



**北京控股有限公司**  
**BEIJING ENTERPRISES HOLDINGS LIMITED**  
*(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

DISCLOSEABLE AND CONNECTED TRANSACTION

Financial Adviser to Beijing Development (Hong Kong) Limited



On 7 October 2003, Cyber Vantage, an indirect wholly-owned subsidiary of Beijing Development, which in turn is an indirect approximate 55.81% owned subsidiary of Beijing Enterprises, entered into: (1) the Beijing Jetrich Agreement with Cosmos Vantage and its beneficial owner (as the guarantor of Cosmos Vantage); and (2) the Wisdom Elite Agreement with Mr. He and Mr. Li. Pursuant to the Beijing Jetrich Agreement, Cyber Vantage has conditionally agreed to acquire 49% of the issued share capital of Beijing Jetrich from Cosmos Vantage and 200 new Cyber Vantage Shares will be issued by Cyber Vantage to Cosmos Vantage as consideration for the BJ Acquisition. Pursuant to the Wisdom Elite Agreement, Cyber Vantage has conditionally agreed to acquire in aggregate 40% of the issued share capital of Wisdom Elite, of which 20% is to be acquired from Mr. He and 20% from Mr. Li. Cyber Vantage will issue 40 new Cyber Vantage Shares to Mr. He and 40 new Cyber Vantage Shares to Mr. Li as consideration for the WE Acquisition. Upon completion of the Acquisitions, Beijing Jetrich and Wisdom Elite will become wholly-owned subsidiaries of Cyber Vantage and Cyber Vantage will be owned as to 72% by Beijing Development, 20% by Cosmos Vantage, 4% by Mr. He and 4% by Mr. Li.

Cosmos Vantage is a substantial shareholder of Beijing Jetrich, a non-wholly subsidiary of Beijing Enterprises and Beijing Development. Mr. He and Mr. Li are substantial shareholders of Wisdom Elite, a non-wholly subsidiary of Beijing Enterprises and Beijing Development. Accordingly, the Acquisitions constitute a connected transaction for Beijing Enterprises and Beijing Development under the Listing Rules and conditional on, among other things, approval of the respective independent shareholders of Beijing Enterprises and Beijing Development. None of Cosmos Vantage, Mr. He, Mr. Li and their respective associates held any shares of Beijing Enterprises as at the date of this announcement. Cosmos Vantage, Mr. He, Mr. Li and their respective associates will abstain from voting at the extraordinary general meeting of Beijing Enterprises in respect of the resolution for approving the Acquisitions if they hold any shares of Beijing Enterprises by the time of the general meeting. No existing shareholders of Beijing Enterprises will be required to abstain from voting at the extraordinary general meeting of Beijing Enterprises in respect of the Acquisitions. As at the date of this announcement, the beneficial owner of Cosmos Vantage and his wife held 76,000 shares of Beijing Development in aggregate, Mr. He held 6,361,200 shares of Beijing Development and Mr. Li held 6,361,200 shares of Beijing Development. Cosmos Vantage, Mr. He, Mr. Li and their respective associates will abstain from voting at the extraordinary general meeting of Beijing Development in respect of the resolution for considering and approving the Acquisitions. The Acquisitions also constitute a discloseable transaction for Beijing Development under the Listing Rules.

Each of Beijing Enterprises and Beijing Development will issue a circular containing, among other things, particulars relating to the Acquisitions, the recommendation from its independent board committee of each of Beijing Enterprises and Beijing Development to the independent shareholders, the recommendation from the independent financial adviser, Guotai Junan Capital Limited, to the independent board committee of each of Beijing Enterprises and Beijing Development and a notice convening the extraordinary general meeting, which will be despatched to the respective shareholders of Beijing Enterprises and Beijing Development as soon as practicable.

THE AGREEMENTS

<b>Date</b>	
7 October 2003	
<b>Parties</b>	
The Beijing Jetrich Agreement	
Vendor:	Cosmos Vantage
Purchaser:	Cyber Vantage
Guarantor:	Mr. Chung Kwok Ho, the beneficial owner of Cosmos Vantage, who has agreed to guarantee all the obligations of Cosmos Vantage under the Beijing Jetrich Agreement
The Wisdom Elite Agreement	
Vendors:	Mr. He and Mr. Li
Purchaser:	Cyber Vantage

Assets to be acquired and consideration for the Acquisitions

The Beijing Jetrich Agreement

Pursuant to the Beijing Jetrich Agreement, Cyber Vantage has conditionally agreed to acquire 49% of the issued share capital of Beijing Jetrich from Cosmos Vantage in consideration for the issue of 200 new Cyber Vantage Shares to Cosmos Vantage.

The Wisdom Elite Agreement

Pursuant to the Wisdom Elite Agreement, Cyber Vantage has conditionally agreed to acquire in aggregate 40% of the issued share capital of Wisdom Elite, of which 20% is to be acquired from Mr. He and 20% from Mr. Li in consideration for the issue of 40 new Cyber Vantage Shares to Mr. He and 40 new Cyber Vantage Shares to Mr. Li.

The above terms of the Beijing Jetrich Agreement and the Wisdom Elite Agreement were determined by the respective parties to the Agreements after arm’s length negotiations, in particular, with reference to the business valuation of each of BETIT (on the basis that the Reorganisation had been completed), Beijing Jetrich and Wisdom Elite as at 31 August 2003 of approximately RMB176 million (equivalent to approximately HK\$166 million), RMB232 million (equivalent to approximately HK\$219 million) and RMB109 million (equivalent to approximately HK\$103 million), respectively. Such business valuations were performed by an independent valuer, Vigers Hong Kong Limited. No monetary value is assigned as the consideration for the Acquisitions under the Agreements.

The respective directors of Beijing Enterprises and Beijing Development consider that the terms of the Agreements are fair and reasonable.

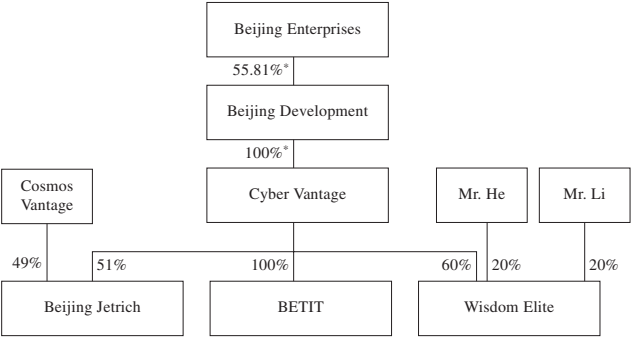
Conditions

Completion of the Beijing Jetrich Agreement and the Wisdom Elite Agreement shall take place simultaneously with each other and is subject to (a) the Agreements and the transactions contemplated thereunder being approved by the respective shareholders of Beijing Enterprises and Beijing Development, who are allowed to vote on the transactions under the Listing Rules, and (b) completion of the Reorganisation.

If any of the conditions are not fulfilled on or before the expiry of the 65 business day period from the date of the Agreements (i.e. 9 January 2004) or such other dates as may be agreed between the parties to the Agreements, the Agreements shall save with respect to liabilities for any antecedent breaches thereof lapse and become null and void and the parties to the Agreements will be released from all obligations thereunder.

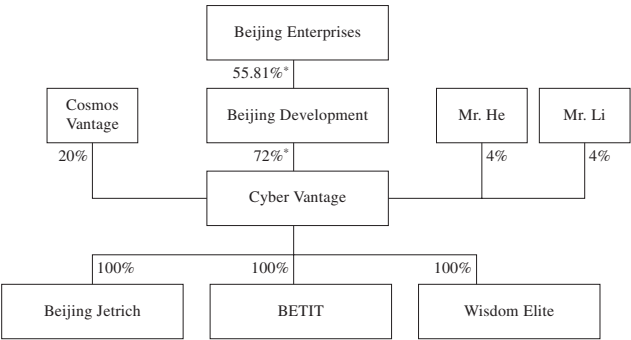
SHAREHOLDING STRUCTURES

The following chart sets out the existing shareholding structures of Cyber Vantage, Beijing Jetrich and Wisdom Elite:



\* indirect shareholding

The following chart sets out the shareholding structures of Cyber Vantage, Beijing Jetrich and Wisdom Elite immediately after Completion:



\* indirect shareholding

INFORMATION ON BETIT

BETIT is a wholly foreign owned enterprise established in the PRC in February 2001 with a registered capital of RMB65 million and a term of operation of 30 years from 20 February 2001. BETIT was acquired by the Beijing Development Group in October 2001. Details of such acquisition were set out in an announcement of Beijing Development dated 20 September 2001 and a circular of Beijing Development dated 10 October 2001. Currently, the BETIT Group is principally engaged in (a) the provision of systems integration business in Beijing, the PRC, and (b) the ISP Consultancy Business. As a term of the Beijing Jetrich Agreement and the Wisdom Elite Agreement, the Reorganisation will be carried out prior to the Completion. Pursuant to the Reorganisation, the ISP Consultancy Business of BETIT will be transferred to another wholly-owned subsidiary of Beijing Development. Upon completion of the Reorganisation, the BETIT Group will focus on the systems integration business.

The table below shows the unaudited consolidated profit before and after taxation and minority interest of BETIT (excluding the profits derived from the ISP Consultancy Business of the BETIT Group) for the period from its date of establishment to 31 December 2001 and the year ended 31 December 2002:

	For the period from 20 February 2001 to 31 December 2001		Year ended 31 December 2002	
	<i>RMB</i> <i>(in million)</i>	<i>HK\$</i> <i>(in million)</i>	<i>RMB</i> <i>(in million)</i>	<i>HK\$</i> <i>(in million)</i>
Profit before taxation and minority interest	14.6	13.8	22.6	21.3
Profit after taxation and minority interest	14.1	13.3	21.6	20.4

As at 31 December 2002, the unaudited consolidated net tangible asset value of BETIT was approximately RMB85.8 million (equivalent to approximately HK\$80.9 million) after declaration of the final dividend of RMB35 million for the year ended 31 December 2002 (equivalent to approximately HK\$33.0 million). The proposed Reorganisation will not involve transfer of any physical assets and the net asset value of the BETIT Group will not be affected as a result of the proposed Reorganisation.

Following Completion, Beijing Development’s effective interest in BETIT will decrease from 100% to 72%.

INFORMATION ON BEIJING JETRICH

The BJ Group is principally engaged in the provision of both hardware and software solutions to students, schools and other education entities in Beijing, the PRC.

The table out below shows the unaudited consolidated profit before and after taxation and minority interest of Beijing Jetrich for the period from 8 April 2002 (the incorporation date of Beijing Jetrich) to 31 December 2002:

	For the period from 8 April to 31 December 2002		
	<i>RMB</i> <i>(in million)</i>	<i>HK\$</i> <i>(in million)</i>	
Profit before taxation and minority interest	9.8	9.2	
Profit after taxation and minority interest	8.7	8.2	

As at 31 December 2002, the unaudited consolidated net tangible asset value of Beijing Jetrich was approximately RMB26.0 million (equivalent to approximately HK\$24.5 million) after deducting the special dividend of RMB6 million (equivalent to approximately HK\$5.7 million) declared in September 2003.

Following Completion, Beijing Development’s effective interest in Beijing Jetrich will increase from 51% to 72%.

INFORMATION ON WISDOM ELITE

The WE Group is principally engaged in the development and sale of social security information management systems and tax information management systems in the PRC. The clients of Wisdom Elite include governmental agencies and private enterprises in the PRC. The Beijing Development Group acquired its 60% interest in the WE Group from Mr. He and Mr. Li in January 2003. Details of such acquisition were set out in Beijing Development’s announcement dated 20 December 2002.

The table below shows the unaudited proforma consolidated profit before and after taxation and minority interest of Wisdom Elite for the two years ended 31 December 2002:

	Year ended 31 December			
	2001		2002	
	<i>RMB</i> <i>(in million)</i>	<i>HK\$</i> <i>(in million)</i>	<i>RMB</i> <i>(in million)</i>	<i>HK\$</i> <i>(in million)</i>
Profit before taxation and minority interest	3.0	2.8	2.2	2.1
Profit after taxation and minority interest	2.5	2.4	1.8	1.7

*Note:* The above proforma financial information on the WE Group was prepared on the basis that the structure of the WE Group at the time when the Beijing Development Group acquired its interest in the WE Group had been in existence since 1 January 2001.

As at 31 December 2002, the unaudited consolidated net tangible asset value of Wisdom Elite was approximately RMB6.4 million (equivalent to approximately HK\$6.0 million).

Following Completion, Beijing Development’s effective interest in Wisdom Elite will increase from 60% to 72%.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Beijing Development Group is principally engaged in the provision of information technology solutions to several industries in the PRC, internet and communications related services, restaurant operation and property investment. The Acquisitions are proposed with a view to reorganizing the corporate structure of and forming a separate integrated platform for the information technology related businesses of the Beijing Development Group. The directors of Beijing Development consider that the ISP Consultancy Business is a communication technology orientated business and is not directly in line with the other information technology related businesses of the Beijing Development Group and, as such, the ISP Consultancy Business will be transferred to a separate entity under Beijing Development pursuant to the Reorganisation. After Completion, Cyber Vantage will become the holding company for all the major information technology related businesses of the Beijing Development Group. The directors of Beijing Enterprises and the directors of Beijing Development believe that the corporate structure of the information technology related businesses of the Beijing Development Group following Completion will allow more efficient management and will facilitate the long-term development and any possible future fund raising exercises of such businesses as a whole.

The respective boards of directors of Beijing Enterprises and Beijing Development consider that the Acquisitions are in the respective interests of Beijing Enterprises and Beijing Development.

GENERAL

Ernst & Young Corporate Finance Limited has been appointed as the financial adviser of Beijing Development in respect of the Acquisitions.

The Acquisitions involve transactions between Cyber Vantage, a subsidiary of Beijing Enterprises and Beijing Development and the substantial shareholders of Beijing Jetrich and Wisdom Elite respectively, both non-wholly owned subsidiaries of Beijing Enterprises and Beijing Development. The Acquisitions, in aggregate, constitutes a discloseable transaction for Beijing Development and a connected transaction for Beijing Enterprises and Beijing Development under the Listing Rules and are conditional on, among other things, approval by respective independent shareholders of Beijing Enterprises and Beijing Development.

None of Cosmos Vantage, Mr. He, Mr. Li and their respective associates held any shares of Beijing Enterprises as at the date of this announcement. Cosmos Vantage, Mr. He, Mr. Li and their respective associates will abstain from voting at the extraordinary general meeting of Beijing Enterprises in respect of the resolution for approving the Acquisitions if they hold any shares of Beijing Enterprises

by the time of the general meeting. No existing shareholders of Beijing Enterprises will be required to abstain from voting at the extraordinary general meeting of Beijing Enterprises in respect of the Acquisitions.

As at the date of this announcement, the beneficial owner of Cosmos Vantage and his wife held 76,000 shares of Beijing Development in aggregate, Mr. He held 6,361,200 shares of Beijing Development and Mr. Li held 6,361,200 shares of Beijing Development. Cosmos Vantage, Mr. He, Mr. Li and their respective associates will abstain from voting at the extraordinary general meeting of Beijing Development in respect of the resolution for considering and approving the Acquisitions.

Each of Beijing Enterprises and Beijing Development will issue a circular containing, among other things, particulars relating to the Acquisitions, the recommendation from the independent board committee of each of Beijing Enterprises and Beijing Development to the independent shareholders, the recommendation from the independent financial adviser, Guotai Junan Capital Limited, to the independent board committee of each of Beijing Enterprises and Beijing Development and a notice convening the extraordinary general meeting will be despatched to the respective shareholders of Beijing Enterprises and Beijing Development as soon as practicable.

DEFINITIONS

“Acquisitions”	the BJ Acquisition and the WE Acquisition
“Agreements”	the Beijing Jetrich Agreement and the Wisdom Elite Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Development”	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
“Beijing Development Group”	Beijing Development and its subsidiaries
“Beijing Enterprises”	Beijing Enterprises Holdings Limited (北京控股有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Beijing Jetrich”	Beijing Enterprises Jetrich Holdings Limited, a 51% owned subsidiary of Beijing Development incorporated in the British Virgin Islands with limited liability, which will become a 72% owned subsidiary of Beijing Development upon Completion
“Beijing Jetrich Agreement”	the conditional sale and purchase agreement dated 7 October 2003, entered into between Cosmos Vantage, Mr. Chung Kwok Ho and Cyber Vantage
“BETIT”	Beijing Enterprises Teletron Information Technology Co. Ltd. (北京北控電信通信息技術有限公司), a wholly foreign owned enterprise established in the PRC and a wholly-owned subsidiary of Cyber Vantage
“BETIT Group”	BETIT and its subsidiaries
“BJ Acquisition”	the proposed acquisition of a 49% interest in Beijing Jetrich by Cyber Vantage from Cosmos Vantage pursuant to the Beijing Jetrich Agreement
“BJ Group”	Beijing Jetrich and its subsidiaries
“Completion”	completion of the BJ Acquisition and the WE Acquisition pursuant to the Beijing Jetrich Agreement and the Wisdom Elite Agreement respectively
“Cosmos Vantage”	Cosmos Vantage Limited, a company incorporated in the British Virgin Islands with limited liability, which holds a 49% interest in Beijing Jetrich
“Cyber Vantage”	Cyber Vantage Group Limited, which is a wholly-owned subsidiary of Beijing Development incorporated in the British Virgin Islands with limited liability
“Cyber Vantage Shares”	shares of US\$1.00 each in the share capital of Cyber Vantage
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ISP Consultancy Business”	the internet service provider consultancy business currently carried out by the BETIT Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. He”	Mr. He Yingkai (賀迎凱), who holds a 20% interest in Wisdom Elite
“Mr. Li”	Mr. Li Jichen (李繼成), who holds a 20% interest in Wisdom Elite
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“Reorganisation”	the proposed transfer of the ISP Consultancy Business from BETIT to another wholly-owned subsidiary of Beijing Development
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“WE Acquisition”	the proposed acquisition of an aggregate of a 40% interest in Wisdom Elite by Cyber Vantage from Mr. He and Mr. Li pursuant to the Wisdom Elite Agreement
“WE Group”	Wisdom Elite and its subsidiaries
“Wisdom Elite”	Wisdom Elite Holdings Limited, a 60% owned subsidiary of Beijing Development incorporated in the British Virgin Islands with limited liability, which will become a 72% owned subsidiary of Beijing Development upon Completion
“Wisdom Elite Agreement”	the conditional sale and purchase agreement dated 7 October 2003 entered into between Mr. He, Mr. Li and Cyber Vantage
“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

*In this announcement, for information purpose only, certain amounts in RMB have been translated into HK\$ at RMB1 to HK\$0.9434. Such transaction 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 at all.*

By Order of the Board <b>Beijing Enterprises Holdings Limited</b> <b>Xiong Da Xin</b> <i>President</i>	By Order of the Board <b>Beijing Development (Hong Kong) Limited</b> <b>Ng Kong Fat, Brian</b> <i>Managing Director</i>
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Hong Kong, 7 October 2003

*Please also refer to the published version of this announcement in  
The Standard and Hong Kong Economic Times.*