THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

This circular does not constitute an offer of, nor is it calculated to invite offers for, shares or other securities of Beijing Development (Hong Kong) Limited.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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
AND
ON-GOING CONNECTED TRANSACTIONS

in relation to the acquisition of the Cyber Vantage Group, through the acquisition of the entire issued share capital of E-Tron and PTG

Financial adviser to Beijing Development (Hong Kong) Limited

BNP PARIBAS PEREGRINE

Independent financial adviser to the Independent Board Committee

TAI FOOK

TAI FOOK CAPITAL LIMITED

A letter from the Independent Board Committee containing its recommendations in respect of 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) is set out on page 26 of this circular. A letter from Tai Fook Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee is set out on pages 27 to 45 of this circular.

A notice convening an extraordinary general meeting of Beijing Development (Hong Kong) Limited to be held at Chater Room III, Basement 1, The Ritz-Carlton, 3 Connaught Road Central, Hong Kong at 11:00 a.m. on 26th October, 2001 is set out on pages 102 to 103 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

10th October, 2001

CONTENTS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"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 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 (as amended by a supplemental agreement dated 27th September, 2001)
"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
"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. (北京北控電信通信息技術有限公司), a wholly foreign owned enterprise established in the PRC on 20th February, 2001 and a wholly-owned subsidiary of Cyber Vantage
"BJLF"	Beijing Jing Lian Fa Investment Management Centre (北京市京聯發投資管理中心), a wholly owned subsidiary of BEHL established in the PRC on 13th February, 1997
"Board"	the board of Directors

"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
"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
"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, and is an indirect 91% non-wholly owned subsidiary of BEHL
"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）, a jointly-controlled entity of Cyber Vantage established in the PRC with limited liability on 19th June, 2001 and is owned as to 50% by BETIT
"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 on 26th October, 2001 for approving 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)
"Enlarged Group"	E-Tron, PTG, the Cyber Vantage Group and the Group
"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 appointed by the board of Directors to advise the Independent Shareholders in respect of 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)
"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"	5th October, 2001, being the latest practicable date before the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Management Consultation Agreement"	the management consultation agreement dated 1st August, 2001 entered into between BETIT and BTTE (as amended by the relevant Supplemental Agreements)
"Market Development Consultation Agreement"	the market development consultation agreement dated 1st August, 2001 entered into between BETIT and BTTE (as amended by the relevant Supplemental Agreements)
"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

"PRC"	the People's Republic of China, for the purpose of this circular, 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 dated 1st August, 2001
"Tai Fook"	Tai Fook Capital Limited, an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong), the independent financial adviser to the Independent Board Committee
"Technical Services Agreements"	the Technical Support Agreement, the Management Consultation Agreement and the Market Development Consultation Agreement
"Technical Support Agreement"	the technical support agreement dated 1st August, 2001 entered into between BETIT and BTTE (as amended by the relevant Supplemental Agreements)

“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

In this circular, for information purpose only, certain amounts in RMB have been translated into HK$ at the following rate: 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.

BEIJING DEVELOPMENT (HONG KONG) LIMITED
北京發展(香港)有限公司

(Incorporated in Hong Kong with limited liability)

Directors:

Executive Directors:
Mr. Xiong Da Xin *(Chairman)*
Mr. Bai Jin Rong *(Managing Director)*
Dr. Mao Xiang Dong, Peter *(Deputy Managing Director)*
Mr. E Meng *(Deputy Managing Director)*
Mr. Ng Kong Fat, Brian *(Deputy Managing Director)*

Independent non-executive Directors:
Mr. Wu Shi Xiong
Mr. Cao Guixing
Mr. Feng Ching Yeng, Frank

Registered office:
20th Floor
Hang Lung House
184-192 Queen's Road Central
Sheung Wan
Hong Kong

10th October, 2001

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS
AND
ON-GOING CONNECTED TRANSACTIONS

in relation to the acquisition of the Cyber Vantage Group,
through the acquisition of the entire issued share capital of E-Tron and PTG

1. INTRODUCTION

It was announced on 20th September, 2001 that the Company, BEHL and the Individual CV Owners have entered into the Agreement, pursuant to which, 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.

It was further announced on 27th September, 2001 that a supplemental agreement has been entered into between the Company, BEHL and the Individual CV Owners on 27th September, 2001, under which Completion has been made conditional on, amongst other things, the approval of the Transaction and allotment and issue of the Consideration Shares by the independent shareholders of BEHL.

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. The Directors consider such Consideration to be fair and reasonable so far as the Shareholders 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 and connected transaction for the Company. In addition, since BETIT will after Completion become an indirect wholly-owned subsidiary of the Company and BTTE is a subsidiary of BEHL 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 expect that the aggregate service fees and the stand-alone charges to be received from BTTE under the Technical Services Agreements for each financial 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 requirements in connection with the On-going Connected Transactions (including the relevant annual caps) as required under the Listing Rules.

The purpose of this circular is to provide the Shareholders with further information 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) so as to enable them to vote on the resolutions set out in the notice of the EGM. The recommendations of the Independent Board Committee to the Independent Shareholders are set out on page 26 of this circular. A copy of the letter from Tai Fook containing its advice in relation to the aforesaid is set out on pages 27 to 45 of this circular.

2. 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, BTTE, 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 under the paragraph headed "Conditions" 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;

(ii) a premium of approximately 3.7% over 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;

(iii) a discount of approximately 2.0% to the closing price of HK$1.02 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(iv) the average closing price of approximately HK$1.00 per Share for the last ten trading days from 20th September, 2001 to the Latest Practicable Date; and

(v) the par value of the Shares.

The Directors consider the issue price of HK$1.00 per Share to be fair and reasonable as far as the Shareholders 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 Mr. Cao Wei, 14.7% by Mr. Tian Ye, 7.35% by Mr. Zhong Yuan, 7.35% by Mr. Wang Dongbin and 4.9% by Ms. Liu Xiling); (ii) the future growth potential of the Cyber Vantage Group; and (iii) the market environment. The Directors consider the terms of the Agreement are on normal commercial terms and the Consideration is fair and reasonable so far as the Shareholders 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 Mr. Cao Wei, 14.7% by Mr. Tian Ye, 7.35% by Mr. Zhong Yuan, 7.35% by Mr. Wang Dongbin and 4.9% by Ms. 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 have been prepared) an amount in cash that is equal to:

shortfall payment = (Guaranteed Profit - 2001 CV Audited Profit) X 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 have 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;

(g) the passing of all necessary resolutions by the shareholders of BEHL (other than persons who are prohibited from voting at such meeting under the Listing Rules) in an extraordinary general meeting or, in the case where an appropriate waiver from such requirement is obtained from the Stock Exchange, the obtaining of a written approval certificate signed by Beijing Enterprises Investments Limited, to approve the transactions contemplated under the Agreement, including the Transaction and the allotment and issue of the Consideration Shares, upon Completion; and

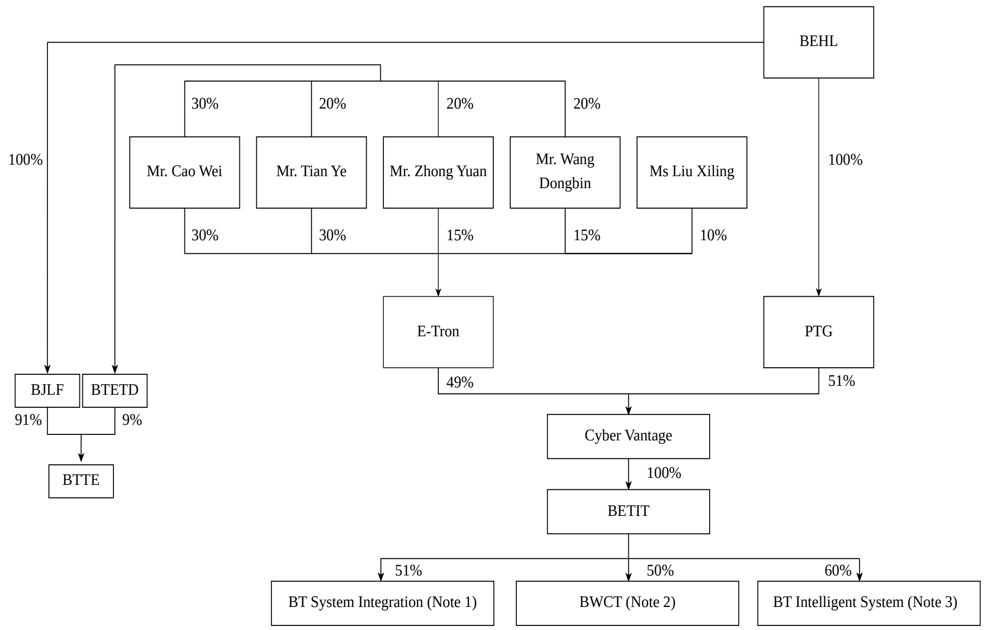
(h) the Stock Exchange granting a waiver from strict compliance with the disclosure and shareholders' approval requirements as set out in Chapter 14 of the Listing Rules in favour of the Company, in connection with the on-going connected transactions of the Company under the Technical Services Agreements, 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.

Upon Completion, all the existing directors of E-Tron shall resign and Mr. Xiong Da Xin and Mr. Bai Jin Rong, two directors of the Company, shall be appointed as directors of E-Tron.

3. INFORMATION ON THE CYBER VANTAGE GROUP

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



Notes:

1. The remaining shareholding of BT System Integration is held as to 11.5% by Mr. Wei Jian (魏健), as to 12.5% by Mr. Sun Li Xin (孫立新), as to 12.5% by Ms. Wang Juan (王娟) and as to 12.5% by Ms. Shi Ping (石萍).

2. The remaining shareholding of 50% BWCT is held as to 50% by Beijing Shixun Communication Development Corporation (北京世訊通信發展總公司).

3. The remaining shareholding of BT Intelligent System is held as to 20% by Mr. Ma Wei Liang (馬衛良) and as to 20% by Mr. Zhou Wei Shi (周唯實).

Cyber Vantage is an investment holding company and, via its subsidiaries, is principally engaged in (i) the provision of last mile networking service and telecommunications 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 the Technical Services Agreements" below. Pursuant to the Technical Services Agreements, it has been agreed that BETIT will receive a service 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 telecommunications 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$2.34 million and HK$2.52 million respectively for the period from 20th July, 2000 (being the date of incorporation of Cyber Vantage) to 30th June, 2001. The audited net asset value of the Cyber Vantage Group as at 30th June, 2001 was HK$58.2 million.

4. INFORMATION ON BEIJING EDUCATIONAL INFORMATION NETWORK

The 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 primary and secondary 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 the 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 .

5. INFORMATION ON THE TECHNICAL SERVICES AGREEMENTS

i. Technical Support Agreement

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

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

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 earnings performance of BETIT. Accordingly, the Directors consider that the Technical Services Agreements are in the interest of the Group and the Shareholders as a whole.

6. 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 telecommunications 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.

7. COMMON DIRECTORSHIPS

Mr. Xiong Da Xin and Mr. Bai Jin Rong, directors of the Company, are also directors of BEHL, PTG and Cyber Vantage. Mr. Cao Wei, a director of Cyber Vantage, BETIT, BT System Integration and BT Intelligent System, is also a director of BTTE. Mr. Lu Liu, a director of BETIT, is also a director of BTTE.

8. REASONS FOR AND BENEFITS OF THE TRANSACTION AND THE ON-GOING CONNECTED TRANSACTIONS

The Group is principally engaged in property investment in Hong Kong and in the PRC and restaurant operations in the PRC and in South East Asia including Singapore, Malaysia and Indonesia. 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, 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 the 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 an audited net loss attributable to Shareholders of HK$22.8 million for the year ended 31st December, 2000 and an unaudited net loss attributable to Shareholders of HK$9.8 million for the six months ended 30th June, 2001. Given the unsatisfactory result of the Group and based on the Guaranteed Profit for the year ending 31st December, 2001 together with the growth potential of the Cyber Vantage Group, the Transaction and the On-going Connected Transactions will not only diversify the Group's earnings base but also improve its earning performance. The Directors consider that this is of benefit to the Group and the 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.

As to 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.

9. LISTING RULES IMPLICATIONS

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, amongst 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 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.

10. 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		**Immediately after Completion**	
	(Note 1) *Shares*	*%*	*(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	303,758,750	100.00%	446,258,750	100.00%

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 circular and up to the date of Completion.

2. Upon Completion, these shareholders, being independent of the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates, will be regarded as part of the public.

3. Upon Completion, Mr. Cao Wei will remain as a director of Cyber Vantage, BETIT, BTTE, BT System Integration and BT Intelligent System, 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.

11. LISTING AND DEALING

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

12. 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).

Set out on pages 102 to 103 of this circular is a notice convening the EGM to be held at Chater Room III, Basement 1, The Ritz-Carlton, 3 Connaught Road Central, Hong Kong at 11:00 a.m. on 26th October, 2001 at which ordinary resolutions will be proposed to the Shareholders to approve, inter alia:

- 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).

A form of proxy for use at the EGM is enclosed. Whether or not you (as a Shareholder) are able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's share registrar in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion of the form of proxy will not preclude you from attending and voting at the EGM should you so wish.

13. ADVICE

The Directors consider that 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 in the best interests of the Company. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions, relating 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).

You will receive separate advice from the Independent Board Committee (after considering the advice from Tai Fook) regarding 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 letters from the Independent Board Committee and Tai Fook can be found on page 26 and 27 to 45 respectively of this circular.

14. GENERAL

Your attention is drawn to the additional information set out in the appendices to this circular, the letter from the Independent Board Committee, the letter from Tai Fook in respect of 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 Accountants' report and the audited financial statements of Cyber Vantage and its subsidiaries for the period from 20th July, 2000 (being the date of incorporation of Cyber Vantage) to 30th June, 2001, the pro forma statement of assets and liabilities of the Enlarged Group, the pro forma statement of unaudited adjusted consolidated net tangible assets of the Group and the notice of the EGM.

By order of the Board
Beijing Development (Hong Kong) Limited
Xiong Da Xin
Chairman

BEIJING DEVELOPMENT (HONG KONG) LIMITED
北京發展（香港）有限公司

(Incorporated in Hong Kong with limited liability)

10th October, 2001

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company despatched to the Shareholders dated 10th October, 2001 (the "Circular"), of which this letter forms part. Terms defined herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

As the Independent Board Committee, we have been appointed to advise you in connection with 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), details of which are set out in the Letter from the Board contained in the Circular, of which this letter forms part.

Tai Fook has been appointed as the independent financial adviser to advise us regarding 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). Details of their advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out in their letter on pages 27 to 45 of the Circular.

Having taken into account 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 interests of the Independent Shareholders and the advice of Tai Fook, we consider that 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 Transctions (including the relevant annual caps) are in the interests of the Company and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that the Independent Shareholders should vote in favour of the ordinary resolutions approving the above matters.

Yours faithfully,
For and on behalf of
Independent Board Committee

Wu Shi Xiong	**Cao Guixing**	**Feng Ching Yeng, Frank**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

Set out below is a letter from Tai Fook Capital Limited, the independent financial adviser to the Independent Board Committee, dated 10th October, 2001 prepared for the purpose of inclusion in this circular:

TAI FOOK CAPITAL LIMITED

25th Floor, New World Tower
16-18 Queen's Road Central
Hong Kong

10th October, 2001

To the Independent Board Committee of
Beijing Development (Hong Kong) Limited (the "Company")

Dear Sirs,

MAJOR AND CONNECTED TRANSACTIONS AND ON-GOING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in respect of 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), details of which are set out in the letter from the Board (the "Letter from the Board") contained in the circular dated 10th October, 2001 (the "Circular") issued by the Company to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same respective meanings as defined in the Circular unless the context otherwise requires.

On 20th September, 2001, the Company entered into a conditional sale and purchase agreement (as amended by a supplemental agreement dated 27th September, 2001) (the "Agreement") with BEHL, the controlling shareholder of the Company, and the Individual CV Owners, pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of PTG and E-Tron from BEHL and the Individual CV Owners respectively. The sole assets owned by E-Tron and PTG are their respective 49% and 51% equity interests in Cyber Vantage, which will become an indirect wholly-owned subsidiary of the Company upon Completion. Pursuant to the Technical Services Agreements entered into between BETIT, a wholly-owned subsidiary of Cyber Vantage, and BTTE, a subsidiary of BEHL, BETIT will provide, amongst other things, technical support and other consultation services to BTTE for certain service fees.

Pursuant to Chapter 14 of the Listing Rules, the Transaction constitutes a major and connected transaction for the Company and the transactions arising from the Technical Services Agreements constitute on-going connected transactions for the Company, both of which are subject to the approval of the Independent Shareholders at the EGM. BEHL and its associates shall abstain from voting in respect of 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) at the EGM pursuant to the Listing Rules.

BASIS OF OUR OPINION

In formulating our recommendations, we have relied on the accuracy of the information supplied and representations expressed by the Directors. We have been advised by the Directors that no material facts have been omitted from the information supplied and representations expressed to us and we are not aware of any facts or circumstances which would render such information and representations untrue, inaccurate or misleading. We have assumed that all statements contained in and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continue to be so at the date of despatch of the Circular. We consider that we have reviewed sufficient information to reach an informed view and have no reason to doubt the truth, accuracy and completeness of the information provided and representations made to us. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the business and affairs or the prospects of the Company or Cyber Vantage or any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to 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), we have considered the principal factors and reasons set out below:

THE TRANSACTION

A Rationale and reasons for the Transaction

1. Background

The Group is principally engaged in property investment in Hong Kong and in the PRC and restaurant operations in the PRC and in South East Asia including Singapore, Malaysia and Indonesia. As set out in the Letter from the Board, the Group has been operating under adverse market conditions and has incurred an audited net loss attributable to Shareholders of approximately HK$22.8 million and an unaudited net loss attributable to Shareholders of approximately HK$9.8 million for the year ended 31st December, 2000 and the six months ended 30th June, 2001 respectively. As set out in the 2000 annual report of the Company, the Group recorded consecutive net losses attributable to Shareholders from the year ended 31st December, 1996 to the year ended

31st December, 2000. BEHL became the controlling shareholder of the Company in March, 2001. As stated in the circular of the Company dated 23rd February, 2001, BEHL, with the continuous support from the Beijing Municipal Government, has been planning to develop the Company into a major flagship for its investment in the information technology and telecommunications sectors. Apart from maintaining its existing business, the Group will continue to diversify its business 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. It is the intention of the Group, with its strong shareholders' background and connection in the PRC, to become a leading network infrastructure facilities constructor, to play an important role in the long-term development plan of electronic transactions and to provide first-class network services in Beijing, the PRC.

2. Business of the Cyber Vantage Group

As stated in the Letter from the Board, Cyber Vantage is an investment holding company and, via its subsidiaries, is principally engaged in (i) the provision of last-mile networking service and telecommunications 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 PRC. The Directors consider that the Transaction is in line with the Group's intention of turning around the Group's performance by investing in information technology and telecommunications sectors with geographical focus in Beijing, the PRC.

3. Technical Services Agreements

BETIT, the principal operating subsidiary of Cyber Vantage, was established as a wholly foreign owned enterprise in the PRC on 20th February, 2001. It is principally engaged in the provision of data management, telecommunications and IT technical support and consultation services in Beijing, the PRC. BTTE, a leased-line and networking ISP in the PRC and a subsidiary of BEHL, is a limited liability company incorporated on 17th May, 2001 in the PRC, which is owned as to 91% by BJLF, a wholly-owned subsidiary of BEHL, and as to 9% by BTETD. BTTE is principally engaged in the business of Internet service provider, system integration, installation of optics/telecommunications/data communication network and provision of engineering services and network solutions in Beijing, the PRC. BTTE has obtained the relevant licence granted by 北京市通信管理局(Beijing Communication Administration Bureau) on 28th June, 2001 for engaging in the business of Internet service provider (the "ISP Licence").

In August 2001, BETIT entered into the Technical Services Agreements with BTTE. Details of the Technical Services Agreements are set out below under paragraph headed "Background and terms of the On-going Connected Transactions" in this letter. Pursuant to the Technical Services Agreements, it is agreed that BETIT will receive from BTTE a service 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 view of the short operating history of BETIT in the provision of the underlying consultation services pursuant to the Technical Services Agreements, the minimum service fee as agreed by BTTE would help BETIT in securing a steady source of revenue, which in turn will enhance the Group's turnover. Furthermore, as pointed out by the Directors, the market for the provision of Internet related services is presently not open to foreigners in the PRC. Through rendering services to BTTE, a licensed ISP provider in the PRC, under the Technical Services Agreements, which have a term of 20 years from their respective agreement dates, BETIT can benefit from its indirect participation in this fast growing market.

4. Ed Agreement

In June 2001, BETIT entered into the Ed Agreement with the Beijing Education Bureau, pursuant to which BETIT is responsible to construct network infrastructure and related facilities and to provide system integration services for 200 schools in Beijing, the PRC, according to the "Beijing Educational Information Network" programme (to be explained below). As stipulated in the Ed Agreement, the Beijing Education Bureau will provide BETIT a list of targeted schools for the construction of network infrastructure. Detailed terms for the construction of the network infrastructure and the provision of system integration services will be agreed and contracted between BETIT and each of the targeted schools. Based on an average budget of approximately RMB450,000 to be spent by each of the targeted schools, the estimated revenue to be generated solely for the transactions contemplated under the Ed Agreement will be approximately RMB90,000,000 (i.e. RMB450,000 times 200 schools). As required under the Ed Agreement, the construction of the network infrastructure and related facilities of the 200 schools will be completed by the end of 2001.

In May 2001, BETIT and 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 the Beijing Education Bureau, entered into the MOU, pursuant to which BETIT will be a party responsible for the construction of the school network in Beijing, the PRC. The proposed arrangement under the MOU was subsequently reflected in the Ed Agreement. The Beijing Education Bureau intends to set up an information platform, "Beijing Educational Information Network", with Internet access ability, on-line education and dissemination of educational information. It is intended that "Beijing Educational Information Network" will connect the primary and secondary schools in Beijing, the PRC. It is expected that before the end of 2005, all existing 2929 schools in Beijing, the PRC, will finish the construction necessary for their connecting with the "Beijing Educational Information Network". In view of the MOU and the Ed Agreement entered into by BETIT with 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.) and the Beijing Education Bureau respectively, it is expected that BETIT should be able to secure further engagement by the Beijing Education Bureau to conduct network infrastructure construction for the remaining of the schools in Beijing, the PRC.

5. Key management and expertise

In view of the fact that the business nature of the Cyber Vantage Group is highly technical oriented, it is important for the Group to ensure that its management has sufficient expertise and support to carry out the operations of the Cyber Vantage Group. At present, Dr. Mao Xiang Dong, Peter, a deputy managing Director has extensive experience in high-tech investments. In addition, all senior management of BETIT will remain intact. All five existing directors of BETIT will remain on the board of BETIT, of which Mr. Li Kang-ying will continue to act as the chairman of the board. Mr. Cao Wei, a director of BETIT, will act as the general manager of BETIT. Please refer to the Letter from the Board for the biographical details in respect of Mr. Li Kang-ying and Mr. Cao Wei.

The Directors are of the view that leveraging on the solid experiences and technical know-how of the key management team of BETIT, the Cyber Vantage Group will be able to compete favourably in the market and become a leading network infrastructure facilities constructor in Beijing, the PRC.

B. Terms of the Agreement

1. Consideration

As set out in the Letter from the Board, the Consideration of HK$190,000,000 payable by the Company was determined after arm's length negotiations between all parties to the Agreement and with reference to the Guaranteed Profit (as explained below in the paragraph headed "Guarantee from the Vendors" in this letter), the future growth potential of the Cyber Vantage Group and the market environment. Based on the Guaranteed Profit, the total consideration of HK$190,000,000 represents a price earnings multiple of 9.5 times. In view of the fact that one of the principal businesses of the Cyber Vantage Group is the provision of technical support and consultancy services for Internet related operations in Beijing, the PRC, of which the business value relies significantly on the quality of its technical staff, the sophistication of its technology as well as the value of service contracts it has secured, we believe that the use of price earnings multiple and a guaranteed profit as the basis of determining the Consideration is more reasonable when compared with other possible basis of determination such as the net asset value of the Cyber Vantage Group. In assessing the price earnings multiple of the Cyber Vantage Group, we have considered four Hong Kong listed companies which are principally engaged in similar business activities to that of the Cyber Vantage Group. However, we have excluded one of the four selected companies in view of the fact that its price earnings multiple is unusually high as compared to the other selected companies. As such, we have formulated our analysis based on the remaining three Hong Kong listed companies (the "Comparable") which we consider are appropriate for our analysis purposes.

Based on the respective closing prices of each of the Comparable as quoted on the Stock Exchange on 20th September, 2001, being the date of the Agreement and the latest audited earnings per share of each of the Comparable, the price earnings multiples of the Comparable range from 4.32 times to 24.58 times, with an average of approximately 12.32 times. The price earnings multiple of 9.5 times, which is adopted as a basis of price earnings multiple in arriving at the Consideration, falls below the average price earnings multiples of the Comparable. We therefore concur with the Directors' view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

2. Issue of the Consideration Shares

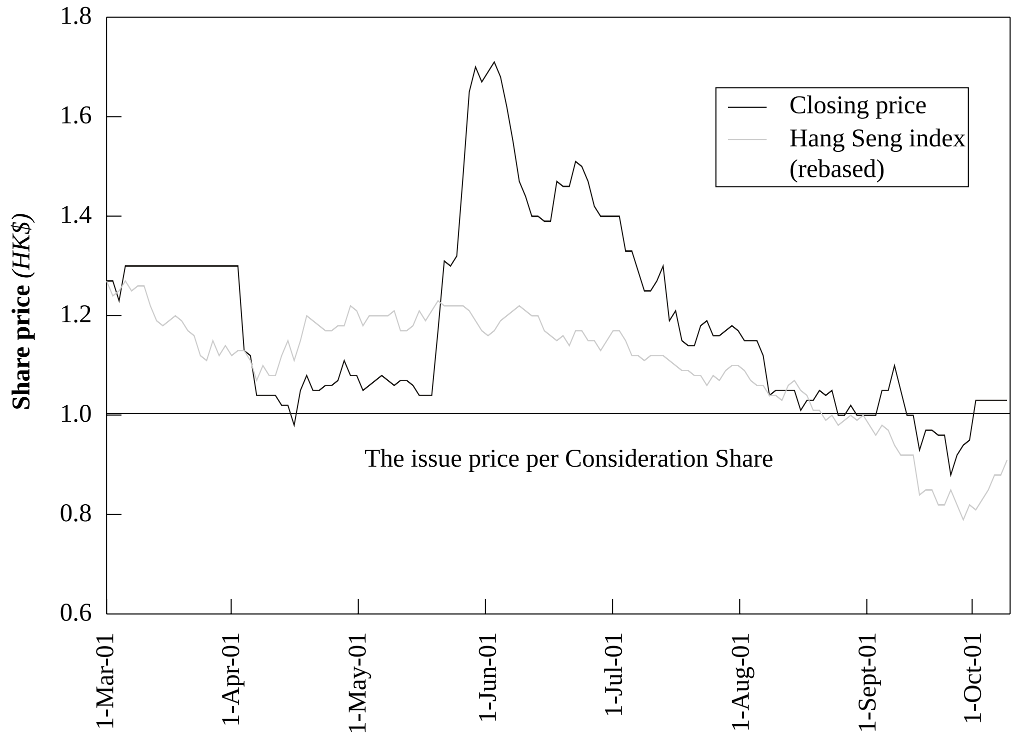
The Consideration of HK$190,000,000 under the Agreement is to be satisfied by way of the allotment and issue of the Consideration Shares. As set out in the Letter from the Board, the issue price of the Consideration Shares of HK$1.00 per Share was determined after arm's length negotiations between the parties to the Agreement.

The highest and the lowest closing prices of the Shares as quoted on the Stock Exchange from 1st March, 2001 to 20th September, 2001, being the date of the announcement in relation to the Agreement (the "Announcement"), and further up to the Latest Practicable Date (the "Period") were as follows:

Month (2001)	**Highest closing price** *(HK$)*	**Lowest closing price** *(HK$)*
March	1.30	1.23
April	1.13	0.98
May	1.70	1.04
June	1.71	1.39
July	1.40	1.14
August	1.18	1.00
September (1st September to 20th September)	1.10	0.88
September to October (21st September up to and including the Latest Practicable Date)	1.03	0.94

During the Period, the Shares were traded on the Stock Exchange within a range of the highest closing price of HK$1.71 on 4th June, 2001 to the lowest closing price of HK$0.88 on 19th September, 2001.

The following chart illustrates the historical performance of the Share price and the relative performance of the Share price compared with the Heng Sang Index for the Period.



The issue price of HK$1.00 per Consideration Share represents:

- 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 Announcement;

- a premium of approximately 3.7% over the average closing price of approximately HK$0.964 per Share for the last ten trading days ended on 20th September, 2001;

- a discount of approximately 2.0% to the closing price of HK$1.02 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

- the average closing price of approximately HK$1.00 per Share for the last ten trading days ended on the Latest Practicable Date;

- a premium of approximately 257% over the audited consolidated net tangible asset value of the Company as at 31st December, 2000 of approximately HK$0.28 per Share; and

- a premium of approximately 32% over the pro forma unaudited adjusted consolidated net tangible asset value of the Company of approximately HK$0.76 per Share prior to Completion as set out in Appendix II to the Circular.

Having considered that:

(i) the presence of a premium of the issue price of the Consideration Shares over the market closing price per Share around the date of the Agreement and on the date of the Agreement;

(ii) the presence of a premium of the issue price of the Consideration Shares over the audited consolidated net tangible asset value of the Company as at 31st December, 2000;

(iii) the presence of a premium of the issue price of the Consideration Shares over the pro forma adjusted unaudited consolidated net tangible asset value of the Company of approximately HK$0.76 per Share prior to Completion as set out in Appendix II to the Circular; and

(iv) notwithstanding that the issue price of the Consideration Shares is in the low end of the range of the highest and the lowest closing prices of the Shares in the past few months, the issue price of the Consideration Shares has reflected the prevailing market downturn,

we consider that the issue price of the Consideration Shares is fair and reasonable so far as the Independent Shareholders are concerned.

3. Guarantee from the Vendors

Pursuant to the Agreement, 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 Mr. Cao Wei, 14.7% by Mr. Tian Ye, 7.35% by Mr. Zhong Yuan, 7.35% by Mr. Wang Dongbin and 4.9% by Ms. Liu Xiling) to and with 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 shall be entitled to a cash sum calculated based on the shortfall (i.e. Guaranteed Profit minus 2001 CV Audited Profit) times a multiple of 9.5 times (being exactly the level of price earnings multiple as agreed for the purpose of determining the Consideration). 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 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.

In view of the fact that the Consideration has been agreed with reference to and gauged upon, among other things, the Guaranteed Profit, we consider that the arrangement of the profit guarantee is vital in safeguarding the Company's interest in entering into the Agreement. In addition, having regard to the fact that as shown in Appendix I "Financial information on the Cyber Vantage Group" to the Circular, the Cyber Vantage Group has recorded an audited loss after taxation and minority interests of approximately HK$2.52 million for the period from 20th July, 2000 (being the date of incorporation of Cyber Vantage) to 30th June, 2001 and that Cyber Vantage does not have a long and established track record in its operations, we are of the view that the profit guarantee can effectively eliminate the downside risk of Cyber Vantage Group's operating performance for the year ending 31st December, 2001 and the method of calculating the compensation for shortfall in relation to the Guaranteed Profit is fair and reasonable.

4. Moratorium

Pursuant to the Agreement, each of the Individual CV Owners has agreed and undertaken to and with the Company that he or she shall not dispose of the Restricted Shares within one year from the date of Completion and shall only dispose up to one half of the Restricted Shares during the period of one year from the first anniversary of the date of Completion. The Restricted Shares, which represents approximately 15.64% of the total issued share capital of the Company as enlarged by the issue of the Consideration Shares, shall be held by an escrow agent pursuant to an escrow agreement in the form set out in the Agreement, upon Completion. We are of the view that the moratorium requirement and the escrow arrangement applicable on the Restricted Shares are in the interests of the Company and the Independent Shareholders as a whole given that the possible immediate downward pressure of Share price resulting from the availability of all Restricted Shares in the market immediately following the date of Completion is effectively avoided.

C. Financial effect on the Group

1. Earnings

With the Guaranteed Profit of HK$20 million for the Cyber Vantage Group for the year ending 31st December, 2001, the Transaction will provide an additional source of revenue and will enhance the earning performance of the Group. As stated in the interim report of the Company for the six months ended 30th June, 2001, the Company recorded an unaudited net loss attributable to Shareholders of approximately HK$9.8 million. It is expected that the Guaranteed Profit will mitigate the Company's pressure of having unsatisfactory operating results for the year ending 31st December, 2001. We therefore consider that the Transaction will provide an additional revenue stream to the Group and is beneficial to the Group and the Independent Shareholders as a whole.

Notwithstanding that the Cyber Vantage Group only has a short operating history and has been loss-making since its establishment, its future prospect and business potential are positively enhanced by the Technical Services Agreements and the Ed Agreement as described above.

2. Net tangible assets

With reference to Appendix II "Financial information on the Group" to the Circular, the effect on the pro forma adjusted unaudited consolidated net tangible assets of the Group immediately after Completion is summarised as follows:

	HK$'000
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 asset value per Share prior to Completion (based on 303,758,750 Shares in issue as at the Latest Practicable Date)	HK$0.76
Pro forma unaudited adjusted consolidated net tangible asset value per Share subsequent to Completion (based on 446,258,750 Shares as enlarged by the issue of the Consideration Shares)	HK$0.54

As illustrated in the above summary, the pro forma unaudited adjusted consolidated net tangible assets of the Group would increase by approximately 5% from approximately HK$231,708,000 to approximately HK$242,436,000 after Completion.

On a per Share basis, the pro forma adjusted unaudited consolidated net tangible asset value per Share would decrease by approximately 30% immediately after Completion. Such a decline is due primarily to the issue of 142,500,000 Consideration Shares. After taking into account the following factors: (i) the Transaction could enhance the net assets and capital base of the Company; (ii) the basis of the calculation of the Consideration and the terms of the Agreement which are considered to be fair and reasonable; and (iii) the future earning potential of the Cyber Vantage Group, we are of the view that the decrease in the net tangible asset value per Share is acceptable and justifiable.

3. Liquidity

As set out in the Letter from the Board, the Consideration of HK$190,000,000 for the Transaction is to be satisfied as to HK$47,500,000 in cash and as to the remaining balance of HK$142,500,000 by way of the allotment and issue of the Consideration Shares. The Directors have confirmed that the Group will use its internal resources to satisfy the cash consideration and no additional bank borrowings are required in this respect. The Directors consider that the issue of the Consideration Shares to satisfy 75% of the Consideration will help preserve the cash resources of the Company. In addition, as set out in Appendix II "Financial information on the Group" to the Circular, the Directors are of the opinion that based on the expected cash flow, and taking into consideration the Transaction, and assuming that the bank facilities of the Group will not be withdrawn, the Group will have sufficient working capital for its present requirements in the absence of unforeseen circumstances.

The Directors expect that the Cyber Vantage Group will be able to self-finance its operations and would not require additional capital injection from its shareholders, both for capital expenditure or recurring working capital purposes in the foreseeable future. Accordingly, the Directors do not currently anticipate the need for the Group to provide any further funding to the Cyber Vantage Group in the near future.

Having considered the Directors' opinion that: (i) the Group's working capital will be sufficient after Completion which was based on the assumption that the bank facilities of the Group will not be withdrawn; (ii) it is not expected to require any additional capital injection to be made by the shareholders of the Cyber Vantage Group in relation to its future business operations and development; (iii) upon completion of the Transaction, the Group's gearing ratio will be decreased (according to the interim report of the Company for the six months ended 30th June, 2001, the Group's gearing ratio was approximately 48%), we are of the view that the Transaction would not adversely affect the financial position of the Group so far as the liquidity and gearing positions of the Group are concerned.

D. Dilution of Shareholders' interest in the Company

Upon Completion, 142,500,000 Consideration Shares will be issued to the Vendors and as a result of which the shareholding interests of the public shareholders in the total issued share capital of the Company will decrease from approximately 25.39% to 17.29%. However, given that certain of the Individual CV Owners namely Mr. Tian Ye, Mr. Wang Dongbin and Ms. Liu Xiling will become public shareholders immediately after Completion, the shareholding interests of the public shareholders in the total issued share capital of the Company will in fact increase slightly from 25.39% to 25.89%. After taking into consideration the following factors: (i) the Group is currently loss-making; (ii) the future earning potential of the Cyber Vantage Group; and (iii) there will be an improvement in the net assets and capital base of the Company as a result of the completion of the Transaction, we consider that the dilution effect on the shareholdings of the existing Shareholders is acceptable.

E. Conclusion

Having considered that:

1. the unsatisfactory performance of the Group's business portfolio in the past, in particular the consecutive net losses attributable to Shareholders for the five years ended 31st December, 2000, and the uncertainty as to the restoration of the Group's future profitability under the context of its existing business mix and adverse market conditions;

2. the business of the Cyber Vantage Group is in line with the Group's intended future business and geographical focus and provides a valuable opportunity for the Company to tap the lucrative SI Industry in the PRC;

3. the agreed minimum service fee for the five months ending 31st December, 2001 and the year ending 31st December, 2002 pursuant to the Technical Services Agreements, the total revenue to be generated pursuant to the Ed Agreement and the business potential relating to the building of the required network infrastructure for the "Beijing Educational Information Network";

4. the existing financial position of the Group can be largely preserved given that 75% of the Consideration would be settled by way of issue of the Consideration Shares;

5. the Group's net cash flow position is not adversely affected following the completion of the Agreement;

6. the use of the price earnings multiple as a basis for determining the Consideration is fair and reasonable and the price earnings multiple adopted in arriving at the Consideration falls below the average price earnings multiples of Comparable respectively;

7. the issue price of the Consideration Shares is fair and reasonable so far as the Independent Shareholders are concerned;

8. the Agreement will provide an additional source of revenue and will enhance the earning performance of the Group; and

9. the Transaction could enhance the net assets and capital base of the Company,

we are of the opinion that the Transaction and the allotment and issue of the Consideration Shares are in the interests of the Company and the Independent Shareholders as a whole and the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

ON-GOING CONNECTED TRANSACTIONS

A. Background and terms of the On-going Connected Transactions

On 1st August, 2001, BETIT entered into with BTTE the Technical Support Agreement, the Management Consultation Agreement and the Market Development Consultation Agreement. These agreements were amended by the relevant supplemental agreements dated 6th and 19th September, 2001 (the "Supplemental Agreements"). The principal terms of the Technical Support Agreement, the Management Consultation Agreement and the Market Development Consultation Agreement (as amended by the Supplemental Agreements) are summarised as follows:

	Technical Support Agreement	**Management Consultation Agreement**	**Market Development Consultation Agreement**
Services to be provided by BETIT	BETIT has agreed to be appointed as the exclusive agent of BTTE for the provision of technical support and related technical services in relation to system integration, network solution and software development to BTTE	BETIT has agreed to provide operation and management advice (including assistance in formulating operational and administrative plans) to BTTE	BETIT has agreed to formulate market development plan and conduct market research for BTTE and supply market information to BTTE
Contract term	20 years, from 1st August, 2001 to 31st July, 2021		
Service fee to be received by BETIT calculated based on a percentage of BTTE's total turnover (the "Relevant Percentages")	9% of BTTE's total turnover for the previous month	8% of BTTE's total turnover for the previous month	8% of BTTE's total turnover for the previous month

	Technical Support Agreement	**Management Consultation Agreement**	**Market Development Consultation Agreement**
Guaranteed service fee (the "Guaranteed Service Fees")	The service fee to be received by BETIT has been agreed to be not 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 to be received by BETIT has been agreed to be not 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 to be received by BETIT has been agreed to be not 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
Other services	In the event that the technical support services ascribed under the Technical Support Agreement involves software development (the "Additional Services"), BETIT will charge BTTE an additional development cost which will be subject to arm's length negotiation	Nil	Nil

Since BETIT will after Completion become an indirect wholly-owned subsidiary of the Company and BTTE is a subsidiary of BEHL and hence an associate of BEHL, the transactions contemplated under the Technical Services Agreements constitute on-going connected transactions for the Company upon Completion.

It is noted that the Technical Services Agreements were first entered into by BETIT and BTTE in August 2001 and the two parties have duly performed their duties in the manner as stipulated under the Technical Services Agreements. Upon Completion, there will not be any change in the parties to the Technical Services Agreements and all of the relevant terms as set out above will continue to take effect.

The Directors have confirmed that the terms, in particular, the respective basis for determining the Relevant Percentages and the Guaranteed Service Fees as stipulated in each of the Technical Services Agreements, namely the Technical Support Agreement, the Management Consultation Agreement and the Market Development Consultation Agreement, had been agreed between BTTE and BETIT after arm's length negotiations and had taken into account, amongst other things, the estimated costs for the provision of various services under the Technical Support Agreement, the Management Consultation Agreement and the Market Development Consultation Agreement by BETIT, as well as the expected revenue to be generated by BTTE. The Directors have further confirmed that the terms under each of the Technical Services Agreements were determined on arm's length basis and are in the interests of the Company and the Independent Shareholders as a whole. Based on the above and taking into account the fact that the terms of the Technical Services Agreements have been agreed between BETIT and BTTE after arm's length negotiation, we consider that the basis for determining the terms of the Technical Services Agreements is reasonable.

For the five months ending 31st December, 2001 and the year ending 31st December 2002, BETIT is entitled to receive certain fees for the rendering of related services to BTTE under the Technical Support Agreement, the Management Consultation Agreement and the Market Development Consultation Agreement which shall be the higher of (i) the relevant Guaranteed Service Fees; or (ii) the Relevant Percentages (9% in the case of the Technical Support Agreement and 8% in the case of each of the Management Consultation Agreement and the Market Development Consultation Agreement) for the five months ending 30th November, 2001 or the 12 months ending 30th November, 2002 as the case may be. After assessing the estimated costs for the provision of related services in return for the Guaranteed Service Fees, the Directors consider that BETIT's entitlement on the Guaranteed Service Fees, which would help BETIT in securing a steady source of revenue, is in the interests of the Company and the Independent Shareholders as a whole. Notwithstanding the fact that there will no longer be any arrangement of the Guaranteed Service Fees for the remaining contracting periods of the Technical Services Agreements, we concur with the Directors' view that, based on the existing cost structure of BETIT for the rendering of the relevant services under the Technical Services Agreements, the carrying out of the transactions contemplated under the Technical Services Agreements would still enhance BETIT's earning potential for the remaining contracting periods of the Technical Services Agreements.

Since BTTE has obtained the ISP License and BETIT has been appointed as the exclusive agent to BTTE for the provision of technical support and related technical services in relation to system integration, network solution and software development under the Technical Support Agreement, we consider that such a strategic partnership with BTTE has the benefit of allowing the Group to indirectly participate in the information technology and telecommunications market in a more effective manner. The Directors have also confirmed that fees to be charged by BETIT for the provision of the Additional Services to BTTE will be negotiated on arm's length basis and will be determined with reference to the then prevailing market price. In view of our understanding from the Directors that the scope of work to be carried out and the level of complexity to be involved under the Additional Services varies from job to job and that the underlying fee will be determined on arm's length basis, we consider the basis for determining the fees to be charged by BETIT for the provision of the Additional Services is reasonable.

Having considered the fact that (i) the Technical Services Agreements were in place prior to the entering into of the Agreement; (ii) the Technical Services Agreements were entered into between BTTE and BETIT after arm's length negotiations; (iii) there have not been any changes to the parties to the Technical Services Agreements and the terms thereof resulting from the completion of the Agreement; (iv) the Directors have confirmed that the fees to be received by BETIT for the provision of the Additional Services to BTTE will be negotiated on arm's length basis and will be determined by reference to the then prevailing market prices; and (v) the carrying out of the transactions contemplated under the Technical Services Agreements would enhance BETIT's earning potential, we consider that the terms of the Technical Services Agreements are fair and reasonable and it is beneficial to and 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.

B. On-going nature of the Technical Services Agreements and basis of the relevant annual caps

Given that the On-going Connected Transactions arising from the Technical Services Agreements (including the Additional Services under the Technical Support Agreement) are expected to continue in the ordinary and usual course of business of BETIT on a recurring basis, the Directors consider that it would be impracticable and unduly onerous on the part of the Company to strictly comply with the disclosure and shareholders' approval requirements as stipulated in the Listing Rules when a connected transaction arises pursuant to the Technical Services Agreements. Accordingly, a waiver application (the "Waiver Application") was submitted by the Company to the Stock Exchange from strict compliance with the requirements in the Listing Rules in respect of the Technical Services Agreements. The Waiver Application is subject to, among other conditions, the aggregate service fees and the stand-alone charges (if any) to be received from BTTE under each of the Technical Support Agreement, the Management Consultation Agreement and the Market Development Consultation Agreement in any financial year shall not exceed 5% of the Enlarged Group's total turnover for the three financial years ending 31st December, 2003.

The relevant annual caps have been determined with reference to the estimated service fees to be received by BETIT and the estimated total turnover of the Enlarged Group. According to the Directors, the relevant annual caps were proposed after taking into account the following factors:

- the relevant Guaranteed Services Fees amounting to RMB15 million and RMB 30 million in aggregate for the five months ending 31st December, 2001 and for the year ending 31st December, 2002

- the BTTE's management's estimate of the turnover of BTTE and its subsidiaries for the three years ending 31st December, 2003; and

- the potential growth of turnover of BTTE and the Enlarged Group as a whole.

Upon Completion, the total turnover of the Enlarged Group will principally comprise two main sources of income: (i) the turnover derived from the Group's existing business of restaurant operations and property investments; and (ii) turnover generated from the operation of BETIT which is the principal wholly-owned subsidiary of Cyber Vantage. The Group recorded a total turnover of HK$168 million and HK$82 million for the year ended 31st December, 2000 and for the six months ended 30th June, 2001 respectively. According to the Directors, after the adjustments for the disposal of the woollen and worsted business by the Group as announced in January 2001, the Group would have recorded a total turnover of approximately HK$139 million and HK$72 million for the year ended 31st December, 2000 and for the six months ended 30th June, 2001 respectively. Management of BTTE has compiled a projection on the estimated turnover of BTTE and its subsidiaries for the three years ending 31st December, 2003. We have also discussed with the Directors on such estimated projections. Notwithstanding the above, the Directors have also confirmed that the On-going Connected Transactions would be conducted in the ordinary and usual course of business of the Group and on terms no less favourable to the Group than terms available to independent third parties.

After taking into account the following factors: (i) the aggregate amount of the relevant Guaranteed Service Fees; (ii) the expected increase in the total turnover of the Enlarged Group for the three years ending 31st December, 2003 after Completion; (iii) the potential growth of the Enlarged Group; (iv) a slight buffer as a cushion for any unexpected decrease in the turnover of the Enlarged Group; and (v) the On-going Connected Transactions contemplated under the Technical Services Agreements would be conducted in accordance with the terms of each of the Technical Services Agreements which were entered into between BTTE and BETIT prior to the date of the Agreement, we consider that an annual cap of 5% of the Enlarged Group's total turnover for the three financial years ending 31st December, 2003 in relation to the service fees and stand-alone charges to be received from BTTE under each of the Technical Services Agreements are fair and reasonable. We also concur with the Directors' view that the Waiver Application has the benefit of allowing the Company to execute future transactions pursuant to the Technical Services Agreements in a more efficient and cost effective manner so far as the Company and the Independent Shareholders are concerned.

C. Basis of the Waiver Application

As stated in the Letter from the Board, the Company had applied to the Stock Exchange for a waiver for a period of three years ending 31st December, 2003 from strict compliance with the disclosure and shareholder's approval requirements under Chapter 14 of the Listing Rules in respect of the on-going connected transactions contemplated under the Technical Services Agreements subject to the followings conditions:

1. the Independent Shareholders approve the On-going Connected Transactions at the EGM;

2. 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 caps (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%

3. 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;

4. 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 Independent Shareholders as a whole; and

5. 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 annual caps set out in paragraph (2) 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.

On such basis, we consider that the above Waiver Application's conditions serve to monitor the future transactions to be carried out under the Technical Services Agreements so that they will be conducted on fair and reasonable terms and in the interests of the Company and the Independent Shareholders as a whole will be properly safeguarded.

RECOMMENDATION

Having considered the principal factors and reasons discussed in this letter, we are of the view that 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 in the interests of the Company and the Independent Shareholders as a whole and that 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 so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions approving 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) to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Tai Fook Capital Limited
Willis Ting
Executive Director

Set out below is the text of the Accountants' report of Cyber Vantage Group Limited and its subsidiaries for the period from 20th July, 2000 (being the date of incorporation of Cyber Vantage Group Limited) to 30th June, 2001.

ERNST & YOUNG
安永會計師事務所

15th Floor
Hutchison House
10 Harcourt Road
Central
Hong Kong

10th October, 2001

The Directors
Beijing Development (Hong Kong) Limited

Dear Sirs,

We set out below our report on the financial information regarding Cyber Vantage Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the period from 20th July, 2000 to 30th June, 2001 (the "Relevant Period"), prepared on the basis set out in note 2 below, for inclusion in Appendix I of the circular of Beijing Development (Hong Kong) Limited dated 10th October, 2001.

The Company was incorporated with limited liability in the British Virgin Islands under the International Business Companies Act on 20th July, 2000. The Company has not carried on any business since the date of its incorporation save for the establishment/acquisition of the subsidiaries listed in note 8 below.

As at the date of this report, no audited financial statements have been prepared for any company within the Group since their respective dates of incorporation because there are no statutory audit requirements. We have, however, performed our own independent audit of all relevant transactions of these companies for the Relevant Period or from their respective dates of incorporation or from the dates of acquisition by the Company where this is a shorter period, and carried out such procedures as we considered necessary for inclusion of financial information relating to the Group in this report.

We have examined the management accounts of the Group for the Relevant Period or from the dates of their incorporation or from the dates of acquisition by the Company where this is a shorter period in accordance with the Auditing Guideline "Prospectuses and the reporting accountant" issued by the Hong Kong Society of Accountants.

The summaries of the consolidated results and cash flows of the Group for the Relevant Period and of the consolidated net assets of the Group as at 30th June, 2001 (the "Summaries") set out in this report have been prepared based on the management accounts of the Group, after making such adjustments as we consider appropriate and are presented on the basis set out in note 2 below.

In our opinion, the Summaries together with the notes thereon give, for the purpose of this report, a true and fair view of the consolidated results and cash flows of the Group (as defined in this report) for the Relevant Period and of the consolidated net assets of the Group (as defined in this report) as at 30th June, 2001.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the period from 20th July, 2000 (date of incorporation) to 30th June, 2001

	Notes	*HK$*
TURNOVER	*3*	2,643,087
Cost of sales		(1,479,538)
Gross profit		1,163,549
Other revenue		165,038
Selling expenses		(193,751)
Administrative and other operating expenses		(3,476,240)
LOSS FROM OPERATING ACTIVITIES	*4*	(2,341,404)
Tax	*5*	(24,101)
LOSS BEFORE MINORITY INTERESTS		(2,365,505)
Minority interests		(154,833)
NET LOSS FOR THE PERIOD AND ACCUMULATED LOSSES AT END OF PERIOD	*6*	(2,520,338)
Retained by:		
Company and subsidiaries		(2,520,338)

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the period from 20th July, 2000 (date of incorporation) to 30th June, 2001

	Note	*HK$*
Exchange differences on translation of the financial statements of foreign entities	*15*	(709,836)
Net losses not recognised in the profit and loss account		(709,836)
Net loss for the period		(2,520,338)
Total recognised gains and losses		(3,230,174)

CONSOLIDATED BALANCE SHEET

As at 30th June, 2001

	Notes	*HK$*
NON-CURRENT ASSETS		
Fixed assets	*7*	4,979,362
Interest in a jointly-controlled entity	*9*	467,290
		5,446,652
CURRENT ASSETS		
Inventories	*10*	1,275,720
Amounts due from customers for contract work	*11*	565,113
Trade receivables		558,205
Other receivables, prepayments and deposits		787,018
Cash and bank balances		39,287,270
Amounts due from related companies	*12*	15,457,892
		57,931,218
CURRENT LIABILITIES		
Trade payables		88,897
Other payables, accruals and receipts in advance		743,062
Amounts due to customers for contract work	*11*	314,870
Tax payable		24,101
Amount due to an intermediate holding company	*13*	786,944
Amounts due to related companies	*12*	2,212,669
		4,170,543
NET CURRENT ASSETS		53,760,675
TOTAL ASSETS LESS CURRENT LIABILITIES		59,207,327
Minority interests		979,222
		58,228,105
CAPITAL AND RESERVES		
Issued capital	*14*	779
Reserves	*15*	60,747,664
Accumulated losses		(2,520,338)
		58,228,105

CONSOLIDATED CASH FLOW STATEMENT

For the period from 20th July, 2000 (date of incorporation) to 30th June, 2001

	Notes	*HK$*
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	*16(a)*	(3,065,877)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received		165,034
Net cash inflow from returns on investments and servicing of finance		165,034
INVESTING ACTIVITIES		
Purchases of fixed assets		(4,315,669)
Capital contribution to a jointly-controlled entity		(467,290)
Acquisition of subsidiaries	*16(c)*	(750,825)
Increase in the net amount due from related companies		(13,026,546)
Net cash outflow from investing activities		(18,560,330)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		(21,461,173)
FINANCING ACTIVITIES	*16(b)*	
Issue of shares		61,458,279
Net cash inflow from financing activities		61,458,279
INCREASE IN CASH AND CASH EQUIVALENTS		39,997,106
Effect of foreign exchange rate changes, net		(709,836)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		39,287,270
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances		39,287,270

BALANCE SHEET

As at 30th June, 2001

	Notes	*HK$*
NON-CURRENT ASSETS		
Interests in subsidiaries	*8*	61,457,500
CURRENT ASSETS		
Other receivables, prepayments and deposits		779
Cash and bank balances		794,691
		795,470
CURRENT LIABILITIES		
Amount due to an intermediate holding company	*13*	786,944
NET CURRENT ASSETS		8,526
		61,466,026
CAPITAL AND RESERVES		
Issued capital	*14*	779
Reserves	*15*	61,457,500
Retained profits		7,747
		61,466,026

NOTES TO FINANCIAL STATEMENTS

As at 30th June, 2001

1. CORPORATE INFORMATION

The principal activities of the Group are the provision of information networking and system integration services.

In the opinion of the directors, the Company's ultimate holding company is Beijing Holdings Limited, which is incorporated in Hong Kong.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the period from 20th July, 2000 to 30th June, 2001. The results of subsidiaries acquired or disposed of during the period are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values, other than temporary in nature, deemed necessary by the directors.

Goodwill

Goodwill arising on consolidation of subsidiaries represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is amortised on a straight-line basis over its useful life. Where, in the opinion of the directors, there is an impairment in value of goodwill, the unamortised balance is written down to its estimated recoverable amount. On disposal of subsidiaries, the relevant portion of attributable goodwill remains unamortised is charged to the profit and loss account and included in the calculation of the gain or loss on disposal.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	20-50%
Furniture, fixtures and equipment	18%
Motor vehicles	18%

Inventories

Inventories are stated at the lower of cost, on the weighted average basis, and net realizable value after making due allowance for any obsolete or slow-moving items. Net realizable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprises direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and jointly-controlled entity are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged or credited to the profit and loss account on the straight-line basis over the lease terms.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) *Revenue from information networking and system integration contracts*

On the percentage of completion basis as further explained in the accounting policy for "Construction Contracts" above;

(b) *Trading of IT related products*

When the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(c) *Interest income*

On a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

3. TURNOVER

Turnover represents the revenue from information networking and system integration contracts and income derived from the trading of IT related products. Revenue from the following activities has been included in the Group's turnover:

	HKS
Information networking and system integration contracts	1,328,671
Trading of IT related products	1,314,416
	2,643,087

4. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	HK$
Depreciation	190,197
Rent of land and buildings under operating leases	359,812
Directors' remuneration	–
Auditors' remuneration	–
Staff costs	738,161
Provision for impairment in value of goodwill	852,343
Interest income	(165,034)

5. TAX

	HK$
Group:	
Hong Kong	–
Elsewhere	24,101
Tax charge for the period	24,101

Hong Kong profits tax has not been provided as no assessable profits were earned in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

There are no significant potential deferred tax liabilities for which provision has not been made.

6. NET LOSS FOR THE PERIOD

The net profit for the period dealt with in the financial statements of the Company is HK$7,747.

7. FIXED ASSETS

Group:	Leasehold improvements *HK$*	Furniture, fixtures and equipment *HK$*	Motor vehicles *HK$*	Total *HK$*
At cost:				
Additions during the period	–	4,315,669	–	4,315,669
Acquisition of subsidiaries	232,075	620,850	133,909	986,834
At 30th June, 2001	232,075	4,936,519	133,909	5,302,503
Accumulated depreciation:				
Provided during the period	23,566	159,936	6,695	190,197
Acquisition of subsidiaries	17,216	113,496	2,232	132,944
At 30th June, 2001	40,782	273,432	8,927	323,141
Net book value:				
At 30th June, 2001	191,293	4,663,087	124,982	4,979,362

8. INTERESTS IN SUBSIDIARIES

	Company *HK$*
Unlisted shares, at cost	61,457,500

Particulars of the subsidiaries are as follows:

Name	Place of registration and operations	Registered share capital	Percentage of equity attributable to the Company	Principal activities
Beijing Enterprises Teletron Information Technology Co. Ltd.*	People's Republic of China	RMB65,000,000	100	Provision of data management, telecommunications and IT technical support and consultation services
Beijing Teletron Intelligent System Co. Ltd.	People's Republic of China	RMB1,100,000	60	Provision of system integration services
Beijing Teletron System Integration Co. Ltd.	People's Republic of China	RMB1,000,000	51	Provision of networking services

* *Directly held by the Company*

9. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group
	HK$
Share of net assets	467,290

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of registration and operations	Percentage of Ownership Interest	Percentage of Voting Power	Percentage of Profit Sharing	Principal activity
Beijing Shixun Hutong Communication Technology Co. Ltd.	Corporate	People's Republic of China	50	50	50	Dormant

10. INVENTORIES

	Group
	HK$
Raw materials	1,275,720

There were no inventories carried at net realisable value at the balance sheet date.

11. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	Group
	HK$
Amounts due from customers for contract work	565,113
Amounts due to customers for contract work	(314,870)
	250,243
Contract costs incurred plus recognised profits less recognised losses to date	714,355
Less: Progress billings received and receivable	(464,112)
	250,243

12. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

The amounts due from/(to) related companies are unsecured, interest-free and have no fixed terms of repayment.

13. AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

The amount due to an intermediate holding company is unsecured, interest-free and has no fixed terms of repayment.

14. ISSUED CAPITAL

	Company HK$
Authorised:	
50,000 ordinary shares of US$1 each	389,500
Issued and fully paid:	
100 ordinary shares of US$1 each	779

On incorporation, the Company issued 100 ordinary shares of US$1 each at a total cash consideration of HK$61,458,279.

15. RESERVES

	Share premium account HK$	Exchange fluctuation reserve HK$	Total HK$
Group:			
Exchange realignments	–	(709,836)	(709,836)
Premium on new issue of shares	61,457,500	–	61,457,500
At 30th June, 2001	61,457,500	(709,836)	60,747,664
Reserves retained by:			
Company and subsidiaries	61,457,500	(709,836)	60,747,664
Jointly-controlled entity	–	–	–
	61,457,500	(709,836)	60,747,664

	Share premium account HK$	Exchange fluctuation reserve HK$	Total HK$
Company:			
Premium on new issue of shares	61,457,500	–	61,457,500

16. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss from operating activities to net cash outflow from operating activities

	HK$
Loss from operating activities	(2,341,404)
Interest income	(165,034)
Provision for impairment in value of goodwill	852,343
Depreciation	190,197
Increase in inventories	(906,113)
Decrease in amounts due from customers for contract work	322,461
Decrease in trade receivables	401,869
Decrease in other receivables, prepayments and deposits	770,105
Decrease in trade payables	(207,925)
Decrease in other payables, accruals and receipts in advance	(3,084,190)
Increase in amounts due to customers for contract work	314,870
Increase in amount due to an intermediate holding company	786,944
Net cash outflow from operating activities	(3,065,877)

(b) Analysis of changes in financing during the period

	Minority interests *HK$*	**Share capital (including share premium)** *HK$*
Cash inflow from financing activities	–	61,458,279
Share of profit for the period	154,833	–
Acquisition of subsidiaries	824,389	–
At 30th June, 2001	979,222	61,458,279

(c) Acquisition of subsidiaries

	HK$
Net assets acquired:	
Fixed assets	853,890
Cash and bank balances	1,118,334
Trade receivables	960,074
Inventories	369,607
Amounts due from customers for contract work	887,574
Other receivables, prepayments and deposits	1,557,123
Amounts due from related companies	1,071,823
Trade payables	(296,822)
Other payables, accruals and receipts in advance	(3,827,252)
Amounts due to related companies	(853,146)
Minority interests	(824,389)
	1,016,816
Goodwill on acquisition	852,343
	1,869,159
Satisfied by:	
Cash consideration	1,869,159

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	HK$
Cash consideration	(1,869,159)
Cash and bank balances acquired	1,118,334
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(750,825)

The subsidiaries acquired during the period paid HK$469,338 in respect of the Group's net operating cash flows, and contributed HK$149,596 and HK$474,117 to the Group's returns on investments and investing activities for the period, respectively.

They contributed HK$2,595,160 to the Group's turnover and utilised HK$108,715 in respect of the net profit for the period.

17. COMPARATIVE AMOUNTS

As this is the first set of financial statements of the Company, there are no comparative amounts.

18. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 30th June, 2001.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

I. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after Completion are set out as follows:

		HK$
Authorised:		
1,000,000,000	Shares as at the Latest Practicable Date	1,000,000,000
Issued and fully paid:		
303,758,750	Shares as at the Latest Practicable Date	303,758,750
142,500,000	Consideration Shares to be issued upon Completion	142,500,000
446,258,750		446,258,750

All of the Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital. No part of the share capital of the Company is listed or dealt in on any stock exchange other than the Stock Exchange.

Subject to Completion, the Consideration Shares to be issued to BEHL, Mr. Cao Wei, Mr. Tian Ye, Mr. Zhong Yuan, Mr. Wang Dongbin and Ms. Liu Xiling shall rank pari passu in all respects with the Shares in issue on the date of Completion, including ranking for payment of any dividend declared after the date of Completion.

Share option scheme

On 18th June, 2001, the Company approved a share option scheme (the "Scheme") under which the Directors may, at their absolute discretion, grant option to directors and employees of the Group to subscribe for Shares. The maximum number of shares in respect of which options may be granted may not exceed 10% of the share capital of the Company in issue from time to time. The Scheme will remain in force for a period of ten years from 18th June, 2001.

As at the Latest Practicable Date, 15,200,000 options have been granted under the Scheme.

II. SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below:

	2000	1999	1998	1997	1996
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Turnover	167,561	127,785	117,716	113,580	102,077
Loss before tax	(18,374)	(54,064)	(36,423)	(15,372)	(29,196)
Tax	(1,290)	(291)	(1,659)	(2,318)	(1,994)
Loss before minority interests	(19,664)	(54,355)	(38,082)	(17,690)	(31,190)
Minority interests	(3,120)	4,165	3,632	3,723	4,898
Net loss from ordinary activities	(22,784)	(50,190)	(34,450)	(13,967)	(26,292)
Extraordinary item	–	–	–	–	–
Net loss attributable to shareholders	(22,784)	(50,190)	(34,450)	(13,967)	(26,292)
Dividends	–	–	–	–	–
Loss per Share (cents)	(26.6)	(58.5)	(40.2)	(16.3)	(30.7)
Dividend per Share (cents)	–	–	–	–	–
ASSETS AND LIABILITIES					
Total assets	260,722	258,039	308,813	338,057	359,575
Total liabilities	(241,396)	(216,330)	(212,895)	(198,275)	(184,349)
Minority interests	4,905	6,091	1,823	(175)	(9,373)
Net assets	24,231	47,800	97,741	139,607	165,853

III. SUMMARY OF FINANCIAL RESULTS FOR THE TWO YEARS ENDED 31ST DECEMBER, 2000

The following financial information has been extracted from the audited consolidated profit and loss accounts of the Group for each of the two years ended 31st December, 1999 and 2000, the audited consolidated statement of recognised gains and losses of the Group for each of the two years ended 31st December, 1999 and 2000, the audited consolidated balance sheets of the Group as at 31st December, 1999 and 2000, the consolidated cash flow statements of the Group for each of the two years ended 31st December, 1999 and 2000 and the balance sheets of the Company as at 31st December, 1999 and 2000:

Consolidated profit and loss account
Year ended 31st December, 2000

	Notes	2000 HK$'000	1999 *HK$'000*
TURNOVER	*3*	167,561	127,785
Cost of sales		(92,721)	(74,764)
Gross profit		74,840	53,021
Other revenue		4,337	6,749
Selling and distribution costs		(57,316)	(41,947)
Administrative and other operating expenses		(14,799)	(17,133)
Amortisation and write off of goodwill		–	(10,328)
Revaluation surplus/(deficit) of investment properties		1,381	(14,830)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	*4*	8,443	(24,468)
Finance costs	*5*	(16,135)	(14,456)
Provision for diminution in value of a jointly-controlled entity		–	(3,180)
Share of profits less losses of associates		(3,768)	(726)
Share of profits less losses of jointly-controlled entities		(6,914)	(11,234)
LOSS BEFORE TAX		(18,374)	(54,064)
Tax	*8*	(1,290)	(291)
LOSS BEFORE MINORITY INTERESTS		(19,664)	(54,355)
Minority interests		(3,120)	4,165
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	*9*	(22,784)	(50,190)
Accumulated losses at beginning of year		(74,161)	(24,893)
		(96,945)	(75,083)
Transfer from asset revaluation reserve	*24*	922	922
ACCUMULATED LOSSES AT END OF YEAR		(96,023)	(74,161)
LOSS PER SHARE (CENTS) – BASIC	*10*	(26.6)	(58.5)
Retained by:			
Company and subsidiaries		(77,624)	(65,590)
Associates		1,455	4,369
Jointly-controlled entities		(19,854)	(12,940)
		(96,023)	(74,161)

Consolidated statement of recognised gains and losses
Year ended 31st December, 2000

	Note	2000 HK$'000	1999 *HK$'000*
Exchange differences on translation of the financial statements of foreign entities	*24*	(785)	249
Net gains/(losses) not recognised in the profit and loss account		(785)	249
Net loss for the year attributable to shareholders		(22,784)	(50,190)
Total recognised gains and losses		(23,569)	(49,941)

Consolidated balance sheet
As at 31st December, 2000

	Notes	2000 HK$'000	1999 HK$'000
NON-CURRENT ASSETS			
Fixed assets	*11*	71,146	73,045
Investment properties	*12*	48,250	46,909
Interests in associates	*14*	68,826	57,324
Interests in jointly-controlled entities	*15*	18,698	25,612
		206,920	202,890
CURRENT ASSETS			
Inventories	*16*	24,527	22,139
Properties held for sale	*17*	13,856	13,916
Trade receivables	*18*	2,795	4,124
Other receivables, prepayments and deposits		6,152	5,740
Cash and bank balances		6,472	9,230
		53,802	55,149
CURRENT LIABILITIES			
Trade payables	*19*	7,997	6,652
Other payables and accruals		22,582	18,749
Bank and other borrowings	*20*	73,710	63,575
Amount due to the immediate holding company	*21*	3,705	1,048
Amounts due to related companies	*21*	16,050	10,146
Amounts due to jointly-controlled entities	*21*	7,077	3,600
Tax payable		6,292	5,130
		137,413	108,900
NET CURRENT LIABILITIES		(83,611)	(53,751)
TOTAL ASSETS LESS CURRENT LIABILITIES		123,309	149,139

	Notes	2000 *HK$'000*	1999 *HK$'000*
NON-CURRENT LIABILITIES			
Bank and other borrowings	*20*	(103,983)	(107,430)
		19,326	41,709
Minority interests		4,905	6,091
		24,231	47,800
CAPITAL AND RESERVES			
Issued capital	*23*	85,759	85,759
Reserves	*24*	34,495	36,202
Accumulated losses		(96,023)	(74,161)
		24,231	47,800

Consolidated cash flow statement

Year ended 31st December, 2000

	Notes	2000 HK$'000	1999 HK$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	25(a)	18,038	8,974
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		102	93
Interest paid		(9,231)	(8,331)
Dividends paid to minority shareholders		(70)	(78)
Net cash outflow from returns on investments and servicing of finance		(9,199)	(8,316)
TAX			
Hong Kong profits tax refunded/(paid)		41	(61)
Overseas taxes paid		(1,023)	(325)
Taxes paid		(982)	(386)
INVESTING ACTIVITIES			
Purchases of fixed assets		(5,187)	(3,351)
Proceeds from disposal of investment properties		1,734	5,372
Decrease/(increase) in amounts due from associates		(11,179)	364
Net cash inflow/(outflow) from investing activities		(14,632)	2,385
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		(6,775)	2,657
FINANCING ACTIVITIES	25(b)		
New bank loans		12,991	–
Repayment of bank loans		(6,011)	(10,514)
New other borrowings		5,500	–
Repayment of other borrowings		(1,268)	(720)
Repayment to minority interests		(1,780)	–
Net cash inflow/(outflow) from financing activities		9,432	(11,234)

	2000	1999
	HK$'000	*HK$'000*
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,657	(8,577)
Cash and cash equivalents at beginning of year	(14,082)	(5,877)
Effect of foreign exchange rate changes, net	(891)	372
CASH AND CASH EQUIVALENTS AT END OF YEAR	(12,316)	(14,082)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	6,472	9,230
Bank overdrafts	(18,788)	(18,321)
Trust receipt loans repayable within three months from the date of the advance	–	(4,991)
	(12,316)	(14,082)

Balance sheet
As at 31st December, 2000

	Notes	2000 HK$'000	1999 HK$'000
NON-CURRENT ASSETS			
Fixed assets	*11*	38,606	39,356
Interests in subsidiaries	*13*	33,300	36,371
Interests in associates	*14*	54,560	51,249
Interests in jointly-controlled entities	*15*	18,700	29,651
		145,166	156,627
CURRENT ASSETS			
Inventories	*16*	4,509	8,977
Trade receivables	*18*	498	1,104
Other receivables, prepayments and deposits		391	336
Cash and bank balances		165	200
		5,563	10,617
CURRENT LIABILITIES			
Trade payables	*19*	1,036	239
Other payables and accruals		3,395	2,118
Bank and other borrowings	*20*	18,210	24,398
Amount due to the immediate holding company	*21*	3,604	1,048
Amount due to the related company	*21*	16,050	9,146
Amounts due to jointly-controlled entities	*21*	7,077	3,600
		49,372	40,549
NET CURRENT LIABILITIES		(43,809)	(29,932)
TOTAL ASSETS LESS CURRENT LIABILITIES		101,357	126,695
NON-CURRENT LIABILITIES			
Bank and other borrowings	*20*	(91,670)	(77,100)
		9,687	49,595
CAPITAL AND RESERVES			
Issued capital	*23*	85,759	85,759
Reserves	*24*	36,409	37,331
Accumulated losses		(112,481)	(73,495)
		9,687	49,595

NOTES TO FINANCIAL STATEMENTS
As at 31st December, 2000

1. CORPORATE INFORMATION

The principal activities of the Group are the trading of woollen and worsted products, property investment and holding, and restaurant operations.

In the opinion of the Directors, the ultimate holding company of the Company as at 31st December, 2000 was Beijing International Trust and Investment Corporation, which is registered in the People's Republic of China.

Subsequent to the year end date, as detailed in note 29(a), the ultimate holding company of the Company has changed to Beijing Holdings Limited, which is incorporated in Hong Kong.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the "Companies Ordinance). They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and certain fixed assets as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31st December, 2000. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the Directors, there have been permanent diminutions in values, when they are written down to values determined by the Directors.

Associates

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values, other than temporary in nature, deemed necessary by the directors.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are stated at cost less any provisions for diminutions in values, other than temporary in nature, deemed necessary by the Directors.

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values, other than temporary in nature, deemed necessary by the directors.

The results of jointly-controlled entities are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as long term investments and are stated at cost less any provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the Directors.

When the Group contributes or sells assets to a jointly-controlled entity and the assets are retained by the jointly-controlled entity, the Group recognises only that portion of the gain which is attributable to the interests of the other venturers and investors. The Group recognises the full amount of the loss when the contribution or sale provides evidence of a reduction in the net realisable value of current assets, or a decline, other than temporary, in the carrying amount of long term assets.

When the Group purchases assets from a jointly-controlled entity, the Group does not recognise its share of the profits of the jointly-controlled entity from the transaction until it resells the assets to an independent party. When a loss results from the transaction, the Group recognises the full amount of the loss when the contribution or sale provides evidence of a reduction in the net realisable value of current assets, or a decline, other than temporary, in the carrying amount of long term assets.

Goodwill

Goodwill arising on consolidation of subsidiaries represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is amortised on a straight-line basis over its useful life. Where, in the opinion of the Directors, there is a permanent diminution in value of goodwill, the unamortised balance is written down to its estimated recoverable amount. On disposal of subsidiaries, the relevant portion of attributable goodwill remains unamortised is charged to the profit and loss account and included in the calculation of the gain or loss on disposal.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

The transitional provisions set out in paragraph 72 of Statement of Standard Accounting Practice No. 17 "Property, plant and equipment" have been adopted for assets stated at valuation. As a result, those assets stated at revalued amounts, based on revaluations which were reflected in financial statements to periods ended before 30th September, 1995, have not been revalued to fair value by class at the balance sheet date. It is the Directors' intention not to revalue these assets in the future. The asset revaluation reserve is transferred directly to retained earnings when the reserve is realised completely, on the disposal or retirement of the asset, or partially as the asset is used by the Group.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	4%
Leasehold improvements	Over the lease terms or 10 years, whichever is shorter
Furniture, fixtures and equipment	10% – 18%
Motor vehicles	18% – 20%

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, all development expenditure and other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged or credited to the profit and loss account on the straight-line basis over the lease terms.

Pension scheme

Certain companies within the Group have participated in the compulsory pension schemes operated by the respective governments of the places in which they operate for their staff. These companies are required to contribute a certain percentage of their covered payroll to the schemes to fund the benefits. The only obligation of the Group with respect to the schemes is to pay the ongoing required contributions under the schemes. Contributions under the schemes are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) receipts from restaurant operations, upon the delivery of food and beverages to customers;

(d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(e) from the sale of properties, when the legally binding unconditional sales contracts are signed and exchanged.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

3. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts; proceeds from the sale of properties held for sale; gross rental income; and receipts from restaurant operations. Revenue from the following activities has been included in turnover:

	Group	
	2000	1999
	HK$'000	*HK$'000*
Sales of woollen and worsted products	28,369	23,022
Sales of properties held for sale	400	350
Sales of dried seafood	2,267	1,842
Receipts from restaurant operations	129,138	94,843
Rental income	7,387	7,728
Turnover	167,561	127,785

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging:

	Group	
	2000	1999
	HK$'000	*HK$'000*
Cost of inventories sold	88,822	69,578
Cost of properties held for sale	60	100
Depreciation	6,278	6,154
Amortisation of deferred pre-operating expenses	–	889
Rent of land and buildings under operating leases	9,149	6,856
Foreign exchange losses, net	1,053	767
Loss on disposal of fixed assets	129	103
Auditors' remuneration	770	783
Staff costs (including directors' remuneration – *note 6*):		
Wages and salaries	28,663	22,953
Pension contributions	997	482
	29,660	23,435

and after crediting:

Gross rental income	7,387	7,728
Less: outgoings	(2,517)	(2,900)
Net rental income	4,870	4,828
Interest income	3,317	3,048
Gain on disposal of investment properties	1,015	3,309
Reversal of write-down of inventories included in the cost of inventories sold	469	–

5. FINANCE COSTS

	Group	
	2000	1999
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts, and other borrowings wholly repayable within five years	16,135	14,456

6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Companies Ordinance is as follows:

	Group	
	2000	1999
	HK$'000	*HK$'000*
Fees	–	–
Salaries, allowances and benefits in kind	2,184	2,184
Performance related bonuses	273	273
	2,457	2,457

There were no emoluments payable to the independent non-executive Directors during the year (1999: Nil).

The remuneration of the Directors fell within the following band:

	Number of directors	
	2000	1999
Nil to HK$1,000,000	5	5

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (1999: two) directors, details of whose remuneration are set out in note 6 above. The details of the remuneration of the remaining three (1999: three) non-director, highest paid employees are as follows:

	Group	
	2000	1999
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	2,080	2,070
Performance related bonuses	472	284
	2,552	2,354

The remuneration of the non-director, highest paid employees fell within the following band:

	Number of employees	
	2000	1999
Nil to HK$1,000,000	3	3

8. TAX

	Group	
	2000	1999
	HK$'000	*HK$'000*
Group:		
Hong Kong	118	36
Elsewhere	2,026	599
Prior year's overprovision	–	(133)
Share of tax attributable to associates	(854)	(211)
Tax charge for the year	1,290	291

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

9. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK$39,908,000 (1999: HK$49,934,000).

10. LOSS PER SHARE

The calculation of basic loss per Share is based on the net loss from ordinary activities attributable to Shareholders for the year of HK$22,784,000 (1999: HK$50,190,000) and the 85,758,750 (1999: 85,758,750) Shares of the Company in issue during the year.

The diluted loss per Share for the years ended 31st December, 2000 and 1999 has not been calculated as no diluting events existed during these years.

11. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:					
At beginning of year	64,795	34,281	8,575	3,032	110,683
Additions	–	2,394	1,953	840	5,187
Disposals	–	(305)	(419)	–	(724)
Transfer to investment properties	(924)	–	–	–	(924)
At 31st December, 2000	63,871	36,370	10,109	3,872	114,222
At cost	20,371	36,370	10,109	3,872	70,722
At valuation	43,500	–	–	–	43,500
	63,871	36,370	10,109	3,872	114,222
Accumulated depreciation:					
At beginning of year	6,457	22,547	6,325	2,309	37,638
Provided during the year	1,453	3,395	947	483	6,278
Disposals	–	(305)	(290)	–	(595)
Transfer to investment properties	(245)	–	–	–	(245)
At 31st December, 2000	7,665	25,637	6,982	2,792	43,076
Net book value:					
At 31st December, 2000	56,206	10,733	3,127	1,080	71,146
At 31st December, 1999	58,338	11,734	2,250	723	73,045

Company

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:					
At beginning of year	43,500	366	680	1,709	46,255
Additions	–	466	39	–	505
Disposals	–	(305)	(397)	–	(702)
At 31st December, 2000	43,500	527	322	1,709	46,058
At cost	–	527	322	1,709	2,558
At valuation	43,500	–	–	–	43,500
	43,500	527	322	1,709	46,058
Accumulated depreciation:					
At beginning of year	4,445	366	379	1,709	6,899
Provided during the year	1,026	31	71	–	1,128
Disposals	–	(305)	(270)	–	(575)
At 31st December, 2000	5,471	92	180	1,709	7,452
Net book value:					
At 31st December, 2000	38,029	435	142	–	38,606
At 31st December, 1999	39,055	–	301	–	39,356

An analysis of the leasehold land and buildings, which are held under medium term leases, at the balance sheet date is as follows:

	Group		**Company**	
	2000	1999	2000	1999
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Situated in Hong Kong:				
At 1994 valuation	43,500	43,500	43,500	43,500
At cost	1,389	2,313	–	–
Situated in Singapore:				
At cost	18,982	18,982	–	–
	63,871	64,795	43,500	43,500

A revaluation of certain of the leasehold land and buildings situated in Hong Kong was carried out by Richard Ellis Limited, an independent professional valuer, on an open market value, existing use basis as at 31st December, 1994. Had the land and buildings not been revalued, their net book value would have been as follows:

	Group and Company	
	2000	1999
	HK$'000	*HK$'000*
Cost	4,339	4,339
Accumulated depreciation	(860)	(756)
Net book value at 31st December	3,479	3,583

12. INVESTMENT PROPERTIES

	Group	
	2000	1999
	HK$'000	*HK$'000*
At beginning of year	46,909	60,575
Transfer from fixed assets	679	3,227
Disposals	(719)	(2,063)
Revaluation surplus/(deficit)	1,381	(14,830)
At 31st December, at valuation	48,250	46,909

An analysis of the investment properties at the balance sheet date is as follows:

	Group	
	2000	1999
	HK$'000	*HK$'000*
Situated in the People's Republic of China:		
Hong Kong	11,050	12,490
Elsewhere	37,200	34,419
	48,250	46,909

At 31st December, 2000, the investment properties were revalued on an open market value, existing use basis, by CB Richard Ellis Limited, an independent professional valuer.

Details of the investment properties, which are held under medium term leases, are as follows:

Location	Use
Part of the second floor and the whole of the third floor, A No. 1 Jian Guo Men Wai Avenue, Chao Yang District, Beijing, the People's Republic of China	Office building
Units 1103, 1701, 1704, 1803, 1903 and 1905, Hong Kong Worsted Mills Industrial Building, 31-39 Wo Tong Tsui Street, Kwai Chung, New Territories, Hong Kong	Industrial

13. INTERESTS IN SUBSIDIARIES

	Company	
	2000	1999
	HK$'000	*HK$'000*
Unlisted shares, at cost	3,947	3,947
Amounts due from subsidiaries	103,284	93,627
	107,231	97,574
Provisions for diminutions in values	(3,836)	(3,836)
Provision against amounts due from subsidiaries	(70,095)	(57,367)
	33,300	36,371

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2000	1999	Principal activities
Ah Yat Abalone Forum Restaurant Holdings Pte Ltd*	Singapore	S$250,000	45.9 @	45.9 @	Restaurant operations
Beijing Ah Yat Abalone Restaurant Co., Ltd.*	The People's Republic of China	US$1,400,000	48.5 @	48.5 @	Restaurant operations
Beijing Development Properties (Hong Kong) Limited	Hong Kong	HK$100,000	100	100	Property investment
Beijing Development Property Investment and Management Co., Ltd.*	The People's Republic of China	US$4,000,000	85.5	85.5	Property investment
Beijing Singapore Investments Pte Ltd	Singapore	S$800,000	90	90	Property and investment holding
H.K. Forewell Investments Limited	Hong Kong	HK$10,000	51	51	Investment holding and trading of dried seafood
Hong Kong Fortune International Limited	#Hong Kong	HK$10,000	51	51	Restaurant operations
Lord King Investment Limited*	#Hong Kong	HK$1,000,000	51	51	Restaurant operations
Sino Textile Enterprises Limited	Hong Kong	HK$100	70	70	Garment trading

@ – *These entities are subsidiaries of non-wholly owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of control over the entities.*

– *These subsidiaries are incorporated in Hong Kong and operate elsewhere within the People's Republic of China.*

* – *Indirectly held by the Company.*

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

14. INTERESTS IN ASSOCIATES

	Group		Company	
	2000	1999	2000	1999
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	–	–	–*	–*
Share of net assets	3,033	5,925	–	–
Amounts due from associates	31,008	16,614	19,775	16,464
Loan to an associate	34,785	34,785	34,785	34,785
	68,826	57,324	54,560	51,249

The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment.

The loan to an associate is unsecured, bears interest at Hong Kong prime rate per annum and has no fixed terms of repayment.

* – *The costs of unlisted shares held by the Company at 31st December, 2000 and 1999 amounted to HK$50.*

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group 2000	1999	Principal activities
Linkcross Investments Limited	Corporate	Hong Kong	50	50	Investment holding
Overseas Union Investments Limited	Corporate	Hong Kong	50 *	50 *	Investment holding

* – *Indirectly held by the Company.*

15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2000	1999	2000	1999
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	–	–	45,449	45,449
Share of net assets	18,698	28,792	–	–
Provisions for diminutions in values	–	(3,180)	(26,749)	(15,798)
	18,698	25,612	18,700	29,651

Details of the principal jointly-controlled entity are as follows:

Name	Business structure	Place of registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Beijing Jin Yang Worsted Co., Ltd.	Corporate	The People's Republic of China	50	50	50	Manufacture of worsted products

The above table lists the jointly-controlled entity of the Group which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other jointly-controlled entities would, in the opinion of the Directors, result in particulars of excessive length.

16. INVENTORIES

	Group 2000 HK$'000	Group 1999 HK$'000	Company 2000 HK$'000	Company 1999 HK$'000
Raw materials	19,789	12,933	–	–
Finished goods	4,738	9,206	4,509	8,977
	24,527	22,139	4,509	8,977

The carrying amount of inventories carried at net realisable value included in the above is HK$4,509,000 (1999: HK$8,977,000).

17. PROPERTIES HELD FOR SALE

The details of the Group's properties held for sale are as follows:

Location	Group interest	Existing use	Gross floor area
Units 101-103, 107, 1303, 1501, 1503, 2001, 2101 and 2103-2104; private carparks nos. 4, 6, 8, 10-13, 16, 19-21, 24 and 28 on the upper ground floor; lorry carparks nos.1-8, 12-14, 16-25, 27, 29 and container space no. 30 on the ground floor, roof and external wall, Hong Kong Worsted Mills Industrial Building, 31-39 Wo Tong Tsui Street, Kwai Chung, New Territories, Hong Kong	100%	Factory and carpark rental	49,890 sq. ft. (excluding roof and carparks)

18. TRADE RECEIVABLES

	Group 2000 HK$'000	Group 1999 HK$'000	Company 2000 HK$'000	Company 1999 HK$'000
Amounts due within:				
3 months	2,613	3,400	486	992
4 – 6 months	12	553	12	111
7 – 12 months	–	1	–	1
Over one year	170	170	–	–
	2,795	4,124	498	1,104

The Group generally allows an average credit period of 30 to 90 days to its trade debtors.

19. TRADE PAYABLES

	Group		Company	
	2000	1999	2000	1999
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts outstanding for:				
3 months or less	7,149	6,526	658	239
4 – 6 months	378	–	378	–
Over one year	470	126	–	–
	7,997	6,652	1,036	239

20. BANK AND OTHER BORROWINGS

	Group		Company	
	2000	1999	2000	1999
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans:				
Secured	48,207	41,227	20,145	12,608
Unsecured	23,190	23,190	–	–
Other borrowings, unsecured	87,508	83,276	75,500	70,000
Bank overdrafts, secured	18,788	18,321	14,235	13,899
Trust receipt loans, secured	–	4,991	–	4,991
	177,693	171,005	109,880	101,498
Less: Portion classified as current liabilities	(73,710)	(63,575)	(18,210)	(24,398)
Long term portion	103,983	107,430	91,670	77,100
Bank loans repayable:				
Within one year or on demand	69,700	60,296	18,210	24,398
In the second year	4,962	22,056	4,405	6,039
In the third to fifth years, inclusive	13,435	2,732	11,765	1,061
Beyond five years	2,088	2,645	–	–
	90,185	87,729	34,380	31,498
Other borrowings repayable:				
Within one year	4,010	3,279	–	–
In the second year	77,499	71,999	75,500	70,000
In the third to fifth years, inclusive	5,999	5,999	–	–
Beyond five years	–	1,999	–	–
	87,508	83,276	75,500	70,000
	177,693	171,005	109,880	101,498

(a) Certain of the Group's bank borrowings are secured by:

(i) Mortgages over the Group's investment properties which had an aggregate carrying value at the balance sheet date of approximately HK$48,250,000 (1999: HK$46,909,000).

(ii) Mortgages over certain of the Group's land and buildings which had an aggregate net book value at the balance sheet date of approximately HK$56,207,000 (1999: HK$19,283,000).

(iii) Mortgages over certain of the Group's properties held for sale which had an aggregate carrying value at the balance sheet date of approximately HK$12,655,000 (1999: HK$12,715,000).

(b) Part of the Group's and all of the Company's other borrowings of HK$75,500,000 (1999: HK$70,000,000), which are due to an affiliated company of the Company's ultimate shareholder, bear interest at the Hong Kong prime rate per annum and are repayable by May 2002.

(c) The remainder of the Group's other borrowings of HK$12,008,000 (1999: HK$13,276,000) represent the amounts payable for the acquisition of a subsidiary in 1995. The amounts are interest-free and repayable by annual instalments up to the year 2005.

21. AMOUNTS DUE TO THE IMMEDIATE HOLDING COMPANY/RELATED COMPANIES/JOINTLY-CONTROLLED ENTITIES

The amounts due to the immediate holding company, related companies and jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

22. DEFERRED TAX

The amount of the deferred tax asset not recognised in the financial statements is set out below:

	Group		**Company**	
	2000	1999	2000	1999
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tax losses	11,757	9,826	10,583	9,239

The revaluation of the Group's leasehold land and buildings in Hong Kong does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

There are no significant potential deferred tax liabilities for which provision has not been made.

23. SHARE CAPITAL

	Company	
	2000	1999
	HK$'000	*HK$'000*
Authorised:		
160,000,000 ordinary Shares of HK$1 each	160,000	160,000
Issued and fully paid:		
85,758,750 ordinary Shares of HK$1 each	85,759	85,759

24. RESERVES

Group

	Asset revaluation reserve *HK$'000*	**Exchange fluctuation reserve** *HK$'000*	**Total** *HK$'000*
At 1st January, 1999	38,253	(1,378)	36,875
Exchange realignments	–	249	249
Transfer to accumulated losses	(922)	–	(922)
At 31st December, 1999 and beginning of year	37,331	(1,129)	36,202
Exchange realignments	–	(785)	(785)
Transfer to accumulated losses	(922)	–	(922)
At 31st December, 2000	36,409	(1,914)	34,495
Reserves retained by:			
Company and subsidiaries	36,409	(3,485)	32,924
Associates	–	1,571	1,571
31st December, 2000	36,409	(1,914)	34,495
Company and subsidiaries	37,331	(2,678)	34,653
Associates	–	1,549	1,549
31st December, 1999	37,331	(1,129)	36,202

Company

	Asset revaluation reserve *HK$'000*	**Exchange fluctuation reserve** *HK$'000*	**Total** *HK$'000*
At 1st January, 1999	38,253	–	38,253
Transfer to accumulated losses	(922)	–	(922)
At 31st December, 1999 and beginning of year	37,331	–	37,331
Transfer to accumulated losses	(922)	–	(922)
At 31st December, 2000	36,409	–	36,409

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) from operating activities to net cash inflow from operating activities:

	2000 *HK$'000*	1999 *HK$'000*
Profit/(loss) from operating activities	8,443	(24,468)
Interest income	(3,317)	(3,048)
Depreciation	6,278	6,154
Amortisation and write off of goodwill	–	10,328
Revaluation deficit/(surplus) of investment properties	(1,381)	14,830
Amortisation of deferred pre-operating expenses	–	889
Loss on disposal of fixed assets	129	103
Gain on disposal of investment properties	(1,015)	(3,309)
Decrease/(increase) in trade receivables	1,329	(1,724)
Decrease/(increase) in inventories	(2,388)	702
Decrease/(increase) in other receivables, prepayments and deposits	(412)	1,230
Decrease in properties held for sale	60	100
Decrease in an amount due from a jointly-controlled entity	–	1,342
Increase in trade payables	1,345	3,321
Increase/(decrease) in other payables and accruals	3,833	(1,661)
Increase in an amount due to the immediate holding company	2,657	328
Increase/(decrease) in amounts due to related companies	(1,000)	1,000
Increase in amounts due to the jointly-controlled entities	3,477	2,857
Net cash inflow from operating activities	18,038	8,974

(b) Analysis of changes in financing during the year:

	Bank and other borrowings *HK$'000*	**Minority interests** *HK$'000*
Balance at 1st January, 1999	158,927	(1,823)
Cash outflow from financing activities, net	(11,234)	–
Dividends	–	(78)
Share of losses	–	(4,165)
Share of exchange fluctuation reserve	–	(25)
Balance at 31st December, 1999 and beginning of year	147,693	(6,091)
Cash inflow/(outflow) from financing activities, net	11,212	(1,780)
Dividends	–	(70)
Share of profits	–	3,120
Share of exchange fluctuation reserve	–	(84)
Balance at 31st December, 2000	158,905	(4,905)

26. COMMITMENTS

At 31st December, 2000, the Group and the Company had commitments under non-cancellable operating leases to make payments in the following year in respect of land and buildings as follows:

	Group		Company	
	2000	1999	2000	1999
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Leases expiring:				
Within one year	353	311	254	–
In the second to fifth years, inclusive	5,921	4,976	–	923
After five years	1,080	–	–	–
	7,354	5,287	254	923
Leases expiring after five years:				
Share of a jointly-controlled entity	1,116	1,110	1,116	1,110
	8,470	6,397	1,370	2,033

27. CONTINGENT LIABILITIES

At the balance sheet date, the contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2000	1999
	HK$'000	*HK$'000*
Guarantees given to banks in connection with facilities granted to a subsidiary	55,892	56,449

At 31st December, 2000, the guarantees given to banks in connection with facilities granted to a subsidiary by the Company were utilised to the extent of approximately HK$55,805,000 (1999: HK$56,231,000).

28. RELATED PARTY TRANSACTIONS

(a) The Group and the Company had the following material transactions with related parties during the year:

		Group		Company	
		2000	1999	2000	1999
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Sales of raw materials to a company in which certain directors of the Company have beneficial interests	*(i)*	2,223	1,842	–	–
Purchases of finished goods from jointly-controlled entities	*(i)*	14,710	14,510	14,710	14,510
Sales of raw materials to a jointly-controlled entity	*(i)*	–	1,550	–	1,550
Interest expense on loans from an affiliated company of the Company's ultimate shareholder	*(ii)*	6,904	5,946	6,904	5,946
Interest income from an associate	*(iii)*	3,215	2,955	3,215	2,955

Notes:

(i) The sales of raw materials to, and the purchases of finished goods from related parties were priced at the estimated purchased or manufactured costs of goods sold.

(ii) The interest expenses on loans from related parties were charged at Hong Kong prime rate per annum. Further details of the outstanding loans at 31st December, 2000 are disclosed in note 20.

(iii) The interest income from an associate relating to a loan granted, further details of which are disclosed in note 14.

(b) Details of the amounts due to the immediate holding company, related companies and jointly-controlled entities are included in note 21.

29. POST BALANCE SHEET EVENTS

(a) Subsequent to the balance sheet date on 18th January, 2001, the Company entered into three subscription agreements and a placing agreement (collectively the "Subscription Agreements") to issue a total of 218,000,000 new shares of the Company at an issue price of HK$1 per share for an aggregate cash consideration of HK$218 million. Upon the completion of the Subscription Agreements on 29th March, 2001, the issued share capital of the Company increased from 85,758,750 shares to 303,758,750 shares. Beijing Enterprises Holdings Limited, a company incorporated and listed in Hong Kong, is indirectly interested in 168,000,000 shares of the Company, representing 55.31% of the enlarged issued share capital, and became the indirect controlling shareholder of the Company.

(b) On 18th January, 2001, the Company entered into an agreement (the "HK Disposal Agreement") with Guang Ming Group (Hong Kong) Limited ("GMG") and Illumination Holdings Limited ("IHL") to dispose of the Company's entire 70% interest in Sino Textile Enterprises Limited ("Sino Textile"), the shareholder's loan of approximately HK$1.5 million which is due from Sino Textile to the Company and all the woollen and worsted products owned by the Company for an aggregate cash consideration of approximately HK$6 million. The HK Disposal Agreement was completed on 29th March, 2001 and a gain on disposal of approximately HK$1 million resulted.

(c) On 18th January, 2001, the Company also entered into an agreement (the "JV Disposal Agreement") with GMG and IHL to dispose of the Company's entire 50% interest in Beijing Jin Yang Worsted Co., Ltd. for a cash consideration of approximately HK$19 million. The JV Disposal Agreement is expected to be completed before the end of June 2001 and it is expected that the transaction will not give rise to any significant gain or loss.

Further details of the above transactions are set out in the Company's circular dated 23rd February, 2001.

After the completion of both the HK Disposal Agreement and the JV Disposal Agreement, the Group will discontinue the trading and manufacturing businesses of woollen and worsted products. The turnover and net loss from ordinary activities of the Group attributable to such businesses amounted to HK$28,369,000 (1999: HK$23,022,000) and HK$10,296,000 (1999: HK$20,073,000) for the year ended 31st December, 2000.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 19th April, 2001.

IV. EXTRACT OF UNAUDITED INTERIM REPORT

The following is the unaudited condensed consolidated income statement of the Group for the six months ended 30th June, 2001 with comparative figures for the previous corresponding period as follows:

		6 months ended 30th June,	
		2001	**2000**
		(Unaudited)	**(Unaudited)**
	Notes	*HK$'000*	*HK$'000*
TURNOVER	*1*	81,601	90,391
Cost of sales		(40,963)	(52,071)
Gross profit		40,638	38,320
Other revenue	*2*	2,743	1,576
Selling and distribution costs		(31,754)	(27,540)
Administrative and other operating expenses		(15,492)	(8,411)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	*3*	(3,865)	3,945
Finance costs	*4*	(5,344)	(7,615)
Share of losses of associates		(816)	(1,215)
Share of losses of a jointly-controlled entity		(1,585)	(3,417)
Profit on disposal of a subsidiary	*5*	911	–
Profit on disposal of a jointly-controlled entity	*5*	2,506	–
LOSS BEFORE TAX		(8,193)	(8,302)
Tax	*6*	(688)	(1,114)
LOSS BEFORE MINORITY INTERESTS		(8,881)	(9,416)
Minority interests		(945)	(2,104)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(9,826)	(11,520)
LOSS PER SHARE (cents) – BASIC	*7*	(5.0)	(13.4)

NOTES TO EXTRACT OF UNAUDITED INTERIM REPORT

1. Segment information

The Group is principally engaged in the restaurant operations, property investment, and trading of woollen and worsted products. As part of the restructuring of the Group's capital and business activities to reallocate its resources more effectively, the Group disposed of its operation in the trading of woollen and worsted products at the end of March 2001.

An analysis of the Group's segment revenue and segment results by principal activity and geographical area of operations are summarised as follows:

	Segment revenue 6 months ended 30th June		Segment results 6 months ended 30th June	
	2001 (Unaudited) *HK$'000*	**2000 (Unaudited)** *HK$'000*	**2001 (Unaudited)** *HK$'000*	**2000 (Unaudited)** *HK$'000*
By principal activity:				
Restaurant operations	66,136	65,448	4,680	8,304
Property investment	5,830	2,839	5,505	1,795
Trading of woollen and worsted products	9,635	22,104	532	683
	81,601	90,391	10,717	10,782
Interest income			910	1,574
Unallocated administrative expenses			(15,492)	(8,411)
			(3,865)	3,945
By geographical area:				
The People's Republic of China				
Hong Kong	16,053	25,525	6,822	3,482
Elsewhere	22,171	22,675	1,967	1,977
Elsewhere in South East Asia	43,377	42,191	1,928	5,323
	81,601	90,391	10,717	10,782
Interest income			910	1,574
Unallocated administrative expenses			(15,492)	(8,411)
			(3,865)	3,945

2. Other revenue

	6 months ended 30th June	
	2001 (Unaudited) *HK$'000*	**2000 (Unaudited)** *HK$'000*
Interest income	910	1,574
Gain on disposal of fixed assets	1,777	–
Sundry income	56	2
	2,743	1,576

3. Profit/(loss) from operating activities

The Group's profit/(loss) from operating activities is arrived at after charging:

	6 months ended 30th June	
	2001	**2000**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Cost of inventories sold	39,728	51,771
Cost of properties held for sale	968	–
Depreciation	3,196	2,773
Rent of land and buildings under operating leases	4,516	4,359
Foreign exchange losses, net	1,379	928
and after crediting:		
Net rental income	2,619	1,795
Gain on disposal of fixed assets		
Leasehold land and buildings	1,664	–
Other fixed assets	113	–

4. Finance costs

	6 months ended 30th June	
	2001	**2000**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Interest expenses on bank loans, overdrafts, and other borrowings wholly repayable within five years	5,344	7,615

5. Discontinued operation

At the end of March 2001,

(a) the Company's inventories of woollen and worsted products of HK$4,662,000 were disposed to an affiliated company at net book value;

(b) the Company's entire 70% interest in a subsidiary, Sino Textile Enterprises Limited, and the shareholder's loan of HK$1,518,000 have been disposed to an affiliated company for a cash consideration of HK$1,518,000, resulting in a gain on disposal of HK$911,000; and

(c) the Company's entire 50% interest in a jointly-controlled entity in the PRC, Beijing Jin Yang Worsted Co., Ltd., has been disposed to an affiliated company for a cash consideration of HK$19,619,000, resulting in a gain on disposal of HK$2,506,000.

The gains on disposal are the differences between the sales proceeds and the net carrying amounts of the Group's share of assets and liabilities disposed.

The results of the trading of woollen and worsted products had been reported in the People's Republic of China segment.

6. Tax

	6 months ended 30th June	
	2001	**2000**
	(Unaudited)	**(Unaudited)**
	HK$'000	*HK$'000*
Group:		
Hong Kong	69	79
Elsewhere	877	1,600
Prior year's overprovision	–	(168)
Share of tax attributable to associates	(258)	(397)
Tax charge for the period	688	1,114

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. Loss per share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK$9,826,000 (2000: HK$11,520,000) and the weighted average number of 194,758,750 (2000: 85,758,750) shares of the Company in issue during the period.

Diluted loss per share for the six months ended 30th June, 2001 has not been shown because the exercise of the outstanding share options of the Company had an anti-dilutive effect on the basic loss per share. Diluted loss per share for the six months ended 30th June, 2000 has not been calculated as no diluting events existed during that period.

VI. PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

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
	HK$'000	*HK$'000*	*HK$'000*
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.

VII. PRO FORMA STATEMENT OF UNAUDITED ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

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:

	HK$'000
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

VIII. STATEMENT OF INDEBTEDNESS

As at the close of business on 31st August, 2001, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had aggregate outstanding borrowings of approximately HK$51.8 million, comprising secured bank loans and overdrafts of approximately HK$18.8 million; an unsecured bank loan of approximately HK$23.4 million; and the amounts payable by annual instalments for the acquisition of a subsidiary in 1995 of approximately HK$9.6 million.

The secured bank borrowings were secured by certain of the Group's leasehold land and buildings, investment properties, properties held for sales and corporate guarantees given by the Company.

The Directors are not aware of any material change in the indebtedness and contingent liabilities of the Enlarged Group since 1st September, 2001.

Save as aforesaid and apart from intra-group liabilities, no companies within the Enlarged Group had outstanding at the close of business on 31st August, 2001 any mortgages, charges or debentures, loan capital, bank overdrafts, loans or other similar indebtedness or any hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities.

IX. WORKING CAPITAL

The Directors are of the opinion that, based on the expected cash flows, and taking into consideration the Transaction, and assuming that the bank facilities of the Enlarged Group will not be withdrawn, the Enlarged Group will have sufficient working capital for its present requirements in the absence of unforeseen circumstances.

X. MATERIAL CHANGE

The Directors are not aware of any material change in the financial or trading position or prospects of the Group since 31st December, 2000, being the date of the latest published audited accounts of the Group.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors

Directors' interests in Shares

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company's subsidiaries, as recorded in the register maintained by the Company pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

(i) Sunbird Holdings Limited ("Sunbird") beneficially owns 2,400 ordinary shares of HK$1 each in the share capital of H.K. Forewell Investments Limited, representing 24% of its issued share capital.

(ii) Sunbird beneficially owns 2,400 ordinary shares of HK$1 each in the share capital of Hong Kong Fortune International Limited, representing 24% of its issued share capital.

(iii) Sunbird beneficially owns 6,000 ordinary shares of S$1 each in the share capital of Ah Yat Abalone Forum Restaurant Holdings Pte Ltd, representing 24% of its issued share capital.

Mr. Ng Kong Fat, Brian, a Director, has beneficial equity interests in Sunbird.

In addition to the above, a Director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Directors' rights to acquire Shares

As at the Latest Practicable Date, the interests of the Directors in options to subscribe for Shares under the share option scheme of the Company were as follows:

Name of director	Number of options held
Mr. Xiong Da Xin	2,800,000
Mr. Bai Jin Rong	2,600,000
Dr. Mao Xiang Dong, Peter	1,600,000
Mr. E Meng	1,600,000
Mr. Ng Kong Fat, Brian	2,300,000

These options were granted on 19th June, 2001 at an exercise price of HK$1.13 per Share. The consideration paid by each of the above Directors for the options granted was HK$1. The options can be exercised in 3 equal portions. The first portion is exercisable at any time commencing on 1st January, 2002, and the second and third portions become exercisable on 1st January in each of the following years respectively. All of the options, if not otherwise exercised, will lapse on 26th June, 2006.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had interests in any equity or debt securities of the Company or any associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which he was taken or deemed to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance) or which were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders

As at the Latest Practicable Date, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Number of shares held		Interest %
Idata Finance Trading Limited ("IFTL")	168,000,000	*(Note 1)*	55.31
Beijing Enterprises Holdings Limited ("BEHL")	168,000,000	*(Note 1)*	55.31
Beijing Holdings Limited ("BHL")	168,000,000	*(Note 1)*	55.31
Illumination Holdings Limited ("IHL")	58,618,368	*(Note 2)*	19.30

Notes:

1. IFTL is a direct wholly-owned subsidiary of BEHL. BEHL is beneficially held as to 63.23% by BHL. Accordingly, BEHL and BHL are deemed to be interested in the Shares owned by IFTL.

2. IHL is directly owned as to 70% by Beijing International Trust and Investment Corporation ("BITIC"). BITIC was founded in 1984 and is a state-owned non-bank financial institution of the Beijing Municipal Government. BITIC has a diversified portfolio of investments in businesses whose activities encompass electronics, chemicals, building materials, property developments, motor manufacturing and tourism. In addition, BITIC arranges and provides finance for a range of projects, and provides lease financing, factoring, guarantees and financial consultancy services.

Save as disclosed in this circular, the Directors and the chief executive of the Company are not aware of any person who as at the Latest Practicable Date was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Enlarged Group or in any options in respect of such share capital.

Except for the Agreement and the Disposals (as defined in the circular dated 23rd February, 2001 issued by the Company), none of the Directors had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group since 31st December, 2000, being the date to which the latest published audited accounts of the Group were made up, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

None of the Directors is materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant to the business of the Enlarged Group.

None of the Directors has any existing or proposed service contract with any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(c) Others

As at the Latest Practicable Date, neither Ernst & Young nor Tai Fook Capital Limited had any interests in the securities of the Company or any shareholding in any member of the Group or had the right to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Neither Ernst & Young nor Tai Fook Capital Limited has any interest, either directly or indirectly, in the promotion of or in any assets of the Enlarged Group which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31st December, 2000, being the date to which the latest published audited accounts of the Group were made up as at the Latest Practicable Date.

3. QUALIFICATIONS OF EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants, Hong Kong
Tai Fook Capital Limited	Investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)

4. CONSENTS

Ernst & Young and Tai Fook Capital Limited have given and have not withdrawn their respective written consents to the issue of this circular, with the inclusion herein of their reports, letters and references to their names, in the form and context in which they respectively appear.

5. LITIGATION

No member of the Enlarged Group is at present engaged in any litigation or arbitration of material importance to the Enlarged Group and no litigation or claim of material importance to the Enlarged Group is known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

(a) the Agreement;

(b) the Technical Services Agreements;

(c) the Ed Agreement;

(d) the MOU;

(e) the agreement dated 18th January, 2001 entered into between the Company, Guang Ming Group (Hong Kong) Limited (a wholly-owned subsidiary of IHL) and IHL, pursuant to which, the Company has disposed of its 50% interest in Beijing Jin Yang Worsted Co. Ltd. at a cash consideration of HK$19,618,897;

(f) the agreement dated 18th January, 2001 entered into between the Company, Guang Ming Group (Hong Kong) Limited (a wholly-owned subsidiary of IHL) and IHL, pursuant to which, the Company has disposed of (1) 70% of the issued share capital of Sino Textile Enterprises Limited for a cash consideration of HK$70; (2) 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 (3) the worsted products at a cash consideration of HK$4,502,949;

(g) the agreement dated 18th January, 2001 entered into between Idata Finance Trading Limited (a direct wholly-owned subsidiary of BEHL), the Company and IHL, pursuant to which 168,000,000 new Shares have been issued to Idata Finance Trading Limited at HK$1.00 per new Share;

(h) the agreement dated 18th January, 2001 entered into between Gateway Direct Limited (an indirect wholly-owned subsidiary of Hutchison Whampoa Limited) and the Company, pursuant to which 10,000,000 new Shares have been issued to Gateway Direct Limited at HK$1.00 per new Share;

(i) the agreement dated 18th January, 2001 entered into between International Network Capital LDC and the Company, pursuant to which 10,000,000 new Shares have been issued to International Network Capital LDC at HK$1.00 per new Share; and

(j) the placing agreement dated 18th January, 2001 entered into between the Company and Shenyin Wanguo Securities (H.K.) Ltd., pursuant to which 30,000,000 new Shares have been placed to independent third parties at an issue price of HK$1.00 per new Share.

7. GENERAL

(a) The registered office of the Company is situated at 20th Floor, Hang Lung House, 184-192 Queen's Road Central, Sheung Wan, Hong Kong.

(b) The share registrar of the Company is Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.

(c) The secretary of the Company is Wong Kwok Wai, Robin, who is a fellow member of the Association of Chartered Certified Accountants and an associate member of The Hong Kong Society of Accountants.

(d) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the registered office of the Company in Hong Kong at 20th Floor, Hang Lung House, 184-192 Queen's Road Central, Sheung Wan, Hong Kong from the date of this circular up to and including 24th October, 2001:

(a) the memorandum of association and articles of association of the Company;

(b) the letter from Tai Fook, the text of which is set out on pages 27 to 45 of this circular;

(c) the accountants' report regarding the Cyber Vantage Group, the text of which is set out in Appendix I;

(d) the annual reports of the Company for the two financial years ended 31st December, 2000;

(e) the interim report of the Company for the six months ended 30th June, 2001;

(f) the material contracts referred to under the section headed "Material contracts" in this appendix;

(g) the written consents referred to under the section headed "Consents" in this appendix; and

(h) a copy of the circular of the Company dated 23rd February, 2001.

BEIJING DEVELOPMENT (HONG KONG) LIMITED
北京發展（香港）有限公司

(Incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of Beijing Development (Hong Kong) Limited (the "Company") will be held at Chater Room III, Basement 1, The Ritz-Carlton, 3 Connaught Road Central, Hong Kong at 11:00 a.m. on 26th October, 2001 for the purposes of considering and if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the conditional sale and purchase agreement dated 20th September, 2001 (as amended by a supplemental agreement dated 27th September, 2001) (the "Agreements"), entered into between Cao Wei, Tian Ye, Zhong Yuan, Wang Dongbin, Liu Xiling, the Company and Beijing Enterprises Holdings Limited, copies of which have been initialled by the chairman of the Meeting (the "Chairman") and for the purpose of identification marked "A", be and are hereby approved and confirmed; and

   (b) any one director of the Company be and is hereby authorised to do all such further acts and things and execute such further documents and take all steps which in his opinion may be necessary, desirable and expedient to implement and/or give effect to the terms of the Agreements, including without limitation the allotment and issue of the Consideration Shares (as defined in the Agreements) to the Vendors (as defined in the Agreements) upon completion of the Agreements, credited as fully paid, and to approve any changes and amendments thereto as such director may consider necessary, desirable and expedient."

2. "**THAT** subject to the passing of ordinary resolution no. 1 as set out in the notice convening the Meeting (the "Notice") at which this resolution is proposed:

   (a) the technical support agreement dated 1st August, 2001 entered into between Beijing Enterprises Teletron Information Technology Co. Ltd. (北京北控電信通信息技術有限公司) ("BETIT") and Beijing Teletron Telecom Engineering Co. Ltd. (北京電信通電信工程有限公司) ("BTTE") as amended by two supplemental agreements dated 6th September, 2001 and 19th September, 2001, both entered into between BETIT and BTTE (the "Technical Support Agreements");

(b) the management consultation agreement dated 1st August, 2001 entered into between BETIT and BTTE as amended by two supplemental agreements dated 6th September, 2001 and 19th September, 2001, both entered into between BETIT and BTTE (the “Management Consultation Agreements”); and

(c) the market development consultation agreement dated 1st August, 2001 entered into between BETIT and BTTE as amended by two supplemental agreements dated 6th September, 2001 and 19th September, 2001, both entered into between BETIT and BTTE (the “Market Development Consultation Agreements”),

(the Technical Support Agreements, the Management Consultation Agreements and the Market Development Consultation Agreements shall hereinafter collectively be referred to as the “Technical Services Agreements”),

copies of which have been initialled by the Chairman and for the purpose of identification marked “B”, and the transactions contemplated thereunder as described in the paragraph headed “Information on the Technical Services Agreements” under the section “Letter from the Board” of the circular of the Company dated 10th October, 2001 (the “Circular”), which the Company expects to occur on a regular and continuous basis in the ordinary course of business of BETIT (the “On-going Connected Transactions”), together with the relevant annual caps imposed by The Stock Exchange of Hong Kong Limited, are hereby approved and any one director of the Company be and is hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in his opinion may be necessary, desirable and expedient to implement and/or give effect to the terms of such connected transactions.”

By order of the Board
Wong Kwok Wai, Robin
Company Secretary

Hong Kong, 10th October, 2001

Notes:

1. A member entitled to attend and vote at the extraordinary general meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.

2. In order to be valid, a form of proxy together with any power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company’s share registrar at Tengis Limited at 4th Floor Hutchison House, 10 Harcourt Road, Central, Hong Kong, at least 48 hours before the time appointed for holding the extraordinary general meeting or adjourned meeting or poll. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or adjourned meeting or poll should you so wish.

BEIJING DEVELOPMENT (HONG KONG) LIMITED
北京發展（香港）有限公司

(Incorporated in Hong Kong with limited liability)

Form of proxy for use by shareholders at the extraordinary general meeting to be held on 26th October, 2001

I/We[1] ....

of ....

being the registered holder(s) of[2] .... ordinary shares of HK$1.00 each in the capital of Beijing Development (Hong Kong) Limited (the "Company"), HEREBY APPOINT the Chairman of the extraordinary general meeting or[3] .... of ....
as my/our proxy to attend and act for me/us at the extraordinary general meeting (the "Meeting") of the Company to be held at Chater Room III, Basement 1, The Ritz-Carlton, 3 Connaught Road Central, Hong Kong at 11:00 a.m. on 26th October, 2001 (or at any adjournment thereof) for the purposes of considering and, if thought fit, passing the resolutions as set out in the notice convening the Meeting and at such Meeting (and at any adjournment thereof) to vote for me/us and in my/our name(s) in respect of the resolutions as hereunder indicated, or if no such indication is given, as my/our proxy thinks fit:

Ordinary Resolution	For[4]	Against[4]	Abstain[4]
1. To approve the Agreements[5] and the allotment and issue of the Consideration Shares[5]			
2. To approve the Technical Services Agreements[5] and the On-going Connected Transactions[5] (including the relevant annual caps)			

Dated this .... day of 2001   Signature[6] ....

Notes:

(1) Full name(s) and address(es) must be inserted in BLOCK CAPITALS. The name of all joint holders should be stated.

(2) Please insert the number of ordinary shares of the Company registered in your name(s) and to which this form of proxy relates. If no number is inserted, this form of proxy will be deemed to relate to all the ordinary shares of the Company registered in your name(s).

(3) If any proxy other than the Chairman of the Meeting is preferred, strike out the words "the Chairman of the extraordinary general meeting or" and insert the name and address of the proxy desired in the space provided. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALLED BY THE PERSON WHO SIGNS IT.**

(4) **IMPORTANT: IF YOU WISH TO VOTE FOR A RESOLUTION, TICK THE RELEVANT BOX UNDER THE COLUMN MARKED "FOR". IF YOU WISH TO VOTE AGAINST A RESOLUTION, TICK THE RELEVANT BOX UNDER THE COLUMN MARKED "AGAINST". IF YOU WISH TO ABSTAIN, TICK THE RELEVANT BOX UNDER THE COLUMN MARKED "ABSTAIN".** Failure to tick any one of the boxes will entitle your proxy to cast your vote(s) or abstain at his discretion. Your proxy will also be entitled to vote or abstain at his discretion on any resolution properly put to the Meeting as well as those referred to in the notice convening the Meeting.

(5) These terms are defined in the notice convening the Meeting.

(6) This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either under its common seal or under the hand of any officer or attorney duly authorised.

(7) In the case of joint holders of any ordinary share any one of such joint holders may attend and vote at the Meeting either personally or by proxy in respect of such ordinary share but if more than one of such joint holders are present at the Meeting personally or by proxy, the vote(s) tendered by the senior holder, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which their names stand in the register of members in respect the joint holding.

(8) To be valid, this form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Company's share registrar, Tengis Limited at 4th Floor Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or the adjourned meeting.

(9) The proxy need not be a member of the Company but must attend the Meeting in person to represent you.

(10) Completion and return of the form of proxy will not preclude you from attending and voting in person at the Meeting if you so wish. In the event of your attending the Meeting, this form of proxy will be deemed to be revoked.