北京發展(香港)有限公司

BEIJING DEVELOPMENT (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code:154)

VERY SUBSTANTIAL ACQUISITION AND ISSUE OF CONSIDERATION SHARES IN RELATION TO THE ACQUISITION OF ENTIRE SHAREHOLDING INTERESTS IN AND THE SHAREHOLDERS LOANS OF KCS CHANGDE AND KCS TAIAN

THE ACQUISITION

Reference is made to the announcement of the Company dated 29 January 2014 in relation to the proposed acquisition of all the issued shares of KCS Changde and KCS Taian and the related shareholders' loans.

The Board is pleased to announce that on 24 February 2014, the Company entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Company agreed to acquire and the Vendor agreed to sell the Sale Shares and the Shareholders Loans at an aggregate consideration of RMB520,000,000 (equivalent to approximately HK$666,430,000). The Consideration will be satisfied: (a) as to RMB86,790,000 (equivalent to approximately HK$111,230,000) in cash, and (b) as to RMB433,210,000 (equivalent to approximately HK$555,200,000) by the issue of Consideration Shares at the Issue Price of HK$1.60 per Share.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

As one of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. BEHL, the controlling shareholder of the Company, has indicated its intention to vote in favour of the resolution to approve the Acquisition at the EGM to be convened to, among other things, consider the Acquisition. As at the date of this announcement, the BEHL Group is interested in 467,459,000 Shares, representing approximately 54.68% of the issued shares of the Company.

The Acquisition is conditional upon, among other things, the passing of an ordinary resolution by the Shareholders at the EGM and no Shareholders are required to abstain from voting on such resolution. A circular containing, among other things, further details of the Acquisition and a notice of the EGM will be despatched to the Shareholders on or before 17 March 2014 in accordance with the Listing Rules.

Completion is conditional upon, among other things, the satisfaction of the Conditions. Therefore, the Acquisition may or may not materialise. Shareholders and investors are reminded to exercise caution when dealing in the Shares.

Reference is made to the Previous Announcement in relation to the proposed acquisition of all the issued shares of KCS Changde and KCS Taian and the related shareholders' loans.

The Board is pleased to announce that on 24 February 2014, the Company entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Company agreed to acquire and the Vendor agreed to sell the Sale Shares and the Shareholders Loans at an aggregate consideration of RMB520,000,000 (equivalent to approximately HK$666,430,000). The Consideration will be satisfied: (a) as to RMB86,790,000 (equivalent to approximately HK$111,230,000) in cash, and (b) as to RMB433,210,000 (equivalent to approximately HK$555,200,000) by the issue of Consideration Shares at the Issue Price of HK$1.60 per Share.

THE SALE AND PURCHASE AGREEMENT

Date

24 February 2014

Parties

(1) the Company (as purchaser)

(2) the Vendor (as vendor)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Assets to be acquired

The Sale Shares and Shareholders Loans.

The Target Companies are investment holding companies, and as at the date of the Sale and Purchase Agreement, KCS Taian and KCS Changde wholly own Tai An China Sciences Environment Power Company Limited (泰安中科環保電力有限公司) and Changde Zhonglian Environmental Electricity Co. Ltd (常德中聯環保電力有限公司) respectively, both of which are limited companies incorporated in the PRC and are engaged in waste-to-energy business in Shandong Province and Hunan Province of the PRC respectively.

Consideration and terms of settlement

The Consideration payable by the Company to the Vendor shall be RMB520,000,000 (equivalent to approximately HK$666,430,000), which has been arrived at after arm's length negotiations between the Company and the Vendor after taking into account, among other things, the net asset value of the Target Group, the amount of the shareholders' loans provided by the Vendor to the Target Group and the future prospects of the Target Group.

In particular, the Projects are both at the early stage of commercial operations (please refer to the section headed "Information on the Target Group — The Projects" in this announcement below for details), and the Company believes that the Projects have substantial future prospects and growth potential. Therefore, the Company considers that it is fair and reasonable to pay the Consideration with a premium to the aggregate of the net asset value of the Target Group and the amount of the shareholders' loans provided to the Target Group.

The Consideration shall be satisfied at Completion in the following manner:

(a) the Company shall pay to the Vendor RMB86,790,000 (equivalent to approximately HK$111,230,000), or the equivalent amount in other currency as elected by the Vendor, in cash (i.e. the Cash Consideration); and

(b) the Company shall satisfy the remaining Consideration in the sum of RMB433,210,000 (equivalent to approximately HK$555,200,000) by the allotment and issue of the Consideration Shares credited as fully paid to the Vendor (or a person nominated by the Vendor).

Conditions precedent

Completion is conditional upon:

(a) the obtaining of the approval from the Shareholders for the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the requirements under the Listing Rules, if required;

(b) the obtaining of the approval from the shareholders of the Vendor for the Sale and Purchase Agreement and the transactions contemplated thereunder, if required;

(c) the listing committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares; and

(d) the Vendor holding less than 30% equity interest in the Company upon the allotment and issue of the Consideration Shares pursuant to the Sale and Purchase Agreement and there is no obligation for the Vendor or parties acting in concert with it to make a mandatory general offer to the Shareholders pursuant to the Takeovers Code.

If the Conditions are not fulfilled on or before the date being 60 days from the date of the Sale and Purchase Agreement (or such other date as the parties may agree), either party may give notice to the other party to terminate the Sale and Purchase Agreement. As at the date of this announcement, none of the Conditions have been fulfilled.

Completion

Completion will take place on the fifth business days after the Conditions have been fulfilled (or such other date as the Vendor and the Company may agree in writing), and is expected to take place in April this year.

At Completion, the legal title to the Sale Shares will be transferred, and the Shareholders Loans will be assigned, to the Company. As a result, each of the Target Companies will become a wholly-owned subsidiary of the Company after Completion.

Management Rights Pending Completion

Upon the signing of the Sale and Purchase Agreement and pending Completion, the Company shall be entitled to appoint designated personnel to the Target Group to participate in the daily operations and management of the members of the Target Group so as to ensure a smooth transition of the Target Group from the Vendor to the Company pending Completion.

Other undertakings

The Vendor covenants with the Company that it and/or parties acting in concert with it will not after Completion, acquire or otherwise deal in any securities of the Company to the effect that the Vendor or any parties acting in concert with it will be required to make a mandatory general offer for the Shares under the Takeovers Code.

The Vendor and the Company also undertake that they will procure the repayment of certain loans or trade or other payables by the Target Group to the Vendor and/or its direct or indirect holding company(ies) and/or such holding company(ies)'s direct and indirect subsidiaries (other than the Shareholders Loans) on or before Completion.

CONSIDERATION SHARES

The total number of Consideration Shares represents:

(1) approximately 40.59% of all the issued shares of the Company as at the date of this announcement; and

(2) approximately 28.87% of all the issued shares of the Company as enlarged by the issue of Consideration Shares.

Application will be made to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. Details of the impact of the Consideration Shares on the shareholding structure of the Company are set out in the section headed "Impact on the shareholding structure of the Company" in this announcement below.

ISSUE PRICE

The Issue Price represents:

(1) a discount of approximately 36.25% to the closing price of HK$2.51 per Share as quoted on the Stock Exchange on the Last Trading Date;

(2) a discount of approximately 28.89% to the average closing price of HK$2.25 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date;

(3) a discount of approximately 52.80% to the closing price of HK$3.39 per Share as quoted on the Stock Exchange on the date of this announcement, i.e. 24 February 2014;

(4) a discount of approximately 27.93% to the average closing price of HK$2.22 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date; and

(5) a premium of approximately 48.15% over the unaudited consolidated net asset per Share of approximately HK$1.08 per Share as at 30 June 2013, being the date to which the latest published consolidated financial statements of the Company were made up to.

The Issue Price was arrived at on arm's length negotiations between the Company and the Vendor, taking into consideration the following factors:

(a) As set out in the section headed "Reasons and benefits and impact on the Company" in this announcement below, the Company (through its subsidiaries) is principally engaged in the provision of information technology ("**IT**") related services. The Company considers that the current market price of the Shares is at a relatively high level as it has reflected: (i) the potential growth into the waste incineration-power generation business for the Company, and (ii) the huge amount of financial support provided by BEHL (including the subscription of the Shares and the Firm Bonds, and the proposed subscription of the Standby Bonds, details of which are set out in the Company's circular dated 21 December 2012) to the Company's potential waste incineration-power generation business. Although the Company plans to move into the waste incineration-power generation business (for instance, the proposed waste incineration-power generation projects as disclosed in the circular of the Company dated 21 December 2012), such plans are yet to materialise as at the date of this announcement. In particular, the conditions precedent to the formation of joint venture for a waste incineration-power generation plant in Haidian district, Beijing as disclosed in the announcement of the Company dated 28 June 2012 have not yet been fulfilled, thus such proposed transaction may or may not be completed. Accordingly, the Company is of the view that the valuation of the Company at this stage should not take into account the potential growth in the Company's business resulting from the future prospects of the waste incineration-power generation business. In view of the foregoing, the Company considers that the Issue Price should be determined based on the existing business of the Company and with reference to the valuation of other similar IT service providers instead of those companies that are engaged in waste incineration-power generation business.

(b) The Issue Price of HK$1.60 is much higher than the net asset per Share (representing a premium of approximately 48.15% over the unaudited consolidated net asset per Share as at 30 June 2013 as set out above), and is close to the share value of other similar IT service providers.

(c) The Company understands that the Vendor shares similar views as above, and therefore has agreed to accept part of the Consideration in the form of Consideration Shares to be issued at the Issue Price, which is higher than the net asset per Share.

In light of the above, the Directors consider that the discount in the Issue Price with the market price of the Shares is fair and reasonable.

INFORMATION OF THE VENDOR

The Vendor is incorporated in Hong Kong and is principally engaged in investment holding. The Vendor is 80% indirectly owned by Khazanah Nasional Berhad, the strategic investment fund of the Government of Malaysia and 20% beneficially owned by several individuals and companies. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, such individuals and companies are third parties independent of the Company and its connected persons. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor does not have any connection or relationship with the vendors in the very substantial acquisition disclosed in the announcement of the Company dated 28 June 2012.

INFORMATION ON THE TARGET GROUP

The Target Companies

KCS Taian and KCS Changde are incorporated in Hong Kong on 24 April 2007 and 6 June 2008 respectively as investment holding companies. The principal activity of the subsidiaries of the Target Companies is waste-to-energy business in the PRC. At present, the Target Group has investment in, and operates, two waste-to-energy projects in Shandong and Hunan Province of the PRC (i.e. the Projects).

The Projects

The Taian Household Waste Incineration Power Generation Project (泰安生活垃圾焚燒發電項目), Shandong (the "**Shandong Project**") is operated under build-own-operate (BOO) arrangement with franchised operation term of 30 years until July 2038. The Changde Household Waste Incineration Power Generation Project (常德市生活垃圾焚燒發電項目), Hunan (the "**Hunan Project**") is operated under build-operate-transfer (BOT) arrangement with franchised operation term of 27 years until September 2033. Both the Shandong Project and the Hunan Project adopt the circulating fluidized bed boiler burning technology.

Business model

The Target Group has entered into licensed operation agreements with the relevant local governmental authorities, pursuant to which the Target Group has obtained rights to operate the project facilities of the Projects for the treatment of household waste. The Target Group generates income by (i) the collection waste treatment fees for waste-incineration treatment of household waste, and (ii) the collection of on-grid tariffs from the sale of waste-generated electricity to electricity enterprises. The Target Group is a business partner of the local government for the treatment of household waste in the relevant area.

Operation flow

A simplified flow chart illustrating the operation flow of the Projects is set out below:

Supply of household waste by the local government to waste incineration-power generation plants at nil consideration

⇩

Breakdown and screening of household waste

⇩

Waste incineration

⇩

Generation of electricity through heat generated from waste incineration

⇩ ⇩ ⇩

Sale of electricity to electricity enterprises and collect on-grid tariffs	Collect waste treatment fee for waste-incineration of household waste	Treatment of leachate, slag and gas before discharge

Capacity

The current capacity and maximum capacity of each of the Projects are summarised as follows:

	Current capacity for the treatment of household waste	Maximum capacity for the treatment of household waste	Average amount of electricity generated per tonne of household waste	Current electricity capacity	Maximum electricity capacity
Shandong Project	750 tonnes per day	1,000 tonnes per day	294 kWh	270,000 kWh per day	294,000 kWh per day
Hunan Project	800 tonnes per day	1,000 tonnes per day	303 kWh	270,000 kWh per day	303,000 kWh per day

Revenue model

The revenue model of each of the Projects are summarised as follows:

	Waste treatment fee	On-grid tariff
Shandong Project	RMB60 per tonne	RMB0.65 per kWh
Hunan Project	RMB50 per tonne	RMB0.65 per kWh

Licenses and permits obtained

Shandong Project

In July 2008, the relevant PRC governmental authority has approved the entering into a licensed operation agreement with respect to the Shandong Project by the relevant local authority with the Target Group, pursuant to which the Target Group obtained the rights to operate the Shandong Project with franchised operation term of 30 years until July 2038 under build-own-operate (BOO) arrangement.

Hunan Project

In September 2006, the Target Group has entered into a licensed operation agreement with respect to the Hunan Project with the relevant governmental authority, pursuant to which the Target Group obtained the rights to operate the Hunan Project with franchised operation term of 27 years until September 2033 under build-operate-transfer (BOT) arrangement. Under the BOT arrangement, the Target Group shall, upon the end of the operation term and after restorative repairments, transfer the Hunan Project to the relevant PRC governmental authority at nil consideration.

Financial information on the Target Group

Set out below is a summary of certain unaudited financial information of the Target Group for the two years ended 31 December 2012 and 31 December 2013:

	2013 ***(RMB)***	2012 *(RMB)*
Total net profit/(loss) (before taxation and extraordinary items)	**30,803,000 (equivalent to approximately HK$39,477,000)**	(3,701,000) (equivalent to approximately HK$(4,473,000))
Total net profit/(loss) (after taxation and extraordinary items)	**29,171,000 (equivalent to approximately HK$37,386,000)**	(6,161,000) (equivalent to approximately HK$(7,896,000))

The main reasons that the Target Group recorded a net profit for the financial year ended 31 December 2013 but incurred loss for the financial year ended 31 December 2012 are:

(i) the Hunan Project, which commenced commercial operations in March 2012, only has a full year operation in 2013;

(ii) after the promulgation of the "Declaration for the Power Price Policy Perfection of Waste Incineration, [2012] No.801"（發改價格[2012] 801號）in April 2012, the average electricity price per unit was increased from RMB0.55 per kWh to RMB0.65 per kWh since April 2012;

(iii) there was a higher volume of electricity generated in 2013 due to an increase of the volume of waste supplied in such year; and

(iv) there was an increase in waste treatment fees collected from the relevant governmental authorities for waste treatment in 2013 as a result of the increase in the volume of waste from 382,000 tonnes in 2012 to 602,000 tonnes in 2013, and the increase in the average waste treatment fee from RMB45 per tonne to RMB55 per tonne.

The unaudited total net asset value of the Target Group as at 31 December 2013 was approximately RMB27,930,000 (equivalent to approximately HK$35,795,000).

REASONS AND BENEFITS AND IMPACT ON THE COMPANY

The Company is incorporated in Hong Kong as an investment holding company. The principal activity of the Group's subsidiaries is the provision of IT related services, including: (i) system integration; (ii) construction of information networks and sale of related equipment; (iii) IT technical support and consultation services; and (iv) development and sale of software.

To build a stronger business foundation, broaden the source of income and improve the overall financial results of the Group, the Directors have been exploring all business opportunities, including the environmental protection business sector. The challenges associated with increasing demand for energy, sustainable development and the increased environmental concern have led the PRC government to pay greater attention to environmental protection and energy issues. As the urban standard of living in the PRC continues to improve and the economy continues to grow, the volume of municipal waste will increase steadily. Encompassing the characteristics of energy-saving and environmental friendly power generation as well as new energy power generation, waste incineration-power generation is a dominant way for waste treatment that captures an enormous market with vast prospects, delivers good social efficiency and provides stable cash flow. Accordingly, with substantial support and great attention from the state and local governments, subsidies and preferential tax treatments and stable on-grid tariffs, the Company believes that waste power generation projects have promising growth prospects with growth potential in terms of scale and stability in terms of revenue. Under the full support of its parent company which enjoys competitive advantages and after making ample consideration, the Company will enter the environmental protection industry, and secure and explore platforms of suitable business opportunities in the fields of waste incineration-power generation and waste treatment in the future.

In order to accelerate such strategic transformation, establish business capability in participating in the waste incineration-power generation sector, improve its financial performance and maximise return to the Company and its shareholders in the long run, the Company has decided to enter into the Sale and Purchase Agreement with the Vendor to capitalise on the business opportunities in this sector.

The Acquisition represents an attractive opportunity to the Group to establish an immediate presence in waste incineration-power generation operation in the PRC.

The Directors consider that the Sale and Purchase Agreement is on normal commercial terms and the terms of the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In line with the above strategy and as disclosed in the Company's announcement dated 14 January 2014, the Company has the intention and is under negotiations to acquire new business and has been looking for various potential investment opportunities in the fields of environmental protection from certain independent third parties, and the Acquisition is one of the said potential investment opportunities. However, save for the Sale and Purchase Agreement, no agreement, arrangement or understanding has been concluded as at the date of this Announcement. Therefore, such other potential investment opportunities may or may not materialise. Given such uncertainty, the Company does not have any present intention, negotiation, agreement, arrangement or understanding to dispose of, scale-down and/or terminate its existing businesses, particularly, the IT business and/or its major operating assets as at the date of this announcement, and it is the present intention of the Company to continue its existing business as at the date of this announcement.

Impact on the shareholding structure of the Company

As at the date of this announcement, BEHL Group is interested in 467,459,000 Shares, representing approximately 54.68% of the issued shares of the Company.

The Company understands from BEHL Group that prior to Completion, the Subscriber, a wholly-owned subsidiary of BEHL, intends to: (i) subscribe part of the Standby Bonds with an aggregate principal amount of not less than HK$113,000,000 upon receiving the requisite notice from the Company pursuant to the terms of the Standby Bonds, (ii) exercise the conversion rights attaching to the Firm Bonds in full such that an aggregate of 266,000,000 new Shares would fall to be allotted and issued to the Subscriber upon such conversion of the Firm Bonds, and (iii) subject to and upon completion of item (i) above, exercise the conversion rights attaching to part of the Standby Bonds in an aggregate principal amount of HK$22,600,000 such that an aggregate of 20,000,000 new Shares would fall to be allotted and issued to the Subscriber upon such conversion of such Standby Bonds.

Upon completion of items (i) to (iii) above prior to Completion, BEHL Group's shareholding interest in the Company would be increased from approximately 54.68% to approximately 66.04%. Upon the issue of the Consideration Shares at Completion and assuming that the Firm Bonds and the Standby Bonds were converted into new Shares as set out above prior to Completion, the shareholding interest of the BEHL Group in the Company would then be reduced to approximately 50.64%, and would therefore remain over 50% immediately after Completion. In view of the foregoing, the Company expects that the issue of the Consideration Shares to the Vendor under the Acquisition will not result in a change of control of the Company.

While it is the intention of the Company, and the Company understands that it is also the intention of the BEHL Group, to proceed with the proposals set out in items (i) to (iii) above, such proposals are subject to the terms and conditions of the Firm Bonds and the Standby Bonds. In particular, before the Company can serve the notice in item (i) above, certain pre-conditions must be satisfied pursuant to the terms of the Standby Bonds, including the publication of this announcement, the despatch of the circular for the Acquisition, and the satisfaction of the Conditions. Therefore, the proposals set out in items (i) to (iii) above may or may not materialise.

If the above proposals do not materialise or if the proposals set out in items (i) to (iii) above can only be completed after Completion, the shareholding interest of the BEHL Group in the Company would then be reduced to approximately 38.89% immediately upon Completion.

Under Rule 26 of the Takeovers Code, if the shareholding interest of the BEHL Group in the Company is reduced to approximately 38.89%, the acquisition of voting rights by more than 2% from the lowest collective holding of voting rights in the Company in any 12-month period by the BEHL Group will trigger an obligation on the BEHL Group and persons acting in concert with it to make a general offer for all the shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company other than those already owned or agreed to be acquired by them, unless a whitewash waiver is granted by the Securities and Futures Commission of Hong Kong and approved by the independent Shareholders.

Accordingly, if the above proposals do not materialise or if the proposals set out in items (i) to (iii) above can only be completed after Completion such that the shareholding interest of the BEHL Group in the Company is reduced to approximately 38.89%, and the interests of the BEHL Group (including the Subscriber) and persons acting in concert with it in the voting rights in the Company (whether by the exercise of the conversion rights attaching to the Firm Bonds/Standby Bonds or otherwise) is increased by more than 2% from their lowest collective holding of voting rights in the Company in any 12-month period, the BEHL Group and persons acting in concert with it will have the obligation to make such general offer unless a whitewash waiver is granted by the Securities and Futures Commission of Hong Kong and approved by the independent Shareholders by way of a poll.

The table below illustrated the shareholding structure of the Company (1) as at the date of this announcement; (2) immediately after full conversion of the Firm Bonds and partial conversion of the Standby Bonds; (3) immediately after full conversion of the Firm Bonds and partial conversion of the Standby Bonds and the issue of the Consideration Shares at Completion; and (4) immediately after the issue of the Consideration Shares at Completion but before full conversion of the Firm Bonds and partial conversion of the Standby Bonds, without taking into account other issue of new Shares, if any, after the date of this announcement and prior to Completion:

Shareholders	**As at the date of this announcement**		**Immediately after full conversion of the Firm Bonds and partial conversion of the Standby Bonds**		**Immediately after (i) full conversion of the Firm Bonds and partial conversion of the Standby Bonds, and (ii) the issue of the Consideration Shares at Completion**		**Immediately after the issue of the Consideration Shares at Completion, but before full conversion of the Firm Bonds and partial conversion of the Standby Bonds**	
	Number of Shares	*Approximate percentage of shareholdings*	*Number of Shares*	*Approximate percentage of shareholdings*	*Number of Shares*	*Approximate percentage of shareholdings*	*Number of Shares*	*Approximate percentage of shareholdings*
BEHL Group	467,459,000	54.68%	753,459,000	66.04%	753,459,000	50.64%	467,459,000	38.89%
Directors								
— Mr. E Meng	601,000	0.07%	601,000	0.05%	601,000	0.04%	601,000	0.05%
— Mr. Zhang Honghai	4,000,000	0.47%	4,000,000	0.35%	4,000,000	0.27%	4,000,000	0.33%
— Mr. Ng Kong Fat, Brian	10,392,755	1.22%	10,392,755	0.91%	10,392,755	0.70%	10,392,755	0.87%
Vendor	—	—	—	—	347,000,000	23.32%	347,000,000	28.87%
Other public Shareholders	372,507,395	43.57%	372,507,395	32.65%	372,507,395	25.03%	372,507,395	30.99%
Total Shares in issue	**854,960,150**	**100%**	**1,140,960,150**	**100%**	**1,487,960,150**	**100%**	**1,201,960,150**	**100%**

As illustrated above, the shareholding in the Company held by public Shareholders will be above 25% in all scenarios. In addition, under the terms of the Firm Bonds and the Standby Bonds, the Subscriber shall not exercise any of the conversion rights attaching to such bonds if, following such exercise, minimum public float cannot be maintained. The BEHL Group (including the Subscriber) has further undertaken that the Subscriber shall not exercise any of the conversion rights attaching to the Firm Bonds and the Standby Bonds if, following such exercise and taking into account the Consideration Shares that may be allotted and issued to the Vendor (or its nominee) at Completion, minimum public float cannot be maintained.

Financial and other impact

Upon Completion, the Target Companies will become wholly owned subsidiaries of the Company, the financial results, assets and liabilities of the Target Companies will be consolidated into the accounts of the Group. With respect to the prospects of the Target Companies, it is expected that the Target Companies will generate net operating cash inflows to the Group.

Fundings arrangement

Subject to the consent of BEHL and compliance with the Listing Rules, it is proposed that the Cash Consideration will be entirely financed by the net proceeds from the proposed issue of the Standby Bonds to the Subscriber. If the proposed issue of the aforesaid Standby Bonds does not proceed, the Cash Consideration will be financed by cash from internal resources of the Group and/or bank borrowings.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. BEHL, the controlling shareholder of the Company, has indicated its intention to vote in favour of the resolution to approve the Acquisition at the EGM to be convened to, among other things, consider the Acquisition. As at the date of this announcement, the BEHL Group is interested in 467,459,000 Shares, representing approximately 54.68% of the issued shares of the Company.

The Acquisition is conditional upon, among other things, the passing of an ordinary resolution by the Shareholders at the EGM and no Shareholders are required to abstain from voting on such resolution. A circular containing, among other things, further details of the Acquisition and a notice of the EGM will be despatched to the Shareholders on or before 17 March 2014 in accordance with the Listing Rules.

Completion is conditional upon, among other things, the satisfaction of the Conditions. Therefore, the Acquisition may or may not materialise. Shareholders and investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

"Acquisition"	the sale and purchase of the Sale Shares and the Shareholders Loans pursuant to the Sale and Purchase Agreement;
"BEHL"	Beijing Enterprises Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 392);
"BEHL Group"	BEHL and its subsidiaries;
"Board"	the board of Directors;
"Cash Consideration"	the part of the Consideration in the sum of RMB86,790,000 (equivalent to approximately HK$111,230,000) to be satisfied in cash at Completion;
"Company"	Beijing Development (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 154);
"Completion"	the completion of the sale and purchase of the Sale Shares and the Shareholders Loans in accordance with the terms of the Sale and Purchase Agreement;
"Conditions"	the conditions precedent to completion of the transactions contemplated under the Sale and Purchase Agreement, the major terms of which are set out in section headed "The Sale and Purchase Agreement — Conditions Precedent" in this announcement;
"Consideration"	the consideration for sale and purchase of the Sale Shares and the assignment of the Shareholders Loans;
"Consideration Shares"	347,000,000 Shares to be allotted and issued at the Issue Price to the Vendor or such person as it may direct to satisfy part of the Consideration pursuant to the terms of the Sale and Purchase Agreement;
"Directors"	the directors of the Company;

"EGM"	the extraordinary general meeting to be convened to consider, and if thought fit, approve the Sale and Purchase Agreement, the Acquisition and the issue of the Consideration Shares pursuant to the terms of the Sale and Purchase Agreement;
"Firm Bonds"	the convertible bonds due 2018 in the aggregate principal amount of HK$300,580,000 issued by the Company to the Subscriber, details of which are set out in the circular of the Company to the Shareholders dated 21 December 2012;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Hunan Project"	has the meaning ascribed to it under the section headed "Information on the Target Group — The Projects" of this announcement;
"Issue Price"	the issue price of the Consideration Shares in the amount of HK$1.60 per Share;
"KCS Changde"	KCS Changde Investments Company Limited (中馬常德投資有限公司), a company incorporated in Hong Kong with limited liability;
"KCS Taian"	KCS Taian Investments Company Limited (中馬泰安投資有限公司), a company incorporated in Hong Kong with limited liability;
"kWh"	kilowatt-hour;
"Last Trading Date"	28 January 2014, being the last trading for the Shares on the Stock Exchange prior to the date of the Previous Announcement;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"PRC"	the People's Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan);
"Projects"	means collectively, the Shandong Project and the Hunan Project;

"Previous Announcement"	the announcement of the Company dated 29 January 2014 in relation to, among other things, the entering into the framework agreement between the Company and the Vendor in respect of the Acquisition;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale and Purchase Agreement"	the sale and purchase agreement dated 24 February 2014 entered into among the Company and the Vendor relating to the Acquisition;
"Sale Shares"	all of the issued shares of each of KCS Taian and KCS Changde;
"Shandong Project"	has the meaning ascribed to it under the section headed "Information on the Target Group — The Projects" of this announcement;
"Shareholders"	holders of the Shares;
"Shareholders Loans"	the loans owing by each of the Target Group to the Vendor as at Completion, the outstanding amount of which was US$71,531,751.70 (equivalent to approximately HK$555,227,000) as at the date of the Sale and Purchase Agreement;
"Share(s)"	ordinary share(s) of HK$1.00 each in the share capital of the Company;
"Standby Bonds"	the standby convertible bonds due 2018 in the aggregate principal amount of HK$3,000,150,000 proposed to be issued by the Company to the Subscriber, details of which are set out in the circular of the Company to the Shareholders dated 21 December 2012;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subscriber"	Idata Finance Trading Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of BEHL;
"Takeovers Code"	the Codes on Takeovers and Mergers issued by the Securities and Futures Commission in Hong Kong;
"Target Companies"	collectively KCS Changde and KCS Taian;
"Target Group"	the Target Companies and their respective subsidiaries;

"US$"	United States dollars, the lawful currency of the United States of America;
"Vendor"	KCS Green Energy International (Group) Investments Company Limited, a company incorporated in Hong Kong with limited liability and the holder of Sale Shares and the Shareholders Loans;
"%"	percentage.

For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK$ at the rate of RMB1:HK$1.2816 and US$ is converted into HK$ at the rate of US$1:HK$7.762. No representation is made that any amounts in RMB has been or could be converted at the above rates or at any other rates.

By order of the Board
Beijing Development (Hong Kong) Limited
E Meng
Chairman

Hong Kong, 24 February 2014

At the date of this announcement, the board of directors of the Company comprises seven executive directors, namely Mr. E Meng, Mr. Zhang Honghai, Mr. Ke Jian, Mr. Wang Yong, Ms. Sha Ning, Ms. Qin Xuemin and Mr. Ng Kong Fai, Brian, and four independent non-executive directors, namely Dr. k Lizuo, Dr. Huan Guocang, Dr. Wang Jianping and Prof. Nie Yongfeng.