

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

(Incorporated in Hong Kong with limited liability)

SHARE TRANSACTION

The Directors are pleased to announce that, on 20 December, 2002, a conditional S&P Agreement was entered into between the Company, Mr. He and Mr. Li, pursuant to which the Company has conditionally agreed to acquire, and Mr. He and Mr. Li have conditionally agreed to dispose of, in aggregate, a 60% interest in the issued share capital of Wisdom Elite for a consideration of HK\$21,204,000. The Consideration payable will be satisfied as to (i) HK\$8,481,600 in cash; and (ii) HK\$12,722,400 by way of issuance and allotment of 12,722,400 Consideration Shares at an issue price of HK\$1.00 per Share, the par value of the Share. The Issue Price represents a premium of approximately 11.1% over the closing price of HK\$0.90 per Share as quoted on the Stock Exchange on 20 December, 2002, being the date of the S&P Agreement, and a premium of approximately 15.2% to the average closing price of HK\$0.868 per Share over the last ten trading days from 9 December, 2002 to 20 December, 2002. Based on the closing market price of HK\$0.90 per Share quoted on the Stock Exchange on 20 December, 2002, the value of the Consideration Shares is HK\$11,450,160.

Wisdom Elite is currently owned by Mr. He and Mr. Li in equal share. Upon Completion, the Company will own 60% interest in Wisdom Elite. The sole asset of Wisdom Elite will comprise the entire interest in BEV Software (北京北控偉仕軟件工程技術有限公司), which is principally engaged in the development and sale of social security information management system and tax information management system in the PRC.

The consideration of HK\$21,204,000 payable by the Company to Mr. He and Mr. Li has been determined after arm's length negotiations between the parties to the S&P Agreement. The Directors consider that the Proposed Acquisition is consistent with its business objective of becoming Beijing Enterprises Holdings Limited's information technology flagship and represents an excellent opportunity for it to further strengthen its software development capability. The Proposed Acquisition will enable the Company to penetrate huge and growing software markets in government information system, including the social security and taxation fields, in the PRC.

Each of Mr. He and Mr. Li severally warrants, guarantees and undertakes to the Company that the consolidated net profit after tax of the Wisdom Elite Group for the financial year ending 31 December, 2003 as shown in its audited consolidated accounts to be prepared by the firm of certified public accountants acceptable to the Company shall not be less than the amount equivalent to RMB5.5 million (approximately HK\$5.12 million). In the event that the Net Profit is less than the Guaranteed Profit, the Company shall be entitled to a cash sum, which is equal to the Shortfall Payment:

$$\text{Shortfall Payment} = (\text{Guaranteed Profit} - \text{Net Profit}) \times 6.91$$

The Consideration Shares represent approximately 2.85% of the existing issued share capital of the Company or approximately 2.77% of the issued share capital of the Company as enlarged by the Consideration Shares. Each of Mr. He and Mr. Li has agreed and undertaken to and with the Company that he or she shall not dispose of one half of the Consideration Shares held by each of them during the period of one year from the date of Completion and the other one half of the Consideration Shares held by each of them during the two years from the date of Completion.

The Proposed Acquisition constituted a share transaction to the Company under the Listing Rules.

S&P AGREEMENT DATED 20 DECEMBER, 2002

Parties

Vendors : Mr. He
 Mr. Li
 Purchaser : the Company

Asset to be acquired

Pursuant to the S&P Agreement, the Company has conditionally agreed to acquire in aggregate 60% of the issued share capital of Wisdom Elite, of which 30% from Mr. He and 30% from Mr. Li.

Wisdom Elite is the registered owner of the entire interest in BEV Software. Accordingly, the Company will own 60% interest in BEV Software, via Wisdom Elite, subsequent to the Completion.

Consideration

The consideration payable by the Company to Mr. He and Mr. Li for the Proposed Acquisition is, in aggregate, HK\$21,204,000. In satisfaction of the Consideration, the Company shall upon Completion:

- pay to Mr. He or his nominee(s) HK\$4,240,800 in cash and allot and issue to Mr. He or his nominee(s) 6,361,200 Consideration Shares at the issue price of HK\$1.00 per Share, credited as fully paid; and
- pay to Mr. Li or his nominee(s) HK\$4,240,800 in cash and allot and issue to Mr. Li or his nominee(s) 6,361,200 Consideration Shares at the issue price of HK\$1.00 per Share, credited as fully paid.

Completion shall take place on the third Business Day after the date on which all of the conditions mentioned below have been satisfied or waived (or such later date as the parties may agree in writing). The cash consideration will be financed by the Group's internal resources. The Consideration Shares will be issued pursuant to the general mandate granted to the Company on 11 June, 2002.

The Issue Price of HK\$1.00 per Share, which is the par value of the Share, was determined after arm's length negotiation between the parties to the S&P Agreement and represents a premium of approximately 11.1% over the closing price of HK\$0.90 per Share as quoted on the Stock Exchange on 20 December, 2002, being the date of the S&P Agreement, and a premium of approximately 15.2% to the average closing price of HK\$0.868 per Share over the last ten trading days from 9 December, 2002 to 20 December, 2002. Based on the closing market price of HK\$0.90 per Share quoted on the Stock Exchange on 20 December, 2002, the value of the Consideration Shares is HK\$11,450,160.

The Consideration Shares represent approximately 2.85% of the existing issued share capital of the Company or approximately 2.77% of the issued share capital of the Company as enlarged by the Consideration Shares. The Consideration Shares shall rank pari passu with the existing issued Shares.

The Company will make an application to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

The Consideration represents a price earnings multiple of 6.91 times of the Guaranteed Profit. The price earnings multiple was determined after arm's length negotiations between all parties to the S&P Agreement and by reference to (i) the Guaranteed Profit provided severally by Mr. He and Mr. Li; (ii) the future growth potential of Wisdom Elite Group; and (iii) the market environment. The Directors consider that the terms of Proposed Acquisition are fair and reasonable and are in the interest of the Shareholders as a whole.

Guaranteed Profit

Each of Mr. He and Mr. Li severally warrants, guarantees and undertakes to the Company that the consolidated net profit after tax of the Wisdom Elite Group for the financial year ending 31 December, 2003 as shown in its audited consolidated accounts to be prepared by the firm of certified public accountants acceptable to the Company shall not be less than the amount equivalent to RMB5.5 million (approximately HK\$5.12 million). In the event that the Net Profit is less than the Guaranteed Profit, the Company shall be entitled to a cash sum, which is equal to the Shortfall Payment:

$$\text{Shortfall Payment} = (\text{Guaranteed Profit} - \text{Net Profit}) \times 6.91$$

In the event that Wisdom Elite Group does not have any consolidated net profit after tax or incurs a net loss after tax for the financial year ending 31 December, 2003, as will be shown in its audited consolidated accounts to be prepared by the firm of certified public accountants acceptable to the Company, the Company is entitled to a cash sum in the amount of HK\$21,204,000.

The Shortfall Payment, as the case may be, shall be payable within 20 business days after the audited consolidated accounts have been prepared.

In the event that the Guaranteed Profit is not met, a further announcement will be made. In addition, the independent non-executive directors of the Company will opine on whether the contracting parties (i.e. Mr. He and Mr. Li) have fulfilled their obligations under the Guaranteed Profit. Accordingly, the Company will disclose the following information in the accounts of the Company for the financial year ending 31 December, 2003:

- details of whether the Guaranteed Profit has been met;
- details of the Shortfall Payment; and
- whether the contracting parties (i.e. Mr. He and Mr. Li) have fulfilled their obligation under the Guaranteed Profit including the opinion of independent non-executive directors of the Company.

Disposal restrictions

Each of Mr. He and Mr. Li agrees and undertakes to and with the Company that he or she shall not sell, convey, transfer, assign or otherwise dispose of to any person or contract so to do under any circumstances all or any of the Consideration Shares held by him or her or any of his or her direct or indirect interest therein, in the following manner:

- one half of the Consideration Shares held by each of Mr. He and Mr. Li shall be subject to the Disposal Restriction during the period of one year from the date of Completion; and
- one half of the Consideration Shares held by each of them will also be subject to the Disposal Restriction during the two years from the date of Completion.

Accordingly, the Consideration Shares shall be held by an escrow agent pursuant to an escrow agreement in the form set out in the S&P Agreement upon Completion.

Conditions of the agreement:

Completion of the Proposed Acquisition is conditional upon, inter alia, the following conditions being fulfilled, or waived by the Company:

- 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 S&P Agreement and Completion;
- the Company notifying Mr. He and Mr. Li in writing that it is satisfied in reliance on the warranties and upon inspection and investigation as to the respective financial, contractual, taxation positions and trading positions of each member of the Wisdom Elite Group and the title of the members of the Wisdom Elite Group to their respective assets;
- the corporate restructuring steps taken by Mr. He, Mr. Li and Wisdom Elite, whereby Wisdom Elite acquires the entire share capital of BEV Software pursuant to a sale and purchase agreement in a form satisfactory to the Company;
- BEV Software having entered into and performed all of its obligations under an exclusive service agreement with BETIT;
- all necessary consents being granted by third parties (including governmental or official authorities) in connection with the transactions contemplated under the S&P Agreement and no statute, regulation or decision which would prohibit, restrict or materially delay the Proposed Acquisition or the operation of any member of the Wisdom Elite Group after Completion having been proposed, enacted or taken by any governmental or official authority;
- each of Mr. He and Mr. Li having complied fully with the obligations specified in the S&P Agreement and otherwise having performed in all material respects all of the covenants and agreements required to be performed under the S&P Agreement; and
- the Listing Committee of the Stock Exchange granting or agreeing to grant listing of and permission to deal in the Consideration Shares.

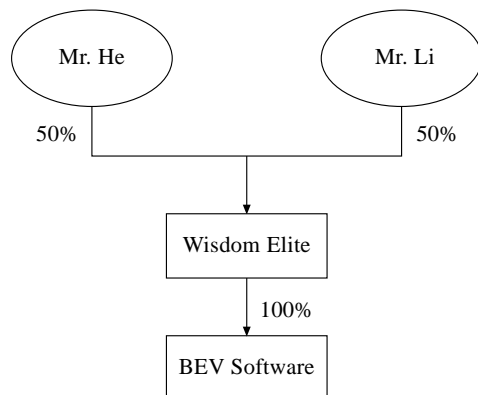
The Purchaser may waive all or any of the conditions set out in paragraphs 1 to 5 at any time by notice in writing to Mr. He and Mr. Li. Mr. He and Mr. Li shall use their reasonable endeavours to procure the fulfilment of the conditions set out in paragraphs 1, 3, 4, 5 and 6 on or before 31 December, 2002 (or such later date as may be agreed between the parties).

The S&P Agreement is expected to be completed on the day that is three Business Days after all the conditions precedent are fulfilled or waived.

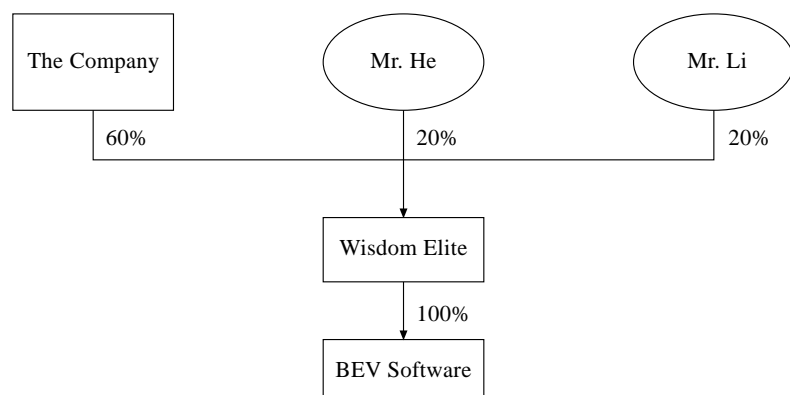
Shareholding structure of Wisdom Elite Group immediately before and after Completion of the Proposed Acquisition

The following charts set out the shareholding structure of Wisdom Elite Group immediately prior to and after Completion:

Immediately prior to Completion



Immediately upon Completion



INFORMATION OF THE WISDOM ELITE GROUP

After an internal reorganization to be undertaken by Mr. He and Mr. Li, the sole asset of Wisdom Elite will comprise the entire interest in BEV Software. BEV Software is a wholly foreign owned enterprise with a term of operation of 20 years from 21 October, 2002 to 20 October, 2022. The registered capital of BEV Software is RMB2 million (approximately HK\$1.86 million). BEV Software is principally engaged in the development and sale of social security information management system and tax information management system in the PRC. As of the date of this announcement, each of Mr. He and Mr. Li does not hold any share in the Company and each of Mr. He and Mr. Li does not provide any shareholders' loans to Wisdom Elite or BEV Software.

Upon Completion, Wisdom Elite will be treated as a 60% non-wholly owned subsidiary of the Company. None of Mr. He and Mr. Li is a director of Wisdom Elite and BEV Software and none of them will be a director of Wisdom Elite and BEV Software upon Completion.

The principal products of BEV Software are social security information system and taxation information system. Wisdom Elite Group has received a number of awards from Tianjin Government and the State Science and Technology Committee for its products. The customers of Wisdom Elite Group include government agencies and private enterprises in the PRC.

The table sets out below shows the unaudited pro forma profit before and after taxation and minority interest of the Wisdom Elite Group prepared in accordance with the PRC GAAP for the two years ended 31 December, 2001 and the six months ended 30 June, 2002:

| | Year ended 31 December, 2000 | | Year ended 31 December, 2001 | | Six months ended 30 June, 2002 | |
|--|---------------------------------|------------------------------|---------------------------------|------------------------------|-----------------------------------|------------------------------|
| | Approx. RMB (in million) | Approx. HK\$ (in million) | Approx. RMB (in million) | Approx. HK\$ (in million) | Approx. RMB (in million) | Approx. HK\$ (in million) |
| Profit before taxation and minority interest | 2.0 | 1.9 | 3.0 | 2.8 | 2.2 | 2.0 |
| Profit after taxation and minority interest | 1.6 | 1.5 | 2.5 | 2.3 | 1.8 | 1.7 |

The consolidated net assets value of the Wisdom Elite Group based on the unaudited pro forma consolidated accounts prepared in accordance with the PRC GAAP as at 30 June, 2002 was approximately RMB6.8 million (HK\$6.3 million).

REASONS OF THE PROPOSED ACQUISITION

The Company is principally engaged in the provision of system integration services, internet and communications related services, restaurant operation and property investment.

The Directors believe that the Proposed Acquisition is in line with its strategy of becoming Beijing Enterprises Holdings Limited's information technology flagship and represents an excellent opportunity for it to further strengthen its software development capability in light of the following factors:

- the prevailing market environment of the software development industry provides the Company with an attractive acquisition opportunity of valuable assets at a competitive valuation; and
- the Proposed Acquisition represents an invaluable opportunity for the Group to strengthen its business and engage in the software application solution and system integration service industry in the PRC. The Directors consider that taking into account its relationship with Beijing Municipal Government, the Proposed Acquisition will allow the Group to capture the market for establishing information system for the Municipal Government, including social security information system and taxation information system for the Municipal Labour and Social Security Bureau and the Taxation Bureau respectively, which will have a good potential in the future.

Since the consideration for the Proposed Acquisition will be satisfied partly by cash and by issuance of Consideration Shares, the Proposed Acquisition will further strengthen the capital base of the Company.

Having taken into account of the above factors, the Directors consider that the terms of the S&P Agreement is fair and reasonable and the Proposed Acquisition is in the interests of and beneficial to the Company and its shareholders as a whole.

GENERAL

The Proposed Acquisition constitutes a share transaction to the Company under the Listing Rules.

DEFINITIONS

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

| | |
|-------------------------|---|
| "associates" | have the meaning as defined in the Listing Rules |
| "BETIT" | Beijing Enterprises Teletron Information Technology Co. Ltd. (北京北控電信通信息技術有限公司), a wholly foreign owned enterprise established in the PRC and an indirectly wholly-owned subsidiary of the Company |
| "BEV Software" | Beijing Enterprises VST Software Engineering Technology Co. Ltd. (北京北控偉仕軟件工程技術有限公司), which is the wholly-owned subsidiary of Wisdom Elite |
| "Business Day(s)" | 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 |
| "Company" | Beijing Development (Hong Kong) Limited (北京發展(香港)有限公司), incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange |
| "Completion" | the completion of the S&P Agreement |
| "Consideration" | the total consideration for the Proposed Acquisition is HK\$21,204,000. The consideration of HK\$8,481,600 is to be satisfied in cash and HK\$12,722,400 is to be satisfied by the issuance and allotment of 12,722,400 Consideration Shares of the Company at the issue price of HK\$1.00 each, the par value of the Share |
| "Consideration Shares" | 12,722,400 Shares to be issued at the issue price of HK\$1.00 each, the par value of the Share |
| "Directors" | the board of directors of the Company |
| "Disposal Restrictions" | each of Mr. He and Mr. Li agrees and undertakes to and with the Company that he or she shall not sell, convey, transfer, assign or otherwise dispose of to any person or contract so to do under any circumstances all or any of the Consideration Shares held by him or her or any of his or her direct or indirect interest |
| "Group" | the Company together with its subsidiaries |
| "Guaranteed Profit" | each of Mr. He and Mr. Li severally warrants, guarantees and undertakes to the Company that the Net Profit shall not be less than the amount equivalent to RMB5.5 million (approximately HK\$5.12 million) |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Issue Price" | the issue price of HK\$1.00 per Share, pursuant to the S&P Agreement |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Mr. He" | Mr. He Yingkai (賀迎凱), who holds 50% interest in Wisdom Elite immediately prior to the Completion, is an independent third party not connected with any of the director, chief executive or substantial shareholder of the Company or an associate of any of them as defined under the Listing Rules |
| "Mr. Li" | Mr. Li Jicheng (李繼成) who holds 50% interest in Wisdom Elite immediately prior to the Completion, is an independent third party not connected with any of the director, chief executive or substantial shareholder of the Company or an associate of any of them as defined under the Listing Rules |
| "Net Profit" | the consolidated net profit after tax of the Wisdom Elite Group for the financial year ending 31 December, 2003 as shown in its audited consolidated accounts to be prepared by the firm of certified public accountants acceptable to the Company |
| "PRC" | the People's Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan |
| "PRC GAAP" | PRC Generally Accepted Accounting Principles |
| "Proposed Acquisition" | the acquisition of an aggregate of 60% interest in Wisdom Elite from Mr. He and Mr. Li |
| "S&P Agreement" | the conditional sale and purchase agreement dated 20 December, 2002, entered into between Mr. He, Mr. Li and the Company |
| "Share(s)" | ordinary share(s) of HK\$1.00 each in the share capital of the Company |
| "Shortfall Payment" | the cash sum which the Company shall be entitled to in the event that the Net Profit is less than the Guaranteed Profit in accordance with the following formula: (Guaranteed Profit – Net Profit) x 6.91 |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Vendors" | Mr. He and Mr. Li |
| "Wisdom Elite" | Wisdom Elite Holdings Limited, which is incorporated in the British Virgin Island, and is held as to 50% by Mr. He and 50% by Mr. Li immediately prior to Completion |
| "Wisdom Elite Group" | Wisdom Elite together with its wholly-owned subsidiary, BEV Software |
| "HK\$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "%" | per cent. |

Hong Kong, 20 December, 2002

In this announcement, for information purpose only, certain amounts in RMB have been translated into HK\$ at RMB1 to HK\$0.93. 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.

By Order of the Board
Beijing Development (Hong Kong) Limited
WONG Kwok Wai, Robin
 Company Secretary

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