules. A further announcement will be made in respect of the waiver of the On-going Connected Transactions. The Transaction and the On-going Connected Transactions are subject to, among other things, the approval of the Independent Shareholders. In view of the interest of BEHL in the Agreement, BEHL and its associates will abstain from voting at the EGM in this regard.

The Transaction constitutes a connected transaction for BEHL under the Listing Rules as it involves a transaction between BEHL and its non-wholly-owned subsidiary and transactions between BEHL's subsidiaries (i.e. the Company) and Mr. Cao Wei and Mr. Zhong Yuan who are the directors of BEHL's subsidiaries. Since the directors of BEHL consider the terms of the Transaction are on normal commercial terms and the consideration for the shares in PTG or the book value of the net tangible assets of the Cyber Vantage Group does not exceed 3% of the book value of the net tangible assets of the BEHL Group as disclosed in its latest published audited consolidated accounts, BEHL will disclose further details of the Transaction in its next annual report in accordance with Rule 14.25(1) of the Listing Rules.

The Directors believe that the Transaction represents an invaluable opportunity for the Group to diversify its business and engage in the SI Industry in the PRC, which is experiencing high growth, and this diversification is in line with the Group's strategy and is in the interest of the Shareholders as a whole and beneficial to the Group.

A circular containing, among other things, information on the Transaction, the On-going Connected Transactions and the issue of the Consideration Shares, the letter from the independent financial adviser containing its advice to the Independent Board Committee in relation to the Transaction, the On-going Connected Transactions and the issue of the Consideration Shares, the recommendation of the Independent Board Committee and a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

1. THE AGREEMENT DATED 20TH SEPTEMBER, 2001

Parties:

Purchaser: The Company

- Vendors: (1) BEHL, the controlling shareholder of the Company; and
- (2) the Individual CV Owners, namely, Mr. Cao Wei, Mr. Tian Ye, Mr. Zhong Yuan, Mr. Wang Dongbin and Ms. Liu Xiling. Save as (i) Mr. Cao Wei, being the director of Cyber Vantage, BETIT, BETT, BT System Integration, BT Intelligent System and BWCT, (ii) Mr. Zhong Yuan, being a director of Cyber Vantage, and (iii) Mr. Tian Ye, being a director of BWCT, all the other Individual CV Owners will be independent of any of the directors, chief executive or substantial shareholders of the Company or BEHL or any of their respective subsidiaries or associates

Assets to be acquired:

Pursuant to the Agreement, the Company has conditionally agreed to acquire:

- (1) 30%, 30%, 15%, 15% and 10% of the issued share capital of E-Tron from Mr. Cao Wei, Mr. Tian Ye, Mr. Zhong Yuan, Mr. Wang Dongbin and Ms. Liu Xiling respectively; and
- (2) the entire issued share capital of PTG from BEHL,

E-Tron and PTG are the registered and beneficial owners of 49% and 51% of the issued share capital of Cyber Vantage respectively. Accordingly, Cyber Vantage will be indirectly wholly-owned by the Company, via E-Tron and PTG, subsequent to Completion.

Consideration:

The Consideration payable by the Company to the Vendors for the Transaction is HK\$190,000,000. In satisfaction of the Consideration, the Company shall upon Completion:

- (1) pay to BEHL or its nominee(s), HK\$24,225,000 in cash and allot and issue to BEHL or its nominee(s) 72,675,000 Consideration Shares,

credited as fully paid;

- (2) pay to Mr. Cao Wei or his nominee(s), HK\$6,983,000 in cash and allot and issue to him or his nominee(s) 20,947,000 Consideration Shares, credited as fully paid;
- (3) pay to Mr. Tian Ye or his nominee(s), HK\$6,983,000 in cash and allot and issue to him or his nominee(s) 20,947,000 Consideration Shares, credited as fully paid;
- (4) pay to Mr. Zhong Yuan or his nominee(s), HK\$3,491,000 in cash and allot and issue to him or his nominee(s) 10,474,000 Consideration Shares, credited as fully paid;
- (5) pay to Mr. Wang Dongbin or his nominee(s), HK\$3,491,000 in cash and allot and issue to him or his nominee(s) 10,474,000 Consideration Shares, credited as fully paid; and
- (6) pay to Ms. Liu Xiling or her nominee(s), HK\$2,327,000 in cash and allot and issue to her or her nominee(s) 6,983,000 Consideration Shares, credited as fully paid.

Completion shall take place on the third Business Day after the date on which all of the conditions mentioned below have been satisfied or waived (or such later date as the parties may agree in writing). The cash consideration will be financed by the Group's internal resources. The cash consideration of HK\$24,225,000 to be received by the BEHL Group will be used for its general working capital purposes.

The issue price of HK\$1.00 per Consideration Share was determined after arm's length negotiations between the parties to the Agreement and represents:

- (i) a premium of approximately 8.7% over the closing price of HK\$0.92 per Share as quoted on the Stock Exchange on 20th September, 2001, being the date of the Agreement; and
- (ii) a premium of approximately 3.7% to the average closing price of approximately HK\$0.964 per Share over the last ten trading days from

7th September, 2001 to 20th September, 2001.

Both the directors of the Company and BEHL consider the issue price of HK\$1.00 per Share to be fair and reasonable as far as the respective shareholders of the Company and BEHL are concerned.

The Consideration represents a price earnings multiple of 9.5 times of the Guaranteed Profit. The price earnings multiple was determined after arm's length negotiations between all parties to the Agreement and by reference to (i) the Guaranteed Profit provided severally by BEHL and the Individual CV Owners (in the proportion of 51% by BEHL, 14.7% by Cao Wei, 14.7% by Tian Ye, 7.35% by Zhong Yuan, 7.35% by Wang Dongbin and 4.9% by Liu Xiling); (ii) the future growth potential of the Cyber Vantage Group; and (iii) the market environment. The directors of both the Company and BEHL consider the terms of the Transaction are on normal commercial terms and the Consideration is fair and reasonable so far as the respective shareholders of the Company and BEHL are concerned.

Profit Guarantee:

Each of BEHL and the Individual CV Owners has agreed to severally warrant, guarantee and undertake (in the proportion of 51% by BEHL, 14.7% by Cao Wei, 14.7% by Tian Ye, 7.35% by Zhong Yuan, 7.35% by Wang Dongbin and 4.9% by Liu Xiling) to the Company that the 2001 CV Audited Profit shall not be less than HK\$20,000,000.

In the event that the 2001 CV Audited Profit is less than the Guaranteed Profit, the Company is entitled to a cash sum which is equal to the following shortfall payment. The Vendors shall, in their respective portions, pay to the Company (within twenty Business Days after the audited consolidated accounts of the Cyber Vantage Group for the financial year ending 31st December, 2001 has been prepared) an amount in cash that is equal to:

$$\text{shortfall payment} = (\text{Guaranteed Profit} - \text{2001 CV Audited Profit}) \times 9.5$$

In the event that the Cyber Vantage Group does not have any consolidated net profit after tax or incurs a net loss after tax for the financial year

ending 31st December, 2001, as will be shown in the audited consolidated accounts to be prepared by Messrs. Ernst & Young or such other firm of certified public accountants acceptable to the Company, the Company is entitled to a cash sum in the amount of HK\$190,000,000. The Vendors shall, in their respective portions, pay this cash sum to the Company within twenty Business Days after the audited consolidated accounts of the Cyber Vantage Group for the financial year ending 31st December, 2001 has been prepared. The Company will confirm whether the Profit Guarantee has been met and whether each of BEHL and the Individual CV Owners has fulfilled each of their obligations under the Profit Guarantee in its 2001 annual report. In the event that the Profit Guarantee is not met, a further announcement will be made.

Disposal restrictions:

Under the Agreement, each of the Individual CV Owners has agreed and undertaken that he/she shall not dispose of the Restricted Shares within a period of one year from the date of Completion and shall not dispose of one half of the Restricted Shares within a period of one year from the first anniversary of the date of Completion. The Restricted Shares shall be held by an escrow agent pursuant to an escrow agreement in the form set out in the Agreement, upon Completion.

Conditions:

The Agreement is conditional upon the following conditions being fulfilled, or waived by the Company:

- (a) the Warranties remaining true and accurate and not misleading in any material respect at Completion as if repeated at Completion and at all times between the date of the Agreement and Completion;
- (b) the Company notifying the Vendors in writing that it is satisfied in reliance on the Warranties and upon inspection and investigation as to:
 - (i) the respective financial, contractual, taxation positions and trading positions of E-Tron, PTG and each member of the Cyber

Vantage Group; and

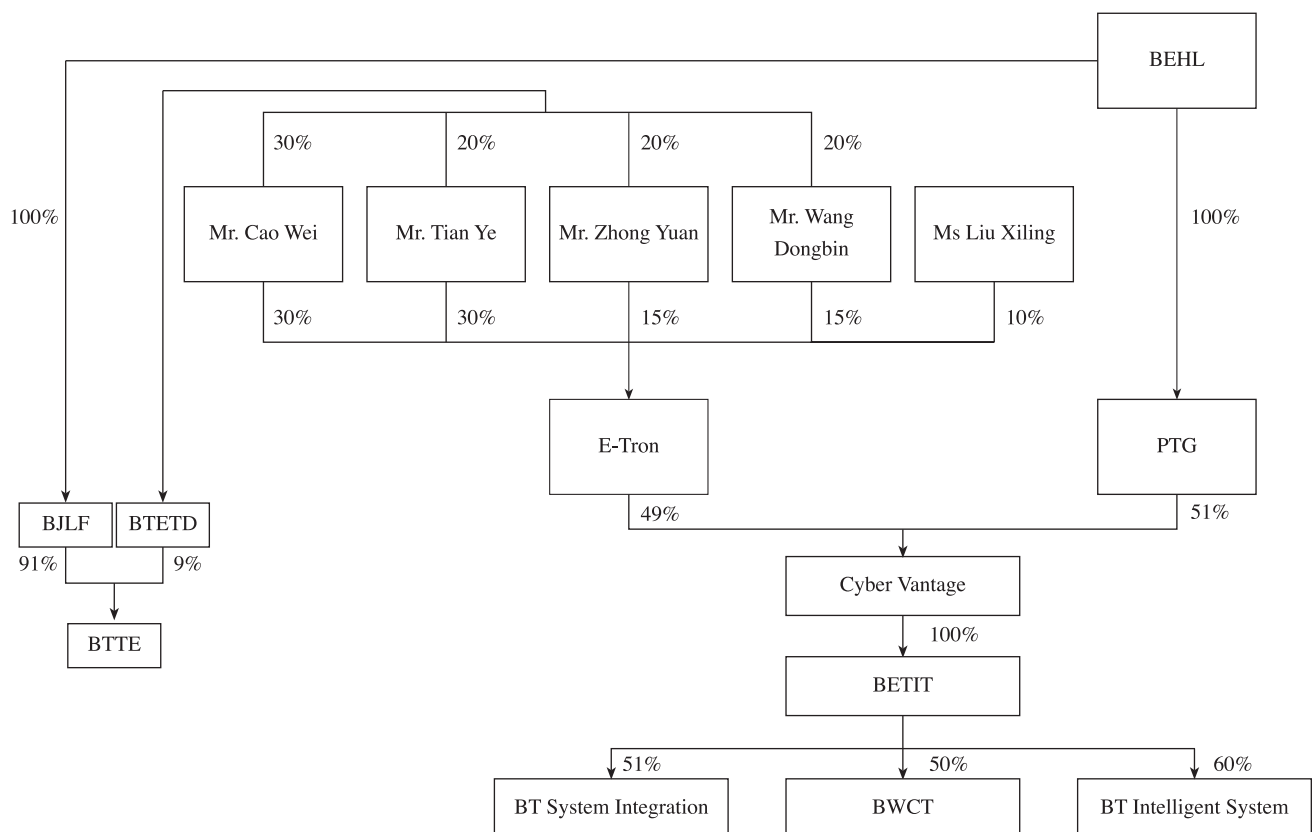
- (ii) the title of E-Tron, PTG and the members of the Cyber Vantage Group to their respective assets;
- (c) all necessary consents being granted by third parties (including governmental or official authorities) in connection with the transactions contemplated under the Agreement and no statute, regulation or decision which would prohibit, restrict or materially delay the Transaction or the operation of E-Tron, PTG or any member of the Cyber Vantage Group after Completion having been proposed, enacted or taken by any governmental or official authority;
- (d) each of the Vendors having complied fully with the obligations specified in the Agreement and otherwise having performed in all material respects all of the covenants and agreements required to be performed by them pursuant to the Agreement;
- (e) the Listing Committee of the Stock Exchange granting or agreeing to grant listing of and permission to deal in the Consideration Shares;
- (f) the passing of all necessary resolutions by the Independent Shareholders at the EGM to approve the Transaction, including the acquisition of E-Tron and PTG, the issue of the Consideration Shares to the Vendors and the Technical Services Agreements (as amended by the Supplemental Agreements); and
- (g) the Stock Exchange granting a waiver from strict compliance with the disclosure and shareholders' approval requirements as set out in Chapter 14 of the Listing Rules in favour of the Company, in connection with the on-going connected transactions of the Company under the Technical Services Agreements (as amended by the Supplemental Agreements), subject to such conditions which are acceptable to the Company.

In the event that any of the above conditions has not been fulfilled or in the case of conditions (a), (b), (c) and (d), waived by the Company on or before 31st December, 2001 (or such later date as may be agreed between the parties), the Company shall not be bound to proceed with the

Transaction and the Agreement shall cease to be of any effect save in respect of claims arising out of any antecedent breach of the Agreement.

2. INFORMATION ON THE CYBER VANTAGE GROUP

The following chart sets out the corporate structure of the Cyber Vantage Group immediately prior to Completion:



Cyber Vantage is an investment holding company and, via its subsidiaries, is principally engaged in (i) the provision of last mile networking service and telecommunication and data communication and management services; (ii) system integration for intelligent buildings; (iii) the construction of educational information network; and (iv) the provision of technical support and consultation services for Internet related operators in Beijing. Cyber Vantage is incorporated in the BVI in July 2000 and is indirectly beneficially owned as to 51% by BEHL and 49% by the Individual CV Owners. BEHL has invested approximately HK\$61 million in Cyber Vantage.

Cyber Vantage established BETIT, a wholly foreign owned enterprise in the PRC, in February 2001. The registered capital of BETIT is RMB65 million and it has a term of operation of 30 years from 20th February, 2001.

BETIT is the principal operating subsidiary of Cyber Vantage. BETIT is principally engaged in the provision of data management, telecommunications and IT technical support and consultation services in Beijing. BETIT signed a technical support agreement, a management consultation agreement and a market development consultation agreement in August 2001 and the respective Supplemental Agreements in September, 2001 with BTTE, a leased-line and networking ISP, in the PRC. Further details about the Technical Services Agreements are shown in the paragraph headed "Information on Technical Services Agreements" below. Pursuant to the Technical Services Agreements (as amended by the Supplemental Agreements), it has been agreed that BETIT will receive a services fee of not less than an aggregate of RMB15 million and RMB30 million for the five months ending 31st December, 2001 and for the year ending 31st December, 2002 respectively.

In addition, BETIT has entered into the Ed Agreement with the Beijing Education Bureau in June 2001. Pursuant to the Ed Agreement, BETIT is responsible to construct the network infrastructure and related facilities and to provide system integration services for 200 schools in Beijing pursuant to the programme "Beijing Educational Information Network". As stipulated in the Ed Agreement, detailed terms of the construction of the network infrastructure and the provision of the system integration services will be agreed and contracted between BETIT and each of the 200 schools. The total revenue to be generated pursuant to the Ed Agreement is estimated to be approximately RMB90 million. It is expected that the construction of the network infrastructure for the 200 schools will be completed by the end of 2001. Further information about the programme "Beijing Educational Information Network" is set out under the paragraph headed "Information on Beijing Educational Information Network" below.

In April 2001, BETIT acquired a 51% equity interest in BT System Integration at a consideration of RMB1 million. BT System Integration's registered capital is RMB1 million. BT System Integration has a term of operation of 20 years from 2nd June, 1998. BT System Integration is principally engaged in the provision of last mile networking service and

telecommunication and data communication services. In addition, BETIT also acquired a 60% equity interest in BT Intelligent System, at a consideration of RMB1 million, in April 2001. BT Intelligent System's registered capital is RMB1.1 million. BT Intelligent System has a term of operation of 20 years from 1st March, 2000. BT Intelligent System is principally engaged in the provision of system integration services for intelligent buildings in the PRC. In June 2001, BETIT invested RMB500,000 for a 50% equity interest in BWCT. BWCT's registered capital is RMB1 million. BWCT has a term of operation of 20 years from 19th June, 2001. BWCT is principally engaged in the provision of system integration services for exhibition centres in the PRC.

The Cyber Vantage Group has recorded an audited loss before taxation, and loss after taxation and minority interests of HK\$2.35 million and HK\$2.52 million respectively for the six months ended 30th June, 2001. The net asset value of the Cyber Vantage Group as at 30th June, 2001 was HK\$58.2 million.

3. INFORMATION ON BEIJING EDUCATION

INFORMATION NETWORK

Beijing Education Bureau is planning to establish a platform with the ability of Internet access, on-line education and dissemination of educational information, known as "Beijing Educational Information Network", which will connect the secondary and primary schools, related entities and personnel in Beijing. It is proposed that by the end of 2005, all primary and secondary schools in Beijing (approximately 2,900 schools) should be equipped with the network infrastructure and connected to such platform. 北京教育信息網服務中心有限責任公司 (Beijing Education Information Network Service Centre Co. Ltd.), a unit designated by Beijing Education Bureau, has signed the MOU with BETIT. Pursuant to the MOU, BETIT will be a party responsible for the construction of the school network in Beijing and BETIT should complete the construction of the network infrastructure of 200 schools by the end of 2001 .

4. INFORMATION ON THE TECHNICAL SERVICES

AGREEMENTS

i. Technical Support Agreement dated 1st August, 2001 (as amended by the relevant Supplemental Agreements dated 6th September, 2001 and 19th September, 2001)

Parties:	BETIT and BTTE
Nature of the transaction:	BETIT will provide technical support and related technical services in relation to system integration, network solution and software development and in return, BETIT will receive a service fee from BTTE.
Term of contract:	20 years, from 1st August, 2001 to 31st July, 2021
Service fee charged:	9% of BTTE's total turnover for the previous month. The fee is payable on a monthly basis. It is agreed that the service fee to be received from BTTE will not be less than RMB5.4 million and RMB10.8 million for the five months ending 31st December, 2001 and for the year ending 31st December, 2002 respectively. The service fee payable by BTTE is determined based on arm's length negotiations between the parties
Stand-alone charges:	In a case which it involves software development, the total development cost will be subject to arm's length negotiation. BTTE will be required to pay an initial installment and the balance of the payment will be payable by BTTE to BETIT within 10 calendar days upon the delivery of such software.

Payment method: BTTE is required to pay the service fee to BETIT's designated bank account within 10 calendar days after the last calendar day of the previous month

ii. Management Consultation Agreement dated 1st August, 2001 (as amended by the relevant Supplemental Agreements dated 6th September, 2001 and 19th September, 2001)

Parties: BETIT and BTTE

Nature of the transaction: BETIT will provide operation and management advice (including assistance in formulating operational and administrative plans) to BTTE, and in return, BETIT will receive a service fee from BTTE.

Term of contract: 20 years, from 1st August, 2001 to 31st July, 2021

Service fee charged: 8% of BTTE's total turnover for the previous month. The fee is payable on a monthly basis. It is agreed that the service fee to be received from BTTE will not be less than RMB4.8 million and RMB9.6 million for the five months ending 31st December, 2001 and for the year ending 31st December, 2002 respectively. The service fee payable by BTTE is determined based on arm's length negotiations between the parties

Payment method: BTTE is required to pay the service fee to BETIT's designated bank account within 10 calendar days after the last calendar day of the previous month

iii. Market Development Consultation Agreement dated 1st August, 2001 (as amended by the relevant Supplemental Agreements dated 6th September, 2001 and 19th September, 2001)

Parties: BETIT and BTTE

Nature of the transaction: BETIT will formulate the market development plan for BTTE and conduct market research and supply market information to BTTE, and in return, BETIT will receive a service fee from BTTE.

Term of contract: 20 years, from 1st August, 2001 to 31st July, 2021

Service fee charged: 8% of BTTE's total turnover for the previous month. The fee is payable on a monthly basis. It is agreed that the service fee to be received from BTTE will not be less than RMB4.8 million and RMB9.6 million for the five months ending 31st December, 2001 and for the year ending 31st December, 2002 respectively. The service fee payable by BTTE is determined based on arm's length negotiations between the parties

Payment method: BTTE is required to pay the service fee to BETIT's designated bank account within 10 calendar days after the last calendar day of the previous month

The Directors consider that the Technical Services Agreements (as amended by the Supplemental Agreements) have been entered into on normal commercial terms and the Technical Services Agreements (as amended by the Supplemental Agreements) will improve the earnings performance of BETIT. Accordingly, the Directors consider that the Technical Services Agreements (as amended by the Supplemental

Agreements) are in the interest of the Group and the Shareholders as a whole.

5. MANAGEMENT OF BETIT

After Completion, all senior management of BETIT will remain unchanged. All five existing directors of BETIT, namely Mr. Li Kang-ying, Mr. Cao Wei, Ms. Li Chang, Ms. Cao Mu-ya and Mr. Lu Liu, will remain on the board of BETIT, of which, Mr. Li Kang-ying is the Chairman. Mr. Cao Wei is also the general manager of BETIT. Set out below is the biographical information of Messrs. Li and Cao:

Mr. Li Kang-ying, aged 45, is the Chairman of BETIT. Mr. Li is a qualified engineer, graduated from North China Institute of Electric Power majoring in telecommunications. He held the posts of university lecturer and member of the governmental research institute and has been responsible for the management and operation affairs in technological field in the past decade. From 1997 to present, he serves as the assistant to the chairman of BEHL.

Mr. Cao Wei, aged 37, is a director of Cyber Vantage, BETIT, BT System Integration and BT Intelligent System. Mr. Cao is also a director of BTTE and owns effectively 2.7% interest in BTTE. Mr. Cao is also the general manager of BETIT. Mr. Cao graduated from Harbin Industrial University. He is one of the founding members of the underlying businesses of the Cyber Vantage Group and has over 15 years of experience in the telecommunication and information technology field.

The Directors are confident that by capitalizing the solid experiences and the technical know-how of the key management team of BETIT, the Cyber Vantage Group is in a competitive position to become a leading network infrastructure facilities constructor in Beijing, the PRC.

6. REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in property investment and restaurant operations. It is the Group's objective to diversify its business by focusing on 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. At present, one of the Directors, Dr. Mao Xiang Dong, Peter, aged 33, has extensive experience in high-tech investments.

The Transaction represents an invaluable opportunity for the Group to diversify its business and engage in the SI Industry in the PRC. The Directors consider that since the SI Industry in the PRC is currently experiencing high growth, the Transaction will allow the Group to position itself to capture the growth prospect of the SI Industry in the PRC, which is beneficial to the Group and its Shareholders as a whole.

In addition, the Directors consider that taking into account the MOU as well as BETIT's relationship with the Beijing Education Bureau, the business of the Cyber Vantage Group has good growth potential.

Moreover, the Group has incurred a loss of HK\$9.8 million for the six months ended 30th June, 2001, as stated in the interim announcement of the Company. Given the unsatisfactory result of the Group and the Guaranteed Profit together with the growth potential of the Cyber Vantage Group, the Transaction will not only diversify the Group's earnings base but also improve its earnings performance. The Directors consider that this is of benefit to the Group and its shareholders, including the Independent Shareholders, as a whole.

The Directors also consider that as the majority of the Consideration will be settled by way of the issue of the Consideration Shares, the Transaction will not have a material impact on the cashflow of the Group and will further strengthen the Company's capital base.

Taking into account the moratorium period imposed on the Individual CV Owners in disposing their Restricted Shares as well as its relationship with the Individual CV Owners and BEHL, the Group can also leverage on the experiences and the technical know-how of the Individual CV Owners and BEHL in the SI Industry.

Accordingly, the Directors consider that the Transaction and the issue of the Consideration Shares are in the interest of the Company and are fair and reasonable so far as the Shareholders are concerned.

BEHL has invested approximately HK\$61 million for a 51% interest in Cyber Vantage which will be realised at a consideration of HK\$96.9 million pursuant to the Transaction, representing a premium of HK\$35.9 million or 59% over the investment amount made by BEHL. Upon Completion, Cyber Vantage would become an indirect non-wholly-owned subsidiary of BEHL and the Cyber Vantage Group will continue to be consolidated in the accounts of the BEHL Group.

The directors of BEHL consider the terms of the Transaction, including the Consideration, are fair and reasonable so far as the shareholders of BEHL are concerned.

7. LISTING RULES IMPLICATIONS FOR THE COMPANY

The Transaction constitutes a major transaction for the Company under the Listing Rules. As BEHL is the controlling shareholder of the Company, the transactions contemplated under the Agreement also constitute connected transactions for the Company. As a result, the Transaction is subject to, among other things, the approval of the Independent Shareholders.

In addition, since BETIT will after Completion become an indirect wholly-owned subsidiary of the Company and BTTE is a subsidiary and hence an associate of BEHL, the transactions contemplated under the Technical Services Agreements (as amended by the Supplemental Agreements) constitute on-going connected transactions for the Company upon Completion. Under Chapter 14 of the Listing Rules, the On-going Connected Transactions normally require disclosure by way of press announcement and/or prior approval of the Independent Shareholders in an extraordinary general meeting each time each of such transactions occurs.

The Directors expect that the aggregate service fees and the stand-alone charges to be received from BTTE under the Technical Services Agreements (as amended by the Supplemental Agreements) for each year may or may not exceed the higher of HK\$10,000,000 or 3% of the net tangible assets value of the Group. The Directors believe that strict compliance with the disclosure/shareholders' approval requirements in respect of the On-going Connected Transactions would be impractical and unduly onerous on the

part of the Group as they are of a regular and continuing nature. As such, the Company will apply to the Stock Exchange for a waiver for a period of 3 financial years ending 31st December, 2003 from the disclosure/shareholders' approval requirement in connection with the On-going Connected Transactions as required under the Listing Rules. A further announcement will be made by the Company in this regard.

8. LISTING RULES IMPLICATIONS FOR BEHL

The Transaction constitutes a connected transaction for BEHL under the Listing Rules as it involves a transaction between BEHL and its non-wholly-owned subsidiary and transactions between BEHL's subsidiary (i.e. the Company) and Mr. Cao Wei and Mr. Zhong Yuan who are the directors of BEHL's subsidiary. Since the directors of BEHL consider the terms of the Transaction are on normal commercial terms and the consideration for the shares in PTG or the book value of the net tangible assets of the Cyber Vantage Group does not exceed 3% of the book value of the net tangible assets of the BEHL Group as disclosed in its latest published audited consolidated accounts, BEHL will disclose further details of the Transaction in its next annual report in accordance with Rule 14.25(1) of the Listing Rules.

Upon Completion, both BETIT and BTTE will remain as non-wholly-owned subsidiaries of BEHL. The directors of BEHL (including the independent non-executive directors of BEHL) consider that the On-going Connected Transactions contemplated under the Technical Services Agreements (as amended by the Supplemental Agreements) are entered into on normal commercial terms and in the ordinary and usual course of business of both BETIT and BTTE. As no connected person or connected persons of BEHL is or are together a substantial shareholder in any of BETIT or BTTE, such transactions will be exempted from all disclosure or shareholders' approval requirements under Rule 14.24(4) of the Listing Rules.

9. CHANGE IN THE COMPANY'S SHAREHOLDING STRUCTURE

The following table sets out the change in the shareholding structure of the Company as a result of the allotment and issue of the Consideration Shares:

	Immediately before Completion (Note 1) Shares		Immediately after Completion (Note 1) Shares	
		%		%
BEHL	168,000,000	55.31%	240,675,000	53.93%
IHL	58,618,368	19.30%	58,618,368	13.14%
Mr. Cao Wei(Note3)	-	-	20,947,000	4.69%
Mr. Zhong Yuan(Note4)	-	-	10,474,000	2.35%
Existing public shareholders(Note2)	77,140,382	25.39%	77,140,382	17.29%
Other public shareholders				
Mr. Tian Ye(Note2)	-	-	20,947,000	4.69%
Mr. Wang Dongbin(Note2)	-	-	10,474,000	2.35%
Ms. Liu Xiling(Note2)	-	-	6,983,000	1.56%
Total	<u>303,758,750</u>	<u>100.00%</u>	<u>446,258,750</u>	<u>100.00%</u>

Notes:

1. The figures assume that other than the Consideration Shares, no new Shares will be issued or repurchased by the Company after the date of this announcement and up to the date of Completion.
2. Upon Completion, these shareholders will be regarded as part of the public.
3. Upon Completion, Mr. Cao Wei will remain as the director of Cyber Vantage and BETIT, therefore, his shareholding in the Company will not be regarded as part of the public float
4. Upon Completion, Mr. Zhong Yuan will remain as the director of Cyber Vantage, therefore, his shareholding in the Company will not be regarded as part of the public float.

10. EXTRAORDINARY GENERAL MEETING

The EGM will be convened as soon as practicable at which resolutions will be proposed to approve, among other things, the Transaction, the On-going Connected Transactions and the issue of the Consideration Shares. In view of the interest of BEHL in the Transaction, BEHL and its associates will abstain from voting at the EGM in respect of those resolutions pertaining to the Transaction, the On-going Connected Transactions and the issue of the Consideration Shares.

11. GENERAL

A circular containing, among other things, (1) information on the Transaction, the On-going Connected Transactions and the issue of the Consideration Shares; (2) the letter from the independent financial adviser containing its advice to the Independent Board Committee; (3) the recommendation of the Independent Board Committee and (4) a notice convening the EGM regarding the aforesaid will be despatched to the Shareholders as soon as practicable.

12. LISTING AND DEALING

An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

13. DEFINITIONS

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

"2001 CV Audited Profit"	the consolidated net profit after tax, if any, of the Cyber Vantage Group for the year ending 31st December, 2001 to be shown in the audited consolidated accounts of the Cyber Vantage Group to be
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	prepared by Messrs. Ernst & Young or such other firm of certified public accountants acceptable to the Company
"Agreement"	the conditional sale and purchase agreement dated 20th September, 2001, entered into between the Company, BEHL and the Individual CV Owners regarding the Transaction
"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 and is interested in 55.31% of the issued share capital of the Company as at the Latest Practicable Date
"BEHL Group"	BEHL and its subsidiaries
"BJLF"	Beijing Jing Lian Fa Investment Management Centre, is an indirect wholly owned subsidiary of BEHL (北京市京聯發投資管理中心)
"Beijing Education Bureau"	Education Bureau of the Beijing Municipal Government (北京市教育委員會)
"BETIT"	Beijing Enterprises Teletron Information Technology Co. Ltd. (北京北控電信通信技術有限公司), a wholly foreign owned enterprise established in the PRC on 20th February, 2001 and a wholly-owned subsidiary of Cyber Vantage
"BT Intelligent System"	Beijing Teletron Intelligent System Co.

Ltd. (北京電信通智能科技有限公司), a company incorporated in the PRC on 1st March, 2000 with limited liability and is owned as to 60% by BETIT and 40% by third parties independent of any of the directors, chief executive or substantial shareholders of the Company or BEHL or any of their respective subsidiaries or associates

"BTETD"

Beijing Teletron Economic and Trading Development Co. Ltd. (北京市電信通經貿發展有限公司)

"BT System Integration"

Beijing Teletron System Integration Co. Ltd. (北京市電信通系統集成有限公司), a company incorporated in the PRC on 2nd June, 1998 with limited liability and is owned as to 51% by BETIT and 49% by third parties independent of any of the directors, chief executive or substantial shareholders of the Company or BEHL or any of their respective subsidiaries or associates

"BTTE"

Beijing Teletron Telecom Engineering Co. Ltd. (北京電信通電信工程有限公司), a company incorporated in the PRC with limited liability, is an indirect non-wholly owned subsidiary of BEHL

"Board"

the board of Directors

"Business Day"

any day other than a Saturday, Sunday or a day on which commercial banking institutions in Hong Kong are authorized or obligated by law or executive order to be closed

"BVI"	the British Virgin Islands
"BWCT"	Beijing Shixun Hutong Communication Technology Co. Ltd. (北京世訊互通通信技術有限公司), an associated company of Cyber Vantage established in the PRC with limited liability on 19th June, 2001 and is owned as to 50% by BETIT and the remaining 50% by a third party independent of any of the directors, chief executive or substantial shareholders of the Company or BEHL or any of their respective subsidiaries or associates
"Company"	Beijing Development (Hong Kong) Limited (北京發展(香港)有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"Completion"	the completion of the Agreement
"Consideration"	the aggregate consideration of HK\$190,000,000 payable by the Company for the acquisition of E-Tron and PTG
"Consideration Shares"	the aggregate of 142,500,000 new Shares, representing approximately 31.93% of the entire issued share capital of the Company (as enlarged by the issue of such Shares) as at Completion, to be allotted and issued to BEHL and the Individual CV Owners upon Completion
"Cyber Vantage"	Cyber Vantage Group Limited (網絡卓越有限公司), a joint venture company incorporated in the BVI and is indirectly owned as to 51% by BEHL and 49% by the Individual CV Owners prior to

	Completion.
"Cyber Vantage Group"	Cyber Vantage, its subsidiaries and BWCT
"Director(s)"	the director(s) of the Company
"Ed Agreement"	an agreement dated 5th June, 2001, entered into between BETIT and the Beijing Education Bureau
"EGM"	the extraordinary general meeting of the Company to be convened for approving, amongst other things, the Transaction, the On-going Connected Transactions and the issue of the Consideration Shares
"E-Tron"	E-Tron Limited, a company incorporated in the BVI and is owned as to 30% by Mr. Cao Wei, 30% by Mr. Tian Ye, 15% by Mr. Zhong Yuan, 15% by Mr. Wang Dongbin and 10% by Ms. Liu Xiling prior to Completion
"Group"	the Company and its subsidiaries
"Guaranteed Profit"	HK\$20,000,000, being the amount of the consolidated net profit after tax of the Cyber Vantage Group for the year ending 31st December, 2001 guaranteed by BEHL and the Individual CV Owners severally pursuant to the Agreement
"HK GAAP"	Hong Kong Generally Accepted Accounting Principles
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IHL"	Illumination Holdings Limited, a

	substantial shareholder with a 19.30% shareholding interest in the Company as at the Latest Practicable Date
"Independent Board Committee"	independent committee of the board of Directors to be appointed by the board of Directors to advise the Independent Shareholders in respect of the Transaction
"Independent Shareholder(s)"	the Shareholder(s) other than BEHL and its associates
"Individual CV Owners"	Mr. Cao Wei (曹瑋), Mr. Tian Ye (田野), Mr. Zhong Yuan (鐘原), Mr. Wang Dongbin (王東斌) and Ms. Liu Xiling (劉西玲), who together are indirectly interested in 49% of the shareholding interests in Cyber Vantage immediately prior to Completion
"ISP"	Internet service provider
"Latest Practicable Date"	20th September, 2001, being the latest practicable date before the printing of this announcement for ascertaining certain information contained in this announcement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MOU"	a memorandum of understanding dated 10th May, 2001, entered into between BETIT and Beijing Education Information Network Service Centre Co. Ltd.
"On-going Connected Transactions"	transactions contemplated under the Technical Services Agreements (as amended by the Supplemental Agreements)

"PRC"	the People's Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
"PTG"	Prime Technology Group Limited, a company incorporated in the BVI and a wholly-owned subsidiary of BEHL prior to Completion
"Restricted Shares"	69,825,000 Shares, which form part of the Consideration Shares, to be allotted and issued to the Individual CV Owners upon Completion
"Share(s)"	ordinary share(s) of HK\$1.00 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"SI Industry"	the industry of network system integration and network infrastructure facilities
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreements"	three supplemental agreements all dated 6th September, 2001 and three supplemental agreements all dated 19th September, 2001 entered into between BETIT and BTTE to amend the Technical Services Agreements
"Technical Services Agreements"	a technical support agreement, a management consultation agreement and a market development consultation agreement, all dated 1st August, 2001 and were entered into between BETIT and BTTE

"Transaction"	the acquisition of the entire issued share capital of E-Tron and PTG by the Company for a consideration of HK\$190,000,000 pursuant to the Agreement
"Vendors"	BEHL and the Individual CV Owners
"Warranties"	the warranties given by BEHL and the Individual CV Owners to the Company pursuant to the Agreement
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	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
Xiong Da Xin
Chairman

Hong Kong, 20th September, 2001

In this announcement, for information purpose only, certain amounts in RMB have been translated into HK\$ at RMB1 to HK\$0.9346. 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.

Please also refer to the published version of this announcement in South China Morning Post and Hong Kong Economic Times.