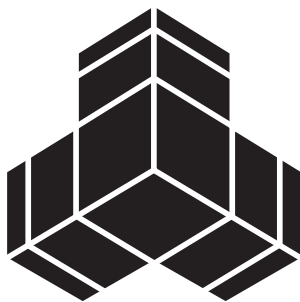


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BEIJING DEVELOPMENT (HONG KONG) LIMITED

北京發展（香港）有限公司

(Incorporated in Hong Kong with limited liability)

**DESPATCH OF CIRCULAR, PRO FORMA STATEMENT OF
ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 30TH JUNE, 2001,
PRO FORMA STATEMENT OF UNAUDITED ADJUSTED
CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP AS AT 30TH JUNE, 2001
AND ON-GOING CONNECTED TRANSACTIONS**

Summary

A circular containing, amongst other things, information on the Agreement, the allotment and issue of the Consideration Shares, the Technical Services Agreements and the On-going Connected Transactions (including the relevant annual caps), the recommendation of the Independent Board Committee in relation to the terms of the Agreement, the allotment and issue of the Consideration Shares, the terms of the Technical Services Agreements and the On-going Connected Transactions (including the relevant annual caps), the letter from Tai Fook as to whether the terms of

the Agreement, the allotment and issue of the Consideration Shares, the terms of the Technical Services Agreements and the On-going Connected Transactions (including the relevant annual caps) are fair and reasonable to the Independent Shareholders and the notice of the EGM will be despatched to the Shareholders on 10th October, 2001.

BETIT has signed the Technical Services Agreements with BTTE. The Directors consider that through the contractual relationship with BTTE under the Technical Services Agreements, the Company has a strategic partnership with BTTE which enables the Group to indirectly participate in the information technology and telecommunications market in the PRC. The Directors further consider that it is beneficial to, and is in the interests of, the Company and the Independent Shareholders as a whole to continue carrying out the On-going Connected Transactions contemplated under the Technical Services Agreements.

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 constitute on-going connected transactions for the Company upon Completion. 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. Accordingly, the Company has applied to the Stock Exchange for a waiver for a period of three financial years ending 31st December, 2003 from the disclosure/shareholders' approval requirements in connection with the On-going Connected Transactions as required under the Listing Rules.

The On-going Connected Transactions (including the relevant annual caps) are subject to, amongst other things, the approval of the Independent Shareholders in the EGM.

As the Transaction may or may not proceed (depending on the fulfilment of the conditions of the Agreement), Shareholders and investors are reminded to exercise caution when dealing in the Shares.

The Directors refer to the joint announcements of Beijing Enterprises Holdings Limited and the Company dated 20th September, 2001 and 27th September, 2001 (the "Joint Announcements"), which appeared in the press on 21st September, 2001 and 28th September, 2001 respectively, in relation to the Agreement, the allotment and issue of the Consideration Shares, the Technical Services Agreements and the On-going Connected Transactions (including the relevant annual caps). Terms defined in the Joint Announcements shall have the same meanings when used in this announcement unless otherwise stated.

The Directors would like to announce that copies of the circular of the Company dated 10th October, 2001 (the "Circular") will be despatched to the Shareholders on 10th October, 2001.

I. PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 30TH JUNE, 2001 AND PRO FORMA STATEMENT OF UNAUDITED ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP AS AT 30TH JUNE, 2001

Information in respect of the pro forma statement of assets and liabilities of the Enlarged Group as at 30th June, 2001 and pro forma statement of unaudited adjusted consolidated net tangible assets of the Group as at 30th June, 2001 are contained in the Circular and have not been made available to the public previously. The pro forma statement of assets and liabilities of the Enlarged Group as at 30th June, 2001 and pro forma statement of unaudited adjusted consolidated net tangible assets of the Group as at 30th June, 2001 are set out below:

The pro forma statement of assets and liabilities of the Enlarged Group was prepared based on the unaudited consolidated interim accounts of the Group as at 30th June, 2001 and as if Cyber Vantage became a wholly-owned subsidiary of the Company on 30th June, 2001:

	Consolidated net assets of the Group	Adjustments	Pro forma net assets of the Enlarged Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets	67,342	4,979	72,321
Goodwill	-	131,772 ⁽¹⁾	131,772
Investment properties	48,250		48,250
Interests in associates	70,212		70,212
Interest in a jointly-controlled entity	-	467	467
	185,804		323,022

CURRENT ASSETS	185,868	57,931 (47,500) ⁽²⁾	196,299
CURRENT LIABILITIES	(125,247)	(4,170)	(129,417)
NET CURRENT ASSETS	60,621		66,882
TOTAL ASSETS LESS CURRENT LIABILITIES	246,425		389,904
NON-CURRENT LIABILITIES	(19,553)		(19,553)
	226,872		370,351
MINORITY INTERESTS	4,836	(979)	3,857
NET ASSETS	231,708	142,500	374,208

Notes:

(1) The goodwill of HK\$131,772,000 arising in the books of the Company as a result of the acquisition of the Cyber Vantage Group was amortised on a straight-line basis over its useful life.

(2) The cash consideration of HK\$47,500,000 has been financed by the Group's internal resources.

The following is a summary of the pro forma statement of unaudited adjusted consolidated net tangible assets of the Group based on the audited consolidated net tangible assets of the Group as at 31st December, 2000 and adjusted as follows:

	<i>HK\$'000</i>
Audited consolidated net tangible assets as at 31st December, 2000	24,231
Proceeds from the issue of 218,000,000 new Shares on 29th March, 2001	218,000
Unaudited consolidated net loss attributable to shareholders for the six months ended 30th June, 2001	(9,826)

Unrealised exchange losses	(697)
Unaudited consolidated net tangible assets as at 30th June, 2001	231,708
Acquisition of the Cyber Vantage Group:	
Audited consolidated net tangible assets of	
the Cyber Vantage Group as at 30th June, 2001	58,228
Consideration payable in cash	(47,500)
Pro forma unaudited adjusted consolidated net tangible assets subsequent to Completion	242,436
Pro forma unaudited adjusted consolidated net tangible assets per Share, based on 303,758,750 Shares in issue, prior to Completion	HK\$0.76
Pro forma unaudited adjusted consolidated net tangible assets per Share, based on 446,258,750 Shares as enlarged by the issue of the Consideration Shares, subsequent to Completion	HK\$0.54

II. PARTICULARS OF THE TECHNICAL SERVICES AGREEMENTS

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, the PRC. 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 (collectively known as the "Technical Services Agreements") with BTTE, a leased-line and networking ISP, in the PRC. Set out below are the particulars of 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 and has taken into account, amongst other things, the estimated costs for the provision of various services under the Technical Support Agreement by BETIT as well as the expected revenue to be generated by BTTE

Stand-alone charges: In the case where software development is involved, the total development cost will be subject to arm's length negotiation. BTTE will be required to pay an initial instalment and the balance of the payment will be payable by BTTE to BETIT within 10 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 days after the last 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 and has taken into account, amongst other things, the estimated costs for the provision of various services under the Management Consultation Agreement by BETIT as well as the expected revenue to be generated by BTTE

Payment method: BTTE is required to pay the service fee to BETIT's designated bank account within

10 days after the last 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 and has taken into account, amongst other things, the estimated costs for the provision of various services under the Market Development Consultation Agreement by BETIT as well as the expected revenue to be generated by BTTE

Payment method: BTTE is required to pay the service fee to BETIT's designated bank account within

10 days after the last day of the previous month

The Directors consider that the Technical Services Agreements have been entered into on normal commercial terms and the Technical Services Agreements will improve the earning performance of BETIT. Accordingly, the Directors consider that the Technical Services Agreements are in the interests of the Group and the Shareholders as a whole.

III. BENEFITS OF THE ON-GOING CONNECTED TRANSACTIONS

The Directors consider that through the contractual relationship with BTTE under the Technical Services Agreements, the Company has a strategic partnership with BTTE which enables the Group to indirectly participate in the information technology and telecommunications market in the PRC. The Directors further consider that it is beneficial to, and is in the interests of, the Company and the Independent Shareholders as a whole to continue carrying out the On-going Connected Transactions contemplated under the Technical Services Agreements.

IV. DISCLOSURE REQUIREMENT AND WAIVER SOUGHT

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 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 for each year may or may not exceed the higher of HK\$10,000,000 or 3% of the net tangible asset 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 has applied to the Stock Exchange

for a waiver for a period of three 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, subject to the following conditions:

- (a) the Independent Shareholders approve the On-going Connected Transactions at the EGM;
- (b) the On-going Connected Transactions for each financial year up to 31st December, 2003 will not exceed the relevant annual caps set forth below:

Annual cap
Based on the Enlarged
Group's total turnover for
the relevant financial year

A	Technical Support Agreement	5%
B	Management Consultation Agreement	5%
C	Market Development Consultation Agreement	5%

- (c) details of the On-going Connected Transactions will be disclosed in the Company's annual report as described in Rule 14.25(1)(A) to (D) of the Listing Rules;
- (d) the independent non-executive Directors shall review the On-going Connected Transactions annually and confirm in the Company's next annual report and accounts that each of the On-going Connected Transactions has been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties;

- (iii) in accordance with the relevant agreements governing them; and
- (iv) on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- (e) each year the auditors of the Company shall provide a letter (the "Letter") to the Board (with a copy to the Listing Division of the Stock Exchange) confirming that each of the On-going Connected Transactions:
 - (i) has received the approval of the Board;
 - (ii) has been entered into in accordance with the terms of the relevant agreement governing such transaction; and
 - (iii) has not exceeded the relevant cap amount set out in paragraph (b) above.

Where, for whatever reason, the auditors of the Company decline to accept the engagement or are unable to provide the Letter, the Directors shall contact the Listing Division of the Stock Exchange as soon as practicable.

As shown above, an annual cap of 5% of the Enlarged Group's total turnover in relation to the service fees and stand-alone charges to be received from BTTE under each of the Technical Services Agreements for a period of three financial years ending 31st December, 2003 has been proposed for approval by the Independent Shareholders.

Such annual cap is proposed after taking into account the following factors:

- the agreed service fees of RMB5.4 million, RMB4.8 million and RMB4.8 million to be received pursuant to the Technical Support Agreement, the Management Consultation Agreement and the Market Development Consultation Agreement respectively for the five months ending 31st December, 2001;
- the agreed service fees of RMB10.8 million, RMB9.6 million and

RMB9.6 million to be received pursuant to the Technical Support Agreement, the Management Consultation Agreement and the Market Development Consultation Agreement respectively for the year ending 31st December, 2002;

- BTTE management's estimate of the turnover of BTTE for the three years ending 31st December, 2003; and
- the potential growth of turnover of BTTE and the Enlarged Group as a whole.

V. THE EGM

The EGM will be convened at which resolutions will be proposed to approve the Agreement, the allotment and issue of the Consideration Shares, the Technical Services Agreements and the On-going Connected Transactions (including the relevant annual caps). 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 Agreement, the allotment and issue of the Consideration Shares, the Technical Services Agreements and the On-going Connected Transactions (including the relevant annual caps).

The Directors would like to remind Shareholders that they should read the Circular carefully before attending the EGM.

As the Transaction may or may not proceed (depending on the fulfilment of the conditions of the Agreement), Shareholders and investors are reminded to exercise caution when dealing in the Shares.

For and on behalf of
Beijing Development (Hong Kong) Limited
Xiong Da Xin
Chairman

Hong Kong, 9th October, 2001

"Please also refer to the published version of this announcement in the Hong Kong i-mail"