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**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 DISPOSAL AND CONNECTED TRANSACTION**  
**DISPOSAL OF INTEREST IN A SUBSIDIARY**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**



The Board is pleased to announce that on 23 December 2014 (after trading hours of the Stock Exchange), the Vendor, a direct wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which, subject to the Conditions Precedent set out therein, the Vendor agreed to sell and dispose of the Sale Shares and the Debt at a total consideration of HK\$126,000,000, of which approximately HK\$76,377,000 arising from the Vendor's disposal of the Sale Shares and approximately HK\$49,623,000 will be payable arising from assignment of the Debt.

The Purchaser is wholly owned by BEGCL, a controlling shareholder of the Company which indirectly owns 50.36% shareholding in the Company as at the date of this announcement. Accordingly, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios under Rule 14.07 of the Listing Rules exceed 75%, the Disposal is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Disposal also constitutes a very substantial disposal 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.

The EGM will be convened as soon as practicable to consider, and if thought fit, to approve the Disposal Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further details of the Disposal, the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, the recommendation from the Independent Board Committee and the financial information of the Group together with the notice of the EGM will be despatched to the Shareholders on or before 13 April 2015, which is more than 15 business days after the publication of this announcement, as the Company requires more time to prepare the updated financial information of the Target Group to be included in the circular.

## THE DISPOSAL AGREEMENT

**Date:** 23 December 2014

**Parties:** (1) vendor: the Vendor, a direct wholly-owned subsidiary of the Company  
(2) purchaser: the Purchaser, which is wholly owned by BEGCL, a controlling shareholder of the Company.

**Subject matter:** Pursuant to the Disposal Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares together with the Debt owed by the Target Group to the Company.

As at the date of this announcement, the Target Company is owned by the Vendor, Cosmos Vantage Limited, He Yingkai (賀迎凱) and Li Jichen (李繼成) as to 72%, 20%, 4% and 4% respectively.

### Consideration:

The consideration for the Disposal shall be HK\$126,000,000, of which approximately HK\$76,377,000 arising from the Vendor's disposal of the Sale Shares and approximately HK\$49,623,000 will be payable arising from assignment of the Debt.

The consideration for the Disposal was determined and agreed between the parties after arm's length negotiations and taking into account (i) the unaudited consolidated net liabilities of the Target Group (excluding the interests in Beijing Enterprises Teletron and Beijing Enterprises Jetrich) absorbed by the Group as at 31 December 2013 of approximately HK\$18,344,000; (ii) the audited consolidated net assets value of Beijing Enterprises Teletron and Beijing Enterprises Jetrich (prepared in accordance with the generally accepted accounting principles in the PRC) attributable to the Group as at 31 December 2013 in aggregate of approximately HK\$92,713,000; and (iii) the Debt of approximately HK\$49,623,000.

The Vendor shall pay the consideration in cash to the Purchaser upon Completion.

## Conditions Precedent:

Completion is conditional upon the following conditions precedent being satisfied or waived:—

- (1) the Disposal Agreement shall have been signed and chopped by the parties and become effective;
- (2) the Vendor shall have obtained all necessary internal approval in respect of the Disposal Agreement and the transactions contemplated under the Disposal Agreement, including but not limited to the approval of the Independent Shareholders as may be required under the Listing Rules and in accordance with the articles of association of the Company;
- (3) each of the Vendor and the Purchaser shall have obtained approval from its board of directors (or its shareholders if required under its articles of association) in respect of the Disposal Agreement and the transactions contemplated under the Disposal Agreement;
- (4) Bank of Beijing Co., Ltd. (Tiantan branch) shall have agreed to release the guarantee dated 18 June 2014 given by the Company in favour of Bank of Beijing Co., Ltd. (Tiantan branch) in relation to a facility provided to Beijing Enterprises Teletron up to RMB100 million (equivalent to approximately HK\$128.21 million);
- (5) there shall have no material adverse change for the Target Group;
- (6) the parties shall have observed all laws and regulations in relation to the transfer of the Sale Shares, including completion of all necessary procedures and registration; and
- (7) the Company (as assignor) and the Purchaser (as assignee) shall execute the deed of assignment of the Debt.

The Purchaser may waive the conditions precedent (1) and (5) above, whereas the Vendor may waive the conditions precedent (1), (4) and (7) above. As at the date of this announcement, only conditions precedent (1) and (3) have been satisfied and the parties have not waived any other conditions precedent. Conditions precedent (4) and (7) are waiveable at the sole discretion of the Vendor. Waiving conditions precedent (4) would result that the Company continues to provide guarantee for Beijing Enterprises Teletron's indebtedness and waiving condition precedent (7) would mean that the Vendor waive part of the consideration of HK\$49,623,000 arising from the assignment of Debt. As waiving any the conditions precedent (4) and (7) are not in the interest of the Group, the Vendor does not have intention to waive any of such conditions precedent.

If any of the Conditions Precedent shall have not been satisfied or waived within six months from the date of the Disposal Agreement (or such other date as agreed by the parties), the Disposal Agreement will immediately and automatically terminate and no party shall have any claim whatsoever against another party, save for antecedent breach.

Completion shall take place within ten business days following the satisfaction or waiver of all the Conditions Precedent. After the completion of the Disposal, the Group will cease to have any interest in the Target Group and Target Company will cease to be the Company's subsidiary.

## **INFORMATION ABOUT THE GROUP AND OTHER PARTIES**

### **The Group**

The principal activities of the Group are environmental protection and solid waste treatment, and the provision of information technology related services.

### **The Vendor**

The Vendor is a company incorporated in the BVI with limited liability and is an investment holding company.

### **The Purchaser**

The Purchaser is a company incorporated in the BVI with limited liability and is an investment holding company.

### **The Target Group**

The Target Company is a company incorporated in the BVI with limited liability and is an investment holding company. The Target Company owns the entire equity interest in Beijing Enterprises Teletron and Beijing Enterprises Jetrich. Beijing Enterprises Teletron is principally engaged in system integration and provision of information technology technical support and consultation services, whereas Beijing Enterprises Jetrich is principally engaged in provision of total education solutions.

As at 31 December 2013, the unaudited consolidated net assets value of the Target Group (prepared in accordance with Hong Kong Financial Reporting Standards) was approximately HK\$63,883,000.

The unaudited net losses (both before and after taxation and extraordinary items) attributable to the Group's interest in the Target Group (prepared in accordance with Hong Kong Financial Reporting Standards) for the financial years ended 31 December 2012 and 31 December 2013 are as follows:

|  | <b>2013</b><br><i>(HK\$'000)</i> | <b>2012</b><br><i>(HK\$'000)</i> |
|--|----------------------------------|----------------------------------|
| Net losses before taxation and extraordinary items | 3,725                            | 15,470                           |
| Net losses after taxation and extraordinary items  | 3,725                            | 15,575                           |

## REASONS FOR THE DISPOSAL AND FINANCIAL IMPLICATIONS THEREOF

Provision of information technology related services has been the principal activity of the Group over the past decade. Despite years of operation and development, the businesses of the Target Group have been shrinking and in loss-making position for years. In the first half of 2014, the businesses of the Target Group remained stagnant. Due to the fierce competition in the market, the number of completed rail transit projects decreased significantly, while other businesses, including intelligent buildings, outsourcing services and network operations, software development, education smart card operation and data operation for education institutions in Beijing, saw a steady development.

The Directors consider that in the absence of a timely transition, the Group's loss-making position will continue and it will be difficult to deliver value to the Shareholders. To build a stronger business foundation, broaden the source of income and improve the overall financial results of the Group, the Company has been exploring all business opportunities including the environmental protection business sector. The Company believes that the waste incineration-power generation is a market with vast prospects, delivers good social efficiency and provides stable cash flow. The Group has committed to commence its strategic transformation to enter the waste incineration-power generation industry through restructuring its existing business portfolio and investing in the environmental protection and solid waste treatment industry. The Directors consider that such strategic transformation and development will improve the Group's financial performance and maximise the return to the Company and thus its Shareholders in the long run.

Upon Completion, the Group will no longer be engaged in any information technology business except for one of its insignificant subsidiary, namely, Beijing Enterprises UniCard Co., Ltd, which was loss making and only accounted for approximately 3% of the Group's revenue during the year ended 31 December 2013. The Group has intention to dispose of such subsidiary if it is able to find a suitable buyer.

In line with the strategic transformation, the Group has:

- (i) completed the acquisition of two household waste incineration power generation projects of daily waste treatment capacity of 2,000 tonnes in aggregate in April 2014, details of which are disclosed in the circular of the Company dated 27 March 2014. During the period from May to June 2014, the two projects contributed unaudited revenue and net profit of approximately HK\$24,388,000 and HK\$4,702,000, respectively; and
- (ii) established a joint venture for the investment and operation of the Haidian Renewable Energy Power Generation Project with total investment amount of RMB925,000,000 (equivalent to approximately HK\$1,185,897,000), details of which are disclosed in the circular of the Company dated 10 October 2014.

The Group intends to focus on solid waste treatment business after the Disposal and believes that such business constitutes sufficient level of operations as required under Rule 13.24 of the Listing Rules as (i) the total revenue generated from the two household waste incineration power generation projects in May to June 2014 account for 43% of the Group's total revenue for the six months

ended 30 June 2014 and (ii) the Group has established another joint venture with total investment amount of RMB925,000,000 (equivalent to approximately HK\$1,185,897,000) in second half of 2014. The Group has the intention and is under preliminary negotiations to acquire potential solid waste treatment business and will continue to explore business opportunities in this field. However, as at the date of this announcement, the Group has not entered into any agreement or letter of intent for such potential acquisition. Save as disclosed in this announcement, the Group does not have concrete plan nor is it in negotiation for other significant acquisition or disposal as at the date of this announcement.

The Directors consider that the Disposal present a good opportunity for the Group to realise its investment in the Target Group.

Based on the consideration receivable by the Vendor arising from the Disposal of HK\$126,000,000, the unaudited consolidated net assets value of the Target Group attributable to the Group (prepared in accordance with Hong Kong Financial Reporting Standards) as at 31 December 2013 which amounted to approximately HK\$41,735,000 (being calculated at 72% share of the unaudited net assets value of the Target Group of approximately HK\$63,883,000 after deducting those attributable to the non-controlling interests of approximately HK\$5,918,000), the Debt as at the date of this announcement which amounted to approximately HK\$49,623,000, the realisation of the exchange fluctuation reserve as at 31 December 2013 which amounted to approximately HK\$41,266,000 and the estimated legal and other professional expenses relating to the Disposal of approximately HK\$1,000,000, the Group presently expects to record a gain of approximately HK\$74,908,000 from the Disposal.

The net proceeds receivable from the Disposal, after deducting expenses directly attributable to the Disposal of approximately HK\$1,000,000, are estimated to amount to approximately HK\$125,000,000, and are intended to be used for general working capital of the Group.

In view of the above, the Directors take the view that the Disposal is in line with the Group's business transformation and will enable the Group to increase its working capital and future investment potential, and will accordingly improve the liquidity and strengthen the overall financial position of the Group as a whole. Based on the aforesaid, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from Gram Capital) consider that the Disposal is fair and reasonable and on normal commercial terms and that the entering into of the Disposal Agreement is in the interest of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

The Purchaser is wholly owned by BEGCL, a controlling shareholder of the Company which owns 50.36% shareholding in the Company as at the date of this announcement. Accordingly, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios under Rule 14.07 of the Listing Rules exceed 75%, the Disposal is subject to the reporting, announcement

and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Disposal also constitutes a very substantial disposal 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.

## **GENERAL**

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Jin Lizuo, Dr. Huan Guocang, Dr. Wang Jianping, Prof. Nie Yongfeng and Mr. Cheung Ming, has been established to advise the Independent Shareholders in respect of the Disposal Agreement and the transactions contemplated thereunder. Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal Agreement and the transactions contemplated thereunder.

The EGM will be convened as soon as practicable to consider, and if thought fit, to approve the Disposal Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further details of the Disposal, the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Disposal, the recommendation from the Independent Board Committee and the financial information of the Group together with the notice of the EGM will be despatched to the Shareholders on or before 13 April 2015, which is more than 15 business days after the publication of this announcement, as the Company requires more time to prepare the updated financial information of the Target Group to be included in the circular.

## **DEFINITIONS**

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

|                                |  |
|--------------------------------|--|
| “BEGCL”                        | Beijing Enterprises Group Company Limited, a company established in the PRC and a controlling shareholder of the Company                                     |
| “Beijing Enterprises Jetric”   | Beijing Enterprises Jetric (Beijing) Limited, a company established in the PRC and an indirectly wholly owned subsidiary of the Target Company               |
| “Beijing Enterprises Teletron” | Beijing Enterprises Teletron Information Technology Co., Ltd., a company established in the PRC and a directly wholly owned subsidiary of the Target Company |
| “Board”                        | the board of Directors   |

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|---|--|
| “BVI”   | the British Virgin Islands   |
| “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”  | completion of the sale and purchase of the Sale Shares and the Debt pursuant to the terms of the Disposal Agreement  |
| “controlling shareholder”                               | has the meaning ascribed to it under the Listing Rules   |
| “Conditions Precedent”                                  | the conditions precedent set out in the Disposal Agreement which must be satisfied or waived by the Purchaser within six months from the date of the Disposal Agreement (or such other date as agreed by the parties) in order for Completion to take place  |
| “connected persons”                                     | has the meaning ascribed to it under the Listing Rules   |
| “Debt”  | the shareholders’ loans owed and repayable by the Target Group to the Company in the sum of approximately HK\$49,623,000 as at the date of this announcement   |
| “Director(s)”   | the director(s) of the Company   |
| “Disposal”  | the sale of the Sale Shares and the Debt by the Vendor to the Purchaser pursuant to the terms and conditions of the Disposal Agreement   |
| “Disposal Agreement”                                    | the agreement dated 23 December 2014 entered into between the Vendor and the Purchaser in relation to the Disposal   |
| “EGM”   | the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Disposal Agreement and the transactions contemplated thereunder  |
| “Gram Capital” or<br>“Independent Financial<br>Adviser” | Gram Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal Agreement and the transactions contemplated thereunder |
| “Group”   | the Company and its subsidiaries   |



|                               |   |
|-------------------------------|---|
| “HK\$”                        | Hong Kong dollar, the lawful currency of Hong Kong  |
| “Hong Kong”                   | the Hong Kong Special Administrative Region of the PRC  |
| “Independent Board Committee” | the committee of Directors consisting of Dr. Jin Lizuo, Dr. Huan Guocang, Dr. Wang Jianping, Prof. Nie Yongfeng and Mr. Cheung Ming, being all the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the terms of the Disposal |
| “Independent Shareholders”    | Shareholders other than BEGCL and its associates and those who are involved in or interested in the relevant resolution to be approved at the EGM   |
| “Listing Rules”               | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “PRC”                         | the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan  |
| “Purchaser”                   | Beijing Enterprises Group Information Limited, a company incorporated in the BVI with limited liability   |
| “RMB”                         | Reminbi, the lawful currency of the PRC   |
| “Sale Shares”                 | 72% shareholding in the Target Company owned by the Vendor as at the date of this announcement  |
| “Shareholders”                | shareholders of the Company   |
| “Shares”                      | shares of the Company   |
| “Stock Exchange”              | The Stock Exchange of Hong Kong Limited   |
| “Target Company”              | B E Information Technology Group Limited, a company incorporated in the BVI with limited liability  |
| “Target Group”                | the Target Company and its subsidiaries   |

“Vendor”

Prime Technology Group Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company

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

Hong Kong, 23 December 2014

*For the purposed of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of RMB0.78 to HK\$1. No representation is made that any amounts in RMB has been or could be converted at the above rate or at any other rates.*

*As at the date of this announcement, the board of directors of the Company comprises six executive directors, namely Mr. E Meng, Mr. Zhang Honghai, Mr. Ke Jian, Ms. Sha Ning, Ms. Qin Xuemin and Mr. Ng Kong Fat, Brian, and five independent non-executive directors, namely Dr. Jin Lizuo, Dr. Huan Guocang, Dr. Wang Jianping, Prof. Nie Yongfeng and Mr. Cheung Ming.*