THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Beijing Development (Hong Kong) Limited, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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)

MAJOR TRANSACTION

FORMATION OF JOINT VENTURE RELATING TO THE INVESTMENT AND OPERATION OF THE HAIDIAN RENEWABLE ENERGY POWER GENERATION PROJECT

A letter from the Board is set out on pages 7 to 28 of this circular.

10 October 2014

CONTENTS

Page

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

"2012 Circular"	the circular of the Company dated 21 December 2012;
"Articles of Association"	the articles of association entered into between BDEP (Haidian) and the Original Shareholders on 28 June 2012 to further stipulate the terms of the target joint venture company proposed to be established between BDEP (Haidian) and the Original Shareholders following injection of the Capital Investment pursuant to the terms of the Increase of Capital Contract;
"associate"	has the meaning ascribed thereto under the Listing Rules;
"BDEP (Haidian)"	Beijing Development Environmental Protection (Haidian) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
"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;
"Capital Investment"	RMB256,000,000 (equivalent to approximately HK$321,838,502), which is proposed to be injected as additional registered capital of Lvhaineng by way of cash pursuant to the terms of the Increase of Capital Contract subject to and upon completion of the Increase of Capital Contract;
"City Management Commission"	北京市海澱區市政市容管理委員會 (Commission of City Administration and Environment, Haidian District, Beijing Municipality*);
"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);

"connected person"	has the meanings ascribed thereto under the Listing Rules;
"Directors"	the directors of the Company;
"Equity Premium"	RMB27,550,000 (equivalent to approximately HK$34,635,354), which is the maximum amount proposed to be injected by BDEP (Haidian) by way of cash as equity premium of Lvhaineng pursuant to the terms of the Increase of Capital Contract;
"Facilities"	the facilities of the Haidian Project comprising the Facilities A and the Facilities B;
"Facilities A"	part of the Facilities to be constructed by Lvhaineng and financed by the Central People's Government of the PRC and the People's Government of Beijing Municipality;
"Facilities B"	part of the Facilities to be constructed by Lvhaineng (as engaged by the Licensed Company) and financed by the Licensed Company;
"Firm Bonds"	the convertible bonds due 2018 in the aggregate principal amount of HK$300,580,000 issued by the Company to the Subscriber, details of which are set out in the 2012 Circular;
"First Announcement"	the announcement of the Company dated 28 June 2012;
"Group"	the Company and its subsidiaries;
"Haidian Project"	北京市海澱區循環經濟產業園再生能源發電廠項目 (Beijing Haidian District Cyclic Economy Industrial Park Renewable Energy Power Generation Haidian Project*), a renewable energy power generation plant situated in Haidian District, Beijing Municipality of the PRC;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Increase of Capital Contract"	the contract entered into between BDEP (Haidian) and the Original Shareholders on 28 June 2012 in relation to the proposed injection of the Capital Investment and the Equity Premium as well as advancement of the Shareholder's Loans to the holding company of the Haidian Project;

"Initial Registered Capital"	RMB200,000,000 (equivalent to approximately HK$251,436,330), being the initial registered capital of the Licensed Company upon establishment;
"Initial Total Investment Amount"	RMB600,000,000 (equivalent to approximately HK$754,308,990), being the initial total investment amount of the Licensed Company upon establishment, which includes the Initial Registered Capital;
"Joint Venture Contract"	the contract entered into between BDEP (Haidian) and the Original Shareholders on 28 June 2012 to further stipulate the terms of the target joint venture company proposed to be established between BDEP (Haidian) and the Original Shareholders following injection of the Capital Investment pursuant to the terms of the Increase of Capital Contract;
"Joint Venture Master Agreement"	the agreement dated 4 September 2014 entered into between BDEP (Haidian) and Lvhaineng in relation to the establishment of the Licensed Company;
"kWh"	kilowatt-hour;
"Latest Practicable Date"	8 October 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information set out in this circular;
"Licensed Company"	北京北控綠海能環保有限公司(Beijing Enterprises Holdings Lvhaineng Environment Co., Ltd.*), a company to be established under the laws of the PRC pursuant to the Joint Venture Master Agreement, which shall be owned by BDEP (Haidian) and Lvhaineng as to 99% and 1%, respectively;
"Licensed Operation Agreement"	the agreement to be entered into between the Licensed Company and the City Management Commission, pursuant to which, amongst others, the City Management Commission shall grant an operation license to the Licensed Company for the financing of, investment in and construction of the Facilities B and the operation and maintenance of the Facilities during the Licensed Operation Period;

"Licensed Operation Framework Agreement"	the agreement entered into between BDEP (Haidian) and the City Management Commission on 29 April 2014 setting out the major principles regarding the licensed operation of the Haidian Project by a limited liability company to be established in the PRC to act as the licensed company to operate the Haidian Project;
"Licensed Operation Period"	has the meaning given to it under the section headed "Licensed Operation Framework Agreement" of this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Lvhaineng"	北京綠海能環保有限責任公司(Beijing Lvhaineng Environmental Protection Co., Ltd.*), a company established under the laws of the PRC and which is wholly-owned by the Original Shareholders as at the Latest Practicable Date;
"Original Shareholder(s)"	collectively, Original Shareholder A, Original Shareholder B, Original Shareholder C, and Original Shareholder D;
"Original Shareholder A"	北京市海澱區國有資本經營管理中心(The Beijing Haidian District State Owned Capital Management Centre*), is a state-owned enterprise, principally engaged in the financing of the construction of and investment in infrastructures in Haidian District of Beijing, and which holds 60% equity interests in Lvhaineng as at the Latest Practicable Date;
"Original Shareholder B"	北京中海投資管理公司(Beijing Zhonghai Investment Management Co.*), is a state-owned enterprise, principally engaged in the promotion and development of high-tech industry, and which holds 20% equity interests in Lvhaineng as at the Latest Practicable Date;
"Original Shareholder C"	北京海融達投資建設有限公司(Beijing Hairongda Investment Construction Co., Ltd.*), is a state-owned enterprise, principally engaged in the development and construction of infrastructure and road network, and which holds 12% equity interests in Lvhaineng as at the Latest Practicable Date;

"Original Shareholder D"	北京市海澱區國有資產投資經營有限公司 (State-Owned Properties Investment & Management Co. of Haidian District, Beijing*), is a state-owned enterprise, principally engaged in the investment in high-tech industry and real estates, and which holds 8% equity interests in Lvhaineng as at the Latest Practicable Date;
"PRC"	the People's Republic of China (excluding, for the purpose of this circular, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan);
"RMB"	Renminbi, the lawful currency of the PRC;
"Second Announcement"	the announcement of the Company dated 29 April 2014;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	ordinary share(s) of HK$1.00 each in the share capital of the Company;
"Shareholders"	holders of the Shares;
"Shareholders' Loans"	RMB644,000,000 (equivalent to approximately HK$809,624,983), which is the total aggregate amount of all unsecured loans proposed to be advanced by BDEP (Haidian) to Lvhaineng pursuant to the terms of the Increase of Capital Contract;
"Standby Bonds"	the standby convertible bonds due 2018 in the aggregate principal amount of HK$3,000,150,000 issued and proposed to be issued by the Company to the Subscriber, details of which are set out in the 2012 Circular;
"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 as at the Latest Practicable Date;
"Subscription Agreement"	subscription agreement dated 15 September 2012 (as amended and supplemented) among the Company, the Subscriber and BEHL in relation to the proposed issue of the Subscription Shares, the Firm Bonds and the Standby Bonds;

"Subscription Shares"	a total of 177,000,000 new Shares issued by the Company to the Subscriber pursuant to the Subscription Agreement;
"Subsequent Registered Capital"	RMB308,340,000 (equivalent to approximately HK$387,639,390), being the registered capital of the Licensed Company upon the increase of capital as described in the section headed "Joint Venture Master Agreement — Formation of and Investment in the Licensed Company — Step 2: Subsequent Increase of Capital" of this circular;
"Subsequent Total Investment Amount"	RMB925,000,000 (equivalent to approximately HK$1,162,893,026), being the total investment amount of the Licensed Company upon the increase of capital as described in the section headed "Joint Venture Master Agreement — Formation of and Investment in the Licensed Company — Step 2: Subsequent Increase of Capital" of this circular, which shall include the Subsequent Registered Capital;
"Written Approval"	the written approval of the Joint Venture Master Agreement and the transactions contemplated thereunder by BEHL and the Subscriber dated 4 September 2014; and
"%"	percentage.

For the purpose of this circular and for illustrative purpose only, RMB is converted into HK$ at the rate of RMB0.79543:HK$1. No representation is made that any amounts in RMB has been or could be converted at the above rates or at any other rates.

* *for identification purposes only*

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)

Executive Directors:
Mr. E Meng *(Chairman)*
Mr. Zhang Honghai
Mr. Ke Jian
Ms. Sha Ning
Ms. Qin Xuemin
Mr. Ng Kong Fat, Brian

Independent Non-Executive Directors:
Dr. Jin Lizuo
Dr. Huan Guocang
Dr. Wang Jianping
Prof. Nie Yongfeng
Mr. Cheung Ming

Registered Office:
66th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

10 October 2014

To the Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTION

FORMATION OF JOINT VENTURE RELATING TO THE INVESTMENT AND OPERATION OF THE HAIDIAN RENEWABLE ENERGY POWER GENERATION PROJECT

INTRODUCTION

Reference is made to the First Announcement, whereby the Company announced that BDEP (Haidian), a wholly-owned subsidiary of the Company, had entered into the conditional

Increase of Capital Contract with the Original Shareholders in relation to the proposed injection of the Capital Investment and the Equity Premium as well as advancement of the Shareholder's Loans to Lvhaineng, the holding company of the Haidian Project. Reference is also made to the Second Announcement, whereby the Company announced that BDEP (Haidian) had further entered into the Licensed Operation Framework Agreement with the City Management Commission to, among other things, increase the Group's potential interest in the Haidian Project from 50% to 99%, and to enter into a formal agreement in relation to the establishment of the Licensed Company and other ancillary agreements, and which will, upon signing thereof, replace and supersede the Increase of Capital Contract, the Joint Venture Contract and the Articles of Association.

On 4 September 2014, BDEP (Haidian) entered into the Joint Venture Master Agreement with Lvhaineng in relation to the establishment of the Licensed Company for the investment, construction and operation of the Haidian Project. Upon completion of the Joint Venture Master Agreement, the Licensed Company shall become a non wholly-owned subsidiary of the Company owned as to 99% and 1% by BDEP (Haidian) and Lvhaineng, respectively.

Under the Joint Venture Master Agreement, the parties agreed, among other things, that:

(i) upon establishment, the Licensed Company shall have an Initial Total Investment Amount of RMB600,000,000 (equivalent to approximately HK$754,308,990), of which RMB200,000,000 (equivalent to approximately HK$251,436,330) shall be the Initial Registered Capital. The Initial Registered Capital shall be contributed by BDEP (Haidian) and Lvhaineng as to RMB198,000,000 (equivalent to approximately HK$248,921,967) and RMB2,000,000 (equivalent to approximately HK$2,514,363), respectively; and the balance of the Initial Total Investment Amount after deducting the Initial Registered Capital in the sum of RMB400,000,000 (equivalent to approximately HK$502,872,660) shall be contributed by BDEP (Haidian);

(ii) upon completion of the first capital injection above, BDEP (Haidian) and Lvhaineng shall further increase the total investment amount of the Licensed Company to RMB925,000,000 (equivalent to approximately HK$1,162,893,026), of which RMB308,340,000 (equivalent to approximately HK$387,639,390) shall be the Subsequent Registered Capital. The increase in the registered share capital of the Licensed Company in the sum of RMB108,340,000 (equivalent to approximately HK$136,203,060) shall be contributed by BDEP (Haidian) and Lvhaineng as to RMB107,256,600 (equivalent to approximately HK$134,841,029) and RMB1,083,400 (equivalent to approximately HK$1,362,031), respectively; and the balance of the Subsequent Total Investment Amount after deducting the Subsequent Registered Capital and BDEP (Haidian)'s contribution to the Initial Total Investment Amount (excluding the Initial Registered Capital) in the sum of RMB216,660,000 (equivalent to approximately HK$272,380,976) shall be contributed by BDEP (Haidian); and

(iii) the Subsequent Total Investment Amount shall be applied by the Licensed Company to engage Lvhaineng to construct part of the Facilities B.

This circular provides you with, among other things, (i) details of the Haidian Project, the Joint Venture Master Agreement and the transactions contemplated thereunder; (ii) financial information of the Group; and (iii) a business valuation report of the Haidian Project for information purposes only.

JOINT VENTURE MASTER AGREEMENT

Date : 4 September 2014

Parties : (1) BDEP (Haidian); and
(2) Lvhaineng.

Formation of and investment in the Licensed Company

The parties have agreed to establish the Licensed Company for the purposes of obtaining the operation license for the operation of the Haidian Project and inject capital in the Licensed Company through the following steps:

Step 1: Initial Registered Capital and Initial Total Investment Amount

Initial Registered Capital : RMB200,000,000 (equivalent to approximately HK$251,436,330). BDEP (Haidian) shall contribute RMB198,000,000 (equivalent to approximately HK$248,921,967) by way of cash and shall hold 99% equity interest of the Licensed Company, and Lvhaineng shall contribute RMB2,000,000 (equivalent to approximately HK$2,514,363) by way of cash and shall hold 1% equity interest of the Licensed Company.

The Initial Registered Capital shall be paid up by each of BDEP (Haidian) and Lvhaineng within 60 days from the date of obtaining of the business license.

Initial Total Investment Amount	:	RMB600,000,000 (equivalent to approximately HK$754,308,990). The balance of the Initial Total Investment Amount after deducting the amount of the Initial Registered Capital in the sum of RMB400,000,000 (equivalent to approximately HK$502,872,660) shall be contributed by BDEP (Haidian).

Step 2: Subsequent Increase of Capital

Upon completion of the injection of the Initial Total Investment Amount, BDEP (Haidian) and Lvhaineng shall procure the increase of the total investment amount and registered capital of the Licensed Company as follows:

Subsequent Registered Capital	:	RMB308,340,000 (equivalent to approximately HK$387,639,390), i.e. an increase of RMB108,340,000 (equivalent to approximately HK$136,203,060). Such increase shall be contributed as to RMB107,256,600 (equivalent to approximately HK$134,841,029) and RMB1,083,400 (equivalent to approximately HK$1,362,031) by BDEP (Haidian) and Lvhaineng, respectively. Following such increase, the Licensed Company shall remain to be held as to 99% and 1% by BDEP (Haidian) and Lvhaineng, respectively.
Subsequent Total Investment Amount	:	RMB925,000,000 (equivalent to approximately HK$1,162,893,026), i.e. an increase of RMB325,000,000 (equivalent to approximately HK$408,584,036). The balance of the Subsequent Total Investment Amount after deducting the Subsequent Registered Capital and BDEP (Haidian)'s contribution to the Initial Total Investment Amount (excluding the Initial Registered Capital) in the sum of RMB216,660,000 (equivalent to approximately HK$272,380,976) shall be contributed by BDEP (Haidian).

Accordingly, the total investment amount to be contributed by the Group to the Licensed Company is the aggregate amount of RMB921,916,600 (equivalent to approximately HK$1,159,016,633). The Subsequent Total Investment Amount is determined with reference to the feasibility report of the Haidian Project as approved by the Beijing Municipal Commission of Development and Reform.

Management of the Licensed Company

Board of directors and management	:	The board of directors is the highest authority of the Licensed Company and is responsible for making all major decisions of the Licensed Company. The board of directors shall consist of five persons, of which four directors shall be appointed by BDEP (Haidian) and one director shall be appointed by Lvhaineng. The chairman of the board of directors shall be a director appointed by BDEP (Haidian) and the vice-chairman of the board of directors shall be a director appointed by Lvhaineng. A quorum of the board of directors shall be two thirds of all the directors of the Licensed Company. Certain matters such as amendments to articles of association, increase and reduction of registered capital and dissolution of the Licensed Company shall require the unanimous consent of all the directors present at a board meeting. The director appointed by Lvhaineng shall have veto right over certain matters including any proposals which would jeopardise the operations of the Haidian Project or the treatment of ashes.
Supervisors and senior management	:	The Licensed Company shall have two supervisors, of which each of BDEP (Haidian) and Lvhaineng shall be entitled to appoint one supervisor. BDEP (Haidian) is entitled to appoint the general manager and the chief financial officer of the Licensed Company.

The Company intends to appoint Mr. Ke Jian as the chairman of the Licensed Company. Mr. Ke is the vice chairman and the chief executive officer of the Company, the vice president of BEHL, an executive director of Beijing Enterprises Water Group Limited, and the chairman of Beijing Enterprises Holdings Environment Technology Co. Ltd. 北京北控環保工程技術有限公司("**BEHET**"). BEHET is a wholly-owned subsidiary of BEHL and a key component of BEHL's utilities platform which focuses on investment, construction and operational management of the solid waste treatment projects. BEHET has accumulated rich industry experience and a high-quality staff team and possesses the Environmental Management System Certificate, Quality Management System Certificate and Environmental Pollution Control Facilities Operation Qualification Certificate (環境污染治理設施運營資質證書). Such appointment will enable Mr. Ke to transfer his past managerial experiences in environmental protection industry into the strategic planning and daily operations of the Licensed Company.

Implementation of the Licensed Operation Framework Agreement

Subsequent to the establishment of, and the injection of capital into, the Licensed Company, the Licensed Company shall enter into further agreements, including but not limited to the Licensed Operation Agreement, to implement the terms of the Licensed Operation Framework Agreement. Particulars of the Licensed Operation Framework Agreement are set out in the section headed "Licensed Operation Framework Agreement" below.

Use of the Subsequent Total Investment Amount

The Licensed Company shall apply the Subsequent Total Investment Amount to engage Lvhaineng to construct the Facilities B.

Replacement of the previous agreements

BDEP (Haidian) and Lvhaineng agreed that the Joint Venture Master Agreement shall replace and supersede the Increase of Capital Contract, the Joint Venture Contract and the Articles of Association. Accordingly, the Company will no longer issue a circular in respect of the Increase of Capital Contract, the Joint Venture Contract and the Articles of Association as contemplated and described in the First Announcement.

LICENSED OPERATION FRAMEWORK AGREEMENT

As disclosed in the Second Announcement, BDEP (Haidian) and the City Management Commission entered into the Licensed Operation Framework Agreement setting out the major principles regarding the licensed operation of the Haidian Project by the Licensed Company, including:

- The Haidian Project shall be operated by the public-private partnership (PPP) structure. The Licensed Company shall, upon establishment, enter into the Licensed Operation Agreement with the City Management Commission, pursuant to which the City Management Commission will grant an operation license to the Licensed Company for the financing of, investment in and construction of the Facilities B and the operation and maintenance of the Facilities for a term of 30 years commencing from the date of commercial operations (the "**Licensed Operation Period**"). Upon the expiry of the Licensed Operation Period, the Licensed Company shall transfer the Facilities to the relevant governmental authority at nil consideration.

- During the term of the Licensed Operation Period, the City Management Commission shall supply incinerable waste and food waste to the Licensed Company, and the Licensed Company shall be responsible for the operation of the Haidian Project to process incinerable waste and food waste. (i) The City Management Commission shall be responsible for the supply of on average at least 2,100 tonnes of incinerable waste per day to the Licensed Company, and be responsible all the costs incurred for the transport and treatment of ashes resulting from the incineration of waste; (ii) the incinerable waste treatment fees to be collected by the Licensed Company shall be an agreed unit price of RMB125 (equivalent to approximately HK$157.15) per tonne (exclusive of costs incurred for treatment of ashes) (subject to adjustments based on finalised and audited total investment amount for the Haidian Project); and (iii) the food waste treatment fees to be collected by the Licensed Company shall be determined with reference to the volume of food waste processed and the actual costs incurred.

- Prior to the date of commencement of trial operations, the Licensed Company shall enter into sale and purchase agreements with power enterprises according to the requirements of the Licensed Operation Agreement, pursuant to which the Licensed Company shall sell waste-generated power to relevant power enterprises based on the national or local standardised benchmark power price, which shall be RMB0.65 (equivalent to approximately HK$0.82) per kWh (inclusive of tax) for the first 280 kWh power generated per tonne of incinerable waste and RMB0.3867 (equivalent to approximately HK$0.49) per kWh (inclusive of tax) for the remaining power generated per tonne of incinerable waste.

All the profit/loss deriving from the operation of the Haidian Project will belong to the Licensed Company.

FUNDING ARRANGEMENT

Subject to the consent of BEHL and compliance with the Listing Rules, it is proposed that the capital commitment of BDEP (Haidian) under the Joint Venture Master Agreement will be entirely financed by the net proceeds from (1) the issue of the Subscription Shares and the Firm Bonds; and (2) the proposed issue of the Standby Bonds with an aggregate principal amount of HK$700,600,000 to the Subscriber, a wholly-owned subsidiary of BEHL, as described in the 2012 Circular. The proceeds from the aforesaid proposed issue of the Standby Bonds will also be used to finance the general working capital of the Haidian Project.

As disclosed in the 2012 Circular, the Company shall, subject to satisfaction of the following pre-conditions, have the discretion to notify the Subscriber to require the Subscriber to subscribe for such amount of Standby Bonds as the Company may, from time to time, consider appropriate:

1. in respect of certain specific projects described in the 2012 Circular where no formal binding agreement has been entered into on or prior to 12 December 2012 (being the date of the third supplemental agreement to the Subscription Agreement), a formal binding sale and purchase agreement for the Group's acquisition of the project shall have been entered into between a member of the Group and the counterparty(ies) within one calendar year from the date of completion of the Subscription Agreement;

2. details of the consideration for the acquisition and any related funding requirements shall have been specified in a published announcement (as required by the Listing Rules) and/or a circular despatched to the Shareholders (as required by the Listing Rules) or alternatively, where an announcement is not required to be published or a circular is not required to be despatched in accordance with the requirements of the Listing Rules, in a business plan in respect of such project; and

3. there shall have been satisfaction of all (or, as the case may be, the waiver of any) applicable conditions precedent to completion of such specific project.

The Directors consider that in respect of the Haidian Project, all of the pre-conditions set out above have been fulfilled. In particular, in respect of pre-condition 1 above, the Haidian Project was not one of the projects specified in pre-condition 1 as formal binding agreements, namely the Increase of Capital Contract and the Joint Venture Contract, were entered into by the Group on 28 June 2012 and prior to 12 December 2012 (being the date of the third supplemental agreement to the Subscription Agreement). Since (i) both the subject matter and the total investment amount to be contributed by the Group in relation to the Haidian Project as contemplated under the Increase of Capital Contract and Joint Venture Contract on the one hand and the Licensed Operation Framework Agreement and the Joint Venture Master Agreement on the other hand remain the same, and (ii) pre-condition 1 does not apply to the Haidian Project in the first place, the Directors are of the view that pre-condition 1 does not apply to the subsequent amendments in investment structure of the Haidian Project as contemplated under the Licensed Operation Framework Agreement and the Joint Venture Master Agreement, and the Company is entitled to notify the Subscriber to require the Subscriber to subscribe for Standby Bonds with an aggregate principal amount of HK$700,600,000 for the funding of the Haidian Project.

As at the Latest Practicable Date, BEHL is interested in 753,459,000 Shares, representing approximately 50.36% of the total issued Shares and the outstanding amount of the Standby Bonds which has not been issued is HK$2,887,150,000. Assuming that (i) the Standby Bonds with an aggregate principal amount of HK$700,600,000 would be issued for the funding of the Haidian Project, (ii) the conversion rights attaching to the aforesaid Standby Bonds were exercised in full, and (iii) none of the conversion rights attaching to the part of the Standby Bonds in the principal amount of HK$90,400,000 issued to the Subscriber on 24 April 2014 would be exercised, an aggregate of 620,000,000 new Shares will fall to be allotted and issued to the Subscriber. In such case, BEHL will become interested in a total of 1,373,459,000 Shares, representing approximately 64.91% of the enlarged total number of issued Shares, and minimum public float may not be maintained.

The exercise of any of the conversion rights attaching to the Standby Bonds is subject to the minimum public float requirement of the Listing Rules being complied with. For illustrative purposes only, the table below shows the shareholding structure of the Company (1) as at Latest Practicable Date; and (2) immediately after the partial issue and conversion of the Standby Bonds in the principal amount of HK$700,600,000, assuming that there are no changes to the Shares in issue (other than changes as a result of the partial conversion of the Standby Bonds in the principal amount of HK$700,600,000) after the Latest Practicable Date:

	As at the Latest Practicable Date		Immediately after the partial issue and conversion of the Standby Bonds in the principal amount of HK$700,600,000	
Shareholders	**Number of Shares**	**Approximate percentage of shareholding**	**Number of Shares**	**Approximate percentage of shareholding**
BEHL Group	753,459,000	50.36%	1,373,459,000	64.91%
Khazanah Nasional Berhad	347,000,000	23.19%	347,000,000	16.40%
Directors				
— Mr. E Meng	601,000	0.04%	601,000	0.03%
— Mr. Zhang Honghai	4,000,000	0.27%	4,000,000	0.19%
— Mr. Ng Kong Fat, Brian	10,392,755	0.69%	10,392,755	0.49%
Other public Shareholders	380,607,395	25.44%	380,607,395	17.99%
Total Shares in issue	**1,496,060,150**	**100%**	**2,116,060,150**	**100%**

Under the terms of 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 such bonds if, following such exercise, minimum public float cannot be maintained. The Company, at all times, shall use its reasonable endeavours to ensure that the relevant provisions as to the minimum public float requirement of the Listing Rules are complied with.

If the proposed issue of the aforesaid Standby Bonds does not proceed, such portion of the capital commitment of BDEP (Haidian) under the Joint Venture Master Agreement will be financed by cash from internal resources of the Group and/or borrowings.

FINANCIAL AND OTHER IMPACT

The Licensed Company will become a non wholly-owned subsidiary held as to 99% by the Company upon establishment, the financial results, assets and liabilities of which will be consolidated into the accounts of the Group.

Possible effect on earnings

The Licensed Company is not expected to bring in any immediate impact to the earnings of the Group upon its establishment. The effect on the future earnings of the Group will depend on, among other things, the construction profit during the construction period, if any, and the operating results of the Licensed Company. The Directors expect that the formation of the Licensed Company would be likely to have a positive impact on the Group's future earnings after the commencement of the commercial operations of the Haidian Project.

Possible effect on assets and liabilities of the Group

As disclosed in the interim report of the Company for the six months ended 30 June 2014, the unaudited consolidated total assets and total liabilities of the Group as at 30 June 2014 were approximately HK$2,417 million and HK$405 million, respectively.

As disclosed in the section headed "Funding Arrangement" in this letter, subject to the consent of BEHL and compliance with the Listing Rules, it is proposed that the capital commitment of BDEP (Haidian) under the Joint Venture Master Agreement will be entirely financed by the net proceeds from (1) the issue of the Subscription Shares and the Firm Bonds on 28 February 2013; and (2) the proposed issue of the Standby Bonds with an aggregate principal amount of HK$700,600,000 to the Subscriber. In such case, both the total assets and total liabilities of the Group will be increased by the net proceeds from the aforesaid Standby Bonds of approximately HK$700,600,000 (assuming the equity portion of the Standby Bonds is negligible). The gearing ratio (total liabilities to assets ratio) of the Group will increase accordingly.

If the proposed issue of the aforesaid Standby Bonds does not proceed, assuming such portion of the capital commitment of BDEP (Haidian) under the Joint Venture Master Agreement will be financed by cash from internal resources of the Group, the formation of the Licensed Company is not expected to have any significant impact on the total assets and total liabilities of the Group.

INFORMATION OF LVHAINENG AND THE CITY MANAGEMENT COMMISSION

Lvhaineng is a state-owned entity and is principally engaged in the investment and construction of the Facilities A.

The City Management Commission is a department of the People's Government of Beijing Municipality, Haidian District in charge of comprehensive coordination of urban environment improvement, city management, related public utility, as well as the city environmental sanitation management in Haidian District, Beijing. The City Management Commission is directly in charge of the Haidian Project and is responsible for the management, supervision and coordination of the Haidian Project, including but not limited to the grant of the operation license for the Haidian Project.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Lvhaineng, the City Management Commission and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

INFORMATION ON THE LICENSED COMPANY AND THE HAIDIAN PROJECT

The Licensed Company

The Licensed Company is a limited liability company to be established in the PRC, which will be owned as to 99% and 1% by the Company and Lvhaineng, respectively. The principal activity of the Licensed Company shall be the investment and construction of the Facilities B and the management and operation of the Haidian Project.

The Haidian Project

The Haidian Project is estimated to have a capacity of processing wastes of 2,500 tonnes per day, including waste incineration of 1,800 tonnes per day, anaerobic fermentation of food waste of 400 tonnes per day, leachate treatment capacity of 700 cubic meters per day, slag storage with a capacity of 600,000 cubic meters. The total investment cost of the Haidian Project is estimated to be approximately RMB1,525.48 million (equivalent to approximately HK$1,917.81 million) (the "**Total Haidian Project Costs**"). The Total Haidian Project Costs comprises (1) construction costs in respect of the Facilities A in the amount of approximately RMB600.48 million (equivalent to approximately HK$754.91 million) to be financed by the Central People's Government of the PRC and the People's Government of Beijing Municipality; and (2) investment and construction costs in respect of the Facilities B in the amount of approximately RMB925 million (equivalent to approximately HK$1,162.89 million) to be financed by the Licensed Company (which will in turn be funded by the Subsequent Total Investment Amount to be contributed by Lvhaineng and the Group to the Licensed Company pursuant to the Joint Venture Master Agreement).

The construction works of the Haidian Project is estimated to be preliminarily completed by December 2014 and the trial and commercial operations of the Haidian Project are estimated to be commenced in February 2015 and May 2015, respectively.

As the Haidian Project has not yet commenced commercial operations, it had no turnover or profit/loss for the past two years.

The Haidian Project is a large scale waste-to-energy project in Beijing. The economy and feasibility of the Haidian Project are ensured by substantial policy support from the State and local authorities, including provisions of subsidies and preferential tax treatments, stable on-grid tariffs, advanced waste incineration treatment of the Haidian Project and the position of being a key waste harmless treatment plant in Haidian District. The Haidian Project will therefore enjoy a reasonable and stable return upon commencement of its operation.

Haidian District, where numerous universities and high-technology enterprises are located, is one of the districts with the fastest pace of development and one of the highest density populations in Beijing. As the economy and population of Haidian District continue to grow, waste production also increases. Liulitun Sanitary Landfill (六里屯垃圾衞生填埋場) is the only waste harmless treatment facility in Haidian District. The landfill has a designed treatment capacity of 1,500 tonnes per day, and a useful life of 18 years (up to 2017), but the actual daily waste intake of Liulitun Landfill reaches 2,480 tonnes per day, far exceeding its designed capacity. Based on this pace, the landfill may be subject to an early closure. Therefore, there is an imminent need to construct a new waste harmless treatment plant.

Meanwhile, sanitary landfill is currently the only method to treat waste in Haidian District. The implementation of the Haidian Project through increasing the proportion of waste incineration treatment will help to change the imbalanced waste treatment mix in Beijing and Haidian District, to develop new ways of waste treatment in Haidian District, to match the functional position of being a centre for high technology culture and tourism and at the same time to extend the service lifetime of Liulitun Sanitary Landfill. Utilisation of land resources will also be enhanced, and this will ease the tension of lacking landfill area in Beijing to a certain extent.

With a designed treatment capacity of 2,500 tonnes per day, the Haidian Project will become the key facility for harmless treatment of waste in Haidian District upon completion and will be used to meet the increasing demand for waste treatment in Haidian District. A national standardised on-grid tariff for waste-generated power will be applied in addition to a waste treatment fee. The on-grid tariff for waste-generated power of the

Haidian Project will be charged based on the national standardised benchmark power price of RMB0.65 (equivalent to approximately HK$0.82) per kWh (inclusive of tax), while the waste treatment fee for incinerable waste is RMB125 (equivalent to approximately HK$157.15) per tonne (exclusive of costs incurred for treatment of ashes). According to the Licensed Operation Framework Agreement, the City Management Commission shall be responsible for the supply of on average at least 2,100 tonnes of incinerable waste per day (the "**Minimum Volume of Waste**") to the Licensed Company. Based on the current understanding between the Company and the City Management Commission, if, other than as a result of the default of the Licensed Company or any force majeure events, the City Management Commission fails to supply the Minimum Volume of Waste to the Licensed Company, the City Management Commission shall pay to the Licensed Company such amount of waste treatment subsidy to enable the Licensed Company to collect such amount of fees as if the City Management Commission had supplied the Minimum Volume of Waste to it. Stable on-grid tariff and waste treatment fee also ensure stable revenue upon the commencement of Haidian Project's operation.

The Haidian Project has already obtained key licenses including the construction land planning permit（建設用地規劃許可證）, construction work planning permit（建設工程規劃許可證）, feasibility report's approval（項目可行性研究報告的批覆）and construction project environmental impact report's approval（工程環境影響報告書的批覆）from relevant governmental authorities. Upon the establishment of and injection of capital into the Licensed Company, the Licensed Company shall enter into the Licensed Operation Agreement with the City Management Commission to obtain the operation license for the operation of the Haidian Project. Save as disclosed above, no other major license is required to be obtained by the Licensed Company for the operation of the Haidian Project.

REASONS AND BENEFITS AND IMPACT ON THE COMPANY

The Company and BDEP (Haidian) are incorporated in Hong Kong as investment holding companies. The principal activities of the Group's subsidiaries are environmental protection and solid waste treatment, and the provision of information technology (**"IT"**) related services.

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. Waste incineration-power generation also benefits from the following policies promulgated by the PRC government:

1. Standardised pricing policy for waste incineration-power generation

In March 2012, the National Development and Reform Commission promulgated the "Circular on Improving the Pricing Policy for Waste Incineration-power Generation" (《關於完善垃圾焚燒發電價格政策的通知》), which stipulates that a national standardised benchmark on-grid tariff for waste-generated electricity of RMB0.65 (equivalent to approximately HK$0.82) per kWh (tax inclusive) is fixed for domestic waste incineration-power generation projects. This has further regulated the pricing policy for waste incineration-power generation and improved the cost-sharing system for waste incineration-power generation. In response to the requirements of the above policies, the local governments have successively invested in the construction of waste incineration-power plants, and extended preferential policy support to professional waste incineration-power generation companies. Such policies have become effective from 1 April 2012, and have provided continued room for growth for the development of the waste incineration-power generation industry.

2. Preferential financial and taxation policies for waste incineration-power generation

In terms of financial and taxation policies, the PRC government has stipulated that enterprises generating power or heat fuelled by waste with a waste to power generation fuel ratio of not less than 80% and up to standard production emission may apply for the "Resources Comprehensive Utilisation Certificate" (「資源綜合利用認證」) under the PRC government's support and may qualify for the preferential policy of immediate refund of value-added tax ("**VAT**") paid, of which 100% of the output VAT levied on revenue generated from sales of electricity by the waste incineration plants, net of input VAT prepaid for relevant purchases, will be paid in the month of which the revenue is generated and refunded upon application to the relevant tax authority in the subsequent months. For qualified treatments of public waste, enterprise income tax is exempted from the first year to the third year from the taxation year when they get their first operation income, and is reduced by 50% from the fourth year to the sixth year.

Accordingly, under the premise that the profitability of waste incineration-power generation projects is guaranteed by the standardisation of the pricing policy for waste incineration-power generation, and policies such as provisions of waste treatment subsidy and preferential tax treatment, the Board believes that the waste incineration-power generation industry possesses optimistic prospects.

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 incineration-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 Joint Venture Master Agreement to capitalise on the business opportunities in this sector, following the Group's acquisition of two household waste incineration power generation projects in the PRC as disclosed in the announcements of the Company dated 29 January 2014, 24 February 2014 and 29 April 2014 and the circular of the Company dated 27 March 2014.

Reference is made to the First Announcement, whereby the Company announced that BDEP (Haidian), a wholly-owned subsidiary of the Company, had entered into the conditional Increase of Capital Contract with the Original Shareholders in relation to the proposed injection of the Capital Investment and the Equity Premium as well as advancement of the Shareholder's Loans to Lvhaineng, the holding company of the Haidian Project. Upon completion of the Increase of Capital Contract, the Company shall be interested in 50% of the Haidian Project. As at the Latest Practicable Date, the Increase of Capital Contract is not yet completed.

Due to the passage of time and continuous development of the Haidian Project, the Company has gained deeper understanding of the Haidian Project. According to the existing project schedule, the Haidian Project shall commence commercial operations in 2015. After careful consideration, the Directors considered that the business opportunity regarding the Haidian Project had become more mature, which in turn boosted their confidence in the future prospects of the Haidian Project. Accordingly, the Directors are of the view that the Company's investment in the Haidian Project should be increased to maximise the return of the Company for the benefit of the Shareholders.

In light of the above, the Company entered into further negotiations with the City Management Commission and the Original Shareholders. After discussions and as disclosed in the Second Announcement, BDEP (Haidian) entered into the Licensed Operation Framework Agreement to, among other things, increase the Group's potential interest in the Haidian Project from 50% to 99%, and to enter into a formal agreement in relation to the establishment of the Licensed Company and other ancillary agreements, and which will, upon signing thereof, replace and supersede the Increase of Capital Contract, the Joint Venture Contract and the Articles of Association. In furtherance of the Licensed Operation Framework Agreement, BDEP (Haidian) and Lvhaineng entered into the Joint Venture Master Agreement, whereby the parties will establish the Licensed Company for the purposes of implementation of the major principles set out in the Licensed Operation Framework Agreement. The Joint Venture Master Agreement has, upon signing, replaced and superseded the Increase of Capital Contract, the Joint Venture Contract and the Articles of Association. Accordingly, the Group will no longer take steps to complete the Increase of Capital Contract.

The Directors believe that the revised investment structure for the Haidian Project through a public-private partnership (PPP) arrangement as set out in the Licensed Operation Framework Agreement could create synergies through the integration and cross transfer of the skills, knowledge and expertise among the Group, Lvhaineng and the City Management Commission in the Haidian Project, thereby enhancing the efficiency and effectiveness of the construction and future operations of the Haidian Project. In particular, under the public-private partnership arrangement, there will be a clearer delineation of the responsibilities for each of the PRC Government (through the City Management Commission) and the Group in respect of the Haidian Project, including the construction of facilities, the supply of waste and food waste, the process of waste, and the sale of waste-generated power, thereby creating a more efficient and productive working relationship between the public and private sector. In addition, under the revised PPP arrangement, the interests of the Group in the Licensed Company shall be increased from 50% to 99%, the management of the Licensed Company shall be controlled by the Group and the financial results, assets and liabilities of the Licensed Company shall be consolidated in to the financial results of the Group. In view of the above, the Directors has chosen to adopt the revised PPP arrangement instead of the previous arrangement as disclosed in the First Announcement.

The formation of the Licensed Company with Lvhaineng 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 Joint Venture Master Agreement are on normal commercial terms and the terms of the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL AND TRADING PROSPECT OF THE GROUP

Provision of IT related services has been the principal activity of the Group over the past decade. Despite years of operation and development, the businesses of the Group have been shrinking and in loss-making position for years. In the first half of 2014, the IT business segment of the 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 overall gross profit of IT business segment turned into loss.

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. In particular, based on the reasons set out in the section headed "Reasons and benefits and impact on the Company" above, 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 financial performance and maximise return to the Company and thus and its Shareholders in the long run.

Accordingly, the Group has 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. During the post-acquisition period from May to June 2014, the two household waste incineration power generation projects handled 92,300 tonnes of wastes, generating a total of 29.44 million kWh of electricity and recording an unaudited net profit and EBITDA of HK$4.70 million and HK$11.51 million, respectively.

Upon completion of the Joint Venture Master Agreement and commencement of commercial operation of the Haidian Project in 2015, the total maximum daily waste treatment capacity of the Group will be more than doubled from 2,000 tonnes to 4,500 tonnes. The Group believes that the formation of and investment in the Licensed Company will further strengthen its position in the environmental protection industry, in particular, the waste incineration-power generation business sector and hence improve the Group's financial performance and maximise return to the Company and its Shareholders in the long run.

In addition, the Group has the intention and is under negotiations to acquire potential solid waste treatment business and is also actively exploring other new opportunities through organic growth and strategic acquisitions to swiftly capture market share in the solid waste treatment sector in the PRC, thereby creating value for the Shareholders.

Risk relating to the Licensed Company

The Licensed Company depends on the PRC government's policies and regulatory framework supporting renewable energy development.

The Board is aware that the development and profitability of waste-to-energy power projects in the PRC is significantly dependent on policies and regulatory frameworks that support such development. From time to time, changes in the rules and regulations or the implementation thereof may require the Licensed Company to obtain additional approvals from the PRC authorities or fulfill additional requirements for the conduct of our operations in the PRC. In such event, the Licensed Company may incur additional expenses in order to comply with such requirements. This will in turn affect the financial performance of the Licensed Company as its business costs will increase, and hence our overall financial performance will be adversely affected.

The Licensed Company depends on highly skilled employees with particular expertise and experienced senior management.

Given the unique nature of the waste-to-energy business, the Licensed Company requires highly skilled employees with particular expertise and experienced senior management for the operation of the waste-incineration power generation plant. The operation of the plant could be undermined by failure to recruit or retain key personnel, or the unexpected loss of key senior employees. The Licensed Company will continue to offer competitive remuneration packages and provide suitable training opportunities in order to retain and recruit qualified staff. Besides, key management of BEHL and two companies acquired by the Group earlier this year, namely Tai An China Sciences Environment Power Co. Ltd.

and Changde Zhonglian Environmental Electricity Co. Ltd., whom has ample experience in the environmental protection industry, will assist in providing support in the strategic planning and daily operations of the Licensed Company as well as facilitating the deployment of human resources from BEHL to ensure the smooth operation of the waste-incineration power generation plant.

Any disruptions in operation facility could result in losses and materially and adversely affect the business, financial condition and results of operations of the Licensed Company.

The Licensed Company relies on the waste-incineration power generation plants for the generation of electricity and waste treatment. Any significant damage to the waste incineration power generation plant from natural or other causes could be costly and time consuming to repair, and could disrupt the operating activities of the business. In such an event, the Licensed Company would be forced to suspend operation until repairing is completed. This may result in additional costs, and there is no assurance that the Licensed Company would be able to complete repairing in due course. Despite there are the disaster recovery plans and property insurance, such plans and insurance may not be sufficient to cover all of the potential losses resulting from such damage and disruptions to the Licensed Company on acceptable terms, or at all.

The results of operations of the Licensed Company could be affected if the completion of construction of the waste incineration power generation plants is delayed.

The waste incineration power generation plant is still under construction and is expected to be preliminarily completed by the end of this year. Any significant delay or postponement in the completion of the construction of the waste incineration power generation could result in additional costs of construction and postponement of the commencement of trial operation and commercial operation and hence our overall financial performance will be adversely affected.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the capital commitments of the Company under the Joint Venture Master Agreement exceed 25% but less than 100%, the entering into of the Joint Venture Master Agreement constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval without the need of convening a general meeting if (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Joint Venture Master Agreement and the transactions contemplated thereunder; and (ii) written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at general meetings to approve the Joint Venture Master Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, so far as the Company is aware having made all reasonable enquiries, none of the Shareholders is materially interested in the Joint Venture Master Agreement and the transactions contemplated thereunder. As such, no Shareholder is required to abstain from voting if a general meeting were to be convened to approve the Joint Venture Master Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, BEHL and the Subscriber (a wholly-owned subsidiary of BEHL) are interested in 14,784,000 Shares and 738,675,000 Shares, respectively, and constitute a closely allied group of Shareholders holding an aggregate of 753,459,000 Shares (representing approximately 50.36% of the total issued Shares). As none of BEHL and the Subscriber have any material interest in the Joint Venture Master Agreement and the transactions contemplated thereunder other than through its interest in the Shares, and the Company has obtained the Written Approval from BEHL and the Subscriber, being a closely allied group of Shareholders who collectively hold an aggregate of 753,459,000 Shares (representing approximately 50.36% of the total issued Shares), no extraordinary general meeting of the Company will be convened for the purpose of approving the Joint Venture Master Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

RECOMMENDATION

The Board considers that the Joint Venture Master Agreement was entered into on normal commercial terms and the terms thereof are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Had the Joint Venture Master Agreement and the transactions contemplated thereunder been required to be put forward for consideration and approval at a general meeting of the Company, the Board would recommend the Shareholders to approve them.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

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

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.bdhk.com.hk):

- the annual report 2011 of the Company for the year ended 31 December 2011 dated 26 March 2012 (pages 23 to 86);
- the annual report 2012 of the Company for the year ended 31 December 2012 dated 27 March 2013 (pages 25 to 90); and
- the annual report 2013 of the Company for the year ended 31 December 2013 dated 28 March 2014 (pages 26 to 96); and
- the interim report 2014 of the Company for the six months ended 30 June 2014 dated 28 August 2014 (pages 10 to 33).

Since 31 December 2013, being the date to which the latest published audited financial statements of the Group have been made up, the Group has in April 2014 acquired the entire shareholding interests in and the shareholders loans of KCS Changde Investments Company Limited ("**KCS Changde**") and KCS Taian Investments Company Limited ("**KCS Taian**"), particulars of which were disclosed in the announcements of the Company dated 29 January 2014, 24 February 2014 and 29 April 2014 and the circular of the Company dated 27 March 2014. Following such acquisitions, each of KCS Changde and KCS Taian has become a wholly-owned subsidiary of the Company. KCS Taian and KCS Changde were incorporated in Hong Kong as investment holding companies. The principal activity of subsidiaries of KCS Changde and KCS Taian is the investment in and operation of two household waste incineration power generation projects in Shandong Province and Hunan Province of the PRC. The aggregate value of the consideration for the acquisitions of KCS Changde and KCS Taian was RMB520,000,000 (equivalent to approximately HK$653,734,458), which was satisfied by (i) as to RMB89,790,000 (equivalent to approximately HK$112,882,340), by way of payment in cash, which was financed by the net proceeds from the issue of Standby Bonds in the principal amount of HK$113,000,000, and (ii) as to the remaining sum of RMB433,210,000 (equivalent to approximately HK$544,623,663), by the allotment and issue of 347,000,000 Shares at the issue price of HK$1.60 per Share. There was no variation to the aggregate of the remuneration payable to and benefits in kind receivable by the directors of KCS Changde and KCS Taian in consequence of such acquisitions.

2. INDEBTEDNESS STATEMENT OF THE GROUP

As at the close of business on 31 August 2014, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this circular, the Group and the Licensed Company to be established had convertible bonds in the principal amount of HK$90,400,000. Save as aforesaid, the Group and the Licensed Company to be established did not have any mortgages, charges, debentures, loan capital, bank overdrafts, loans, liabilities under acceptance (other than under normal trade bills) or similar indebtedness, hire purchase or finance lease obligations or any guarantees or other material contingent liabilities as at the close of business on 31 August 2014.

3. WORKING CAPITAL OF THE GROUP

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the present financial resources available to the Group and the Licensed Company to be established, including their internally generated revenue and funds, the Group and the Licensed Company to be established will have sufficient working capital to meet their present requirements for at least 12 months from the date of this circular in the absence of unforeseen circumstances.

A. BUSINESS VALUATION REPORT OF THE HAIDIAN PROJECT

The following is the text of a business valuation report, prepared for the purpose of incorporation in this circular received from CBRE Limited, an independent valuer, in connection with the business valuation of the Haidian Project as at 4 September 2014.

CBRE

12/F Three Exchange Square
8 Connaught Place
Central, Hong Kong
T 852 2820 2800
F 852 2810 0830
香港中環康樂廣場八號交易廣場第三期十二樓
電話 852 2820 2800 傳真 852 2810 0830

10 October 2014

The Board of Directors
Beijing Development (Hong Kong) Limited
66th Floor, Central Plaza,
18 Harbour Road,
Wan Chai, Hong Kong

Dear Sirs,

RE: Valuation of 100% Equity Interest of Beijing Haidian District Cyclic Economy Industrial Park Renewable Energy Power Generation Haidian Project

We refer to an instruction from Beijing Development (Hong Kong) Limited (the "Company" or the "Instructing Party") to conduct valuation on the market value of 100% equity interest of Beijing Haidian District Cyclic Economy Industrial Park Renewable Energy Power Generation Haidian Project (the "Haidian Project").

This valuation report is prepared for the purpose of incorporation in the circular dated 10 October 2014 in respect of the formation of a joint venture relating to the investment and operation of the Haidian Project. We confirm that we have made relevant investigations, enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion. The valuation date is as at 4 September 2014 (the "Valuation Date").

PREMISE OF VALUATION & BASIS OF VALUATION

We have observed and followed the standards laid down by the "RICS Valuation — Professional Standards (January 2014)" published by the Royal Institution of Chartered Surveyors and "International Valuation Standards" (the "IVS") published by the International Valuation Standards Council.

Our valuation is based on going concern premise and conducted on market value basis. As at Valuation Date, the Haidian Project is under construction. The construction is expected to be preliminary completed in December 2014, and its operation commencement date is expected to be in May 2015.

We have adopted the definition of Market Value as per RICS, which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

VALUATION BACKGROUND

Beijing Development Environmental Protection (Haidian) Limited ("BDEP (Haidian)") is a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of the Instructing Party.

Beijing Lvhaineng Environmental Protection Co., Ltd. ("Lvhaineng") is a company established under the laws of the PRC.

The Haidian Project is a renewable energy power generation plant situated in Haidian District, Beijing Municipality of the PRC.

On 4 September 2014, BDEP (Haidian) entered a joint venture agreement with Lvhaineng in relation to the establishment of Beijing Enterprises Holdings Lvhaineng Environment Co., Ltd. (the "Licensed Company") for the investment, construction and operation of the Haidian Project (the "Joint Venture Master Agreement"). Upon completion of the Joint Venture Master Agreement, the Licensed Company shall become a non-wholly-owned subsidiary of the Instructing Party, owned as to 99% and 1% by BDEP (Haidian) and Lvhaineng, respectively.

As disclosed in the announcement of the Instructing Party dated 29 April 2014, BDEP (Haidian) and the Commission of City Administration and Environment, Haidian District, Beijing Municipality ("City Management Commission") entered into a Licensed Operation Framework Agreement setting out the major principles regarding the licensed operation of the Haidian Project by the Licensed Company. The Haidian Project shall be operated by the public-private partnership (the "PPP") structure. City Management Commission will grant an operation license to the Licensed Company for the financing of, investment in, construction, operation and maintenance of the waste-to-energy treatment facilities for a term of 30 years commencing from the date of commercial operations (the "Licensed Operation Period"). Upon the expiry of the Licensed Operation Period, the Licensed Company shall transfer the facilities to the relevant governmental authority at nil consideration.

The Haidian Project is estimated to have a capacity of processing wastes of 2,500 tonnes per day, leachate treatment capacity of 700 cubic meters per day, slag storage with a capacity of 600,000 cubic meters. The City Management Commission shall be responsible for the supply of on average at least 2,100 tonnes of incinerable waste per day to the Licensed Company, and be responsible of all the costs incurred for the transport and treatment of ashes resulting from the incineration of waste.

The total investment cost of the Haidian Project is estimated to be approximately RMB1,525.48 million. The total Haidian Project cost comprises (1) investment and construction costs in respect of part of the facilities in the amount of approximately RMB600.48 million, which shall be financed by the Central People's Government of the PRC and the People's Government of Beijing Municipality; and (2) investment and construction costs in respect of another part of the facilities in the amount of approximately RMB925 million, which shall be financed by the Licensed Company.

ASSESSMENT METHODOLOGIES

There are three generally accepted valuation approaches for the valuation of equity interest of the Licensed Company.

Asset Approach (or Cost Approach)

Asset approach (or known as cost approach) is an asset-based rather than a market-oriented method. It requires valuing the assets on an individual basis to add up to the total valuation of assets.

Under this approach, the expenses or costs on replacing or re-acquiring individual items or parts are estimated by valuers on an itemised basis, thus arriving at the valuation of target assets.

Generally, market value of tangible assets can be valued through the asset approach. However, the asset approach is not suitable in many circumstances especially for valuation of a company's business value/value of equity interests as a whole, as it takes no consideration of the company's business operation and development plan.

Market Approach

Market approach is the most straightforward valuation method in determining market value of assets/business. Under this approach, valuers seek to identify the transaction cases having been executed and qualified as a reference for value comparison. It is normally difficult to apply the approach to small non-listed companies, as there are insufficient comparables for reference and the public and reliable financial information is unavailable for valuers.

Income Approach

Income approach, or sometimes known as investment value approach, is an income-oriented valuation method assuming that the investors may invest in alternative business with similar characteristics but not necessarily identical with the subject business.

Under the income approach, company value equals to the present value of the future expected income of its businesses, which involves the principle of capitalisation. Generally, capitalisation is a process through which the expected incomes are discounted based on the required rate of return (risk factors).

SELECTION OF ASSESSMENT METHODOLOGY

After considering all three methods described above, we have selected the income approach to value the 100% equity interest of the Haidian Project.

We believe the cost approach to be insufficient in capturing the future economic benefits of the Licensed Company's assets. The market approach was considered but finally not adopted due to the difficulty to perform enough due diligence procedure to comparable companies in the waste-to-energy sector.

In light of the above, we have selected the income approach as our valuation methodology. Specifically, we have chosen the discounted cash-flow ("DCF") method, which is premised on the concept that the value of an entity is based on the present value of all future cash flows to the shareholder. To derive the present value of future cash flows, an appropriate risk-adjusted discount rate must be determined. Cash flows generated by the entity must also be forecasted, going out far enough into the future until an assumed stabilization occurs for the assets being appraised. This methodology assumes that the forecasted income or cash-flow will not necessarily be stable in the near term but will stabilize in the future.

DISCUSSION OF FINANCIAL FORECAST

Forecast Period

During our course of valuation, we have obtained a set of financial forecast from the management of the Instructing Party (the "Financial Forecast").

According to the announcement published by the Instructing Party on 4 September 2014, the construction works of the Haidian Project are estimated to be preliminarily completed by December 2014 and the trial and commercial operations of the Haidian Project are estimated to be commenced in February 2015 and May 2015, respectively. In this valuation, the adopted Licensed Operation Period is from 1 January 2015 to 31 December 2044, which begins after the completion of construction.

Financial Forecasts adjusted for Inflation

The forecasts provided by the management of the Licensed Company and the Instructing Party were not adjusted for inflation. Hence, we have adjusted the relevant revenue and cost items with a 3.5% annual inflation rate, which is the official government long-term target of the PRC in 2014.

Production Capacity

As estimated by the management, the Licensed Company will experience a gradual ramp up in waste treatment capacity and will achieve maximum capacity of 693,000 tonnes of waste per year from 2017 onwards.

Revenue

Total revenue of the Licensed Company consists of the sales of electricity to the city's power company and the fees receivable from treating household waste.

Electricity Generation

According to the "Circular on Improving the Pricing Policy for Waste Incineration-power Generation" promulgated by the National Development and Reform Commission ("NDRC") in March 2012, which stipulates a unified on-grid tariff for waste-generated electricity, the Company will receive inflation adjusted RMB0.65 per kWh of electricity provided to the power grid, up until 280 kWh per tonne of waste treated and inflation adjusted RMB0.39 per kWh for the remaining power generated per tonne of waste treated.

The amount of electricity generated per year is expected to increase by approximately 1.6% per annum in the long run, due to an improvement in the heating value of waste, caused by more effective pre-treatment procedures of waste. The initial heating value of waste is 1,200 kcal per kg, and will achieve maximum heating value of 1,750 kcal per kg from 2039 and onwards.

Waste Treatment

The other source of revenue of the Licensed Company is from subsidies by the local government for the treatment of household waste. As per the Licensed Operation Framework Agreement, the Licensed Company will receive inflation adjusted RMB125 per tonne of waste treated.

Costs

As advised by the management, the costs related to the business includes raw material fees, fuel, employee salary, administrative expenses and other expenses. Major cost items are listed in detail as follows, which are based on current price level in Beijing market.

Item	**Cost**	**Unit**
Fuel	5.5	RMB per ton of waste
Raw Material	23.0	RMB per ton of waste
Treatment Fees for slag	5.9	RMB per ton of waste
Treatment Fees for Leachate	11.3	RMB per ton of waste

Taxes

According to the Licensed Operation Framework Agreement, the Licensed Company has the following benefit on tax policy:

Turnover Tax

During the Licensing Operating Period, business tax of the Licensed Company shall be waived, while the VAT of the Licensed Company shall also be exempted under the designated "immediate refund" mechanism.

Corporate Tax

According to the corresponding regulations under "The Law of the People's Republic of China on Enterprise Income Tax", starting from the tax year in which the Licensed Company receive its first sum of operating income, enterprise profit tax shall be waived in the first three years, and shall be halved in the following forth to sixth years.

Capital Expenditure

As advised by the Licensed Operation Framework Agreement, the Licensed Company will finance the investment and construction costs in respect of another part of the facilities in the amount of approximately RMB925 million in year 2014.

Lack of Marketability Discount

We have adopted a lack of marketability discount of 14.4% in the valuation of the Haidian Project to compensate for the potential difficulty of selling the business, which are not publicly traded in any exchange.

DISCOUNT RATE

As mentioned, the DCF methodology requires the use of an appropriate discount rate to bring future cash flows back to present value. The discount rate we have adopted is based on the weighted cost of equity capital and cost of debt capital. In particular, the cost of equity capital is calculated using the capital asset pricing model (CAPM model), while the cost of debt capital is derived from the benchmark interest rate for a 5-year long-term loan in the PRC.

Additionally, in determining the appropriate discount rate, we have also considered the effects of inflation risk, firm specific risk and market risk.

Comparable Companies

We have selected a group of comparable companies listed on stock exchanges to provide a reasonable reference in order to evaluate the industry's beta and capital structure used. Our selection criteria are that the comparable companies should:

- Primarily be engaged in waste treatment, power generation, waste water treatment, or related renewable energy concession projects;
- Have its primary operations in the Mainland China; and
- Information on the peer firms must be extracted from a reliable source.

Ticker	**Company Name**
000027 CH Equity	Shenzhen Energy Group Co Ltd
257 HK Equity	China Everbright International Ltd
735 HK Equity	China Power New Energy Development Co Ltd
895 HK Equity	Dongjiang Environmental Co Ltd

Calculation of the Weighted Average Cost of Capital (WACC)

Parameters	**As at 4 September 2014**	*Note*
Weight of Equity	68.6%	*1*
Weight of Debt	31.4%	*1*
Unlevered Beta	0.51	*2*
Levered Beta	0.69	*3*
Equity Risk Premium	10.58%	*4*
Risk Free Rate	4.26%	*5*
Size Premium	1.12%	*6*
Firm Specific Premium	4.00%	*7*
Cost of Equity	**16.7%**	
Cost of Debt	8.05%	*8*
Tax Rate	25.00%	*9*
After-Tax Cost of Debt	**6.0%**	
WACC	**13.3%**	

Notes:

1. Derived based on the debt-to-equity ratio of a set of comparable companies. Source: Bloomberg;

2. Derived based on the unlevered beta of a set of comparable companies. Source: Bloomberg;

3. Relevered beta with the Licensed Company's target capital structure derived from comparable companies;

4. Source: Bloomberg, Country Risk Premium database;

5. Derived with reference to the yield of 10-year Chinese sovereign bonds. Source: Bloomberg;

6. Source: Ibboston SBBI 2013 Valuation Yearbook, published by Morningstar;

7. An additional 4% risk premium to reflect the Licensed Company's sole dependency on the waste incineration and power generation plant in Beijing as well as its relatively early stage of development;

8. The prevailing 5-year prime lending rate applicable to the Licensed Company in the PRC. Source: Bloomberg;

9. The corporate income tax rate of the PRC.

SENSITIVITY ANALYSIS

The following table indicates the instantaneous change in the value of 100% equity interest of the Haidian Project that would arise if the key inputs for valuation as of the Valuation Date had changed at that date, assuming all other risk variables remained constant.

In RMB million

		WACC				
		11.00%	12.00%	13.00%	14.00%	15.00%
Heating Value Growth	1.00%	1,192	1,092	1,007	934	871
	2.00%	1,256	1,149	1,057	978	910
	3.00%	1,292	1,181	1,087	1,005	935
	4.00%	1,314	1,202	1,106	1,023	952
	5.00%	1,329	1,216	1,119	1,036	964

OUR INVESTIGATION AND PROCEDURE

Our investigation covers the discussion with the representatives from the Licensed Company and the Instructing Party, collecting information on the Licensed Company's operations and prospects of the business. We requested detailed information in order to conduct a detailed review and make an impartial and independent valuation of the Licensed Company's position/value. We have assumed that the data obtained in the course of the valuation, along with the opinions and representations provided to us by the Instructing Party, the Licensed Company or his agent(s) are prepared in reasonable care.

We have reviewed the following documents as provided by the management of the Licensed Company and the Instructing Party, including but not limited to:

- Financial forecasts and assumptions of the Licensed Company's business;
- A copy of the Licensed Operation Framework Agreement of the Licensed Company;

- A copy of the Joint Venture Master Agreement; and

- Announcement of the Instructing Party on Major Transaction of Joint Venture Relating to the Investment and Operation of the Haidian Project.

The factors considered in this valuation included, but were not limited to, the following:

- The demand and supply of household waste and electricity in the region;

- The price of raw materials and auxiliary fuel;

- Operation and financial risks of the Licensed Company;

- Environmental policies set by the government that pertains to the Licensed Company;

- Average operational parameters of comparable waste-to-energy plants in the PRC;

- Operation experience of the management of the Licensed Company;

- The economic conditions of Beijing; and

- The Licensed Operation Period.

We used reasonable effort in investigating the source of information and basis of estimation regarding the financial forecast. We gathered and obtained information from the Licensed Company and sought for other publicly available evidence. But we are unable to accept any responsibility as for the reasonableness, accuracy or validity of the financial forecast.

Management of the Licensed Company is assumed to be competent, and the ownership to be in responsible hands, unless otherwise noted in this report. The quality of the management can have a direct effect on the value of the Haidian Project.

Our conclusion assumes continuation of prudent management policies over whatever period of time is reasonable and necessary to maintain the operation and integrity of the Haidian Project appraised.

Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the subject because of future country, provincial or local legislations/ regulations, including any environmental or ecological matters or interpretations thereof.

All facts and data set forth in our report are true and accurate to the best of our knowledge and belief. No investigation of legal fees or title of the subject has been made. During the course of the valuation, we have considered information provided by the Licensed Company. We believe we have been provided with sufficient information, of which the sources are reliable, but no further responsibility is assumed for their accuracy. We have had verbal discussions with the representatives of the Company and the Licensed Company concerning the prospective operating results of the Licensed Company. We assume that there are no hidden or unexpected conditions associated with the businesses that might adversely affect the reported value.

Site Inspection and Management Interview

We conducted a site visit to the waste-to-energy plant in Beijing on 15 September 2014 and had a management interview with the Licensed Company. Through the interview, we obtained further understanding of the Licensed Company including the establishment background, operations, management systems and future prospects. We have reviewed the financial forecast provided by the management of the Instructing Party based on the information obtained through the interview.

VALUATION ASSUMPTIONS

Due to the changing environment in which the Licensed Company is operating and its early stage of business, a number of operating assumptions have been prepared by the management of the Licensed Company in order to sufficiently support our concluded opinion of the market value. The assumptions are listed as follows:

- The Licensed Company will continue to manage and operate its waste treatment and power generation business in the PRC and fulfill all legal and regulatory requirements for the continuation of its business;

- There will be no material changes in politics, laws, rules or regulations, or financial or economic or market conditions where the Licensed Company currently operates which may materially and adversely affect the operations of the waste treatment and power generation business. The future earnings as projected by the management of the Licensed Company and Instructing Party are in line with its overall development strategy, industrial development trend and national policy towards the industry;

- There will be no major changes in the current taxation law in the PRC where the Licensed Company currently operates which will materially affect the profits, that the rates of tax payable remain unchanged and that all applicable laws and regulations in relation to taxation in the PRC will be complied with;

- There will not be any adverse events beyond the management's control, including natural disasters, catastrophes, fire, explosion, flooding, acts of terrorism and epidemics that may adversely affect the operation of the Licensed Company;

- Any financial statements, service contracts, schedule of assets and their condition or other relevant information as provided by the Licensed Company and the Instructing Party in connection with the valuation is true, lawful, complete and credible;

- It is assumed that the Licensed Company will remain the same in its business scope, business model and business orientation on the basis of its existing management approach and standards;

- The supply of household waste and quality, as determined by the heating value, to the Licensed Company is stable and can ensure its need for waste incineration and power generation.

GENERAL SERVICE CONDITIONS

The service(s) provided by CBRE Limited has been performed in accordance with the "Guidance Note of RICS on Valuation of Business and Business Interest" and International Valuation Standards (the "IVS"). Our compensation is not contingent in any way upon our conclusion of value. We assume, without independent verification, the accuracy, of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least six years.

This report and valuation shall be used only in its entirety and no part shall be used without making reference to the whole report. Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent.

The valuation may not be used in conjunction with any other valuation or study. The value conclusion(s) stated in this valuation is based on the program of utilization described in the report, and may not be separated into parts. No change of any item in any of the valuation shall be made by anyone other than CBRE Limited and we shall have no responsibility for any such unauthorized change.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subjects in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of CBRE Limited, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the 3 times of the amount of fees we received for this engagement.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

We hereby certify that the valuer(s) is/are suitably qualified and authorised to practise as a valuer; does not have a pecuniary interest, financial or otherwise, that could conflict with the proper valuation of the subject (including the parties with whom our client is dealing, the lender or selling agent, if any); accepts instruction to value the subject only from the Instructing Party.

No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond that customarily employed by appraisers.

Any decision to purchase, sell or transfer any interest in the Company shall be the owners' sole responsibility, as well as the structure to be utilized and the price to be accepted.

The selection of the price to be accepted requires consideration of factors beyond the information we will provide or have provided. An actual transaction involving the subject business might be concluded at a higher value or at a lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivations of the buyers and sellers at that time.

In all matters that may be potentially challenged by a Court or others, we do not take any responsibility for the degree of reasonableness of contrary positions that others may choose to take, nor for the costs or fees that may be incurred in the defense of our recommendations against such challenge(s). We will, however, retain our supporting work papers for your matter(s), and will be available to assist in active defense of our professional positions taken, at our then current rates, plus direct actual expenses and according to our then standard professional agreement.

This appraisal reflects only facts and conditions existing at the Valuation Date.

CONCLUSION

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Instructing Party and/or CBRE Limited.

Based on the valuation methodologies adopted, the market value of 100% equity interest of Beijing Haidian District Cyclic Economy Industrial Park Renewable Energy Power Generation Haidian Project, as at 4 September 2014 was in the sum of **1,015,000,000 (RENMINBI ONE BILLION FIFTEEN MILLION)**, rounded to the nearest million RMB.

We hereby certify that we have neither present nor prospective interests in the Licensed Company, the Company or the value reported.

Yours faithfully,
For and on behalf of
CBRE Limited

Alex PW Leung
Senior Director
Valuation & Advisory Services
Greater China

Mr. Alex PW Leung, MRICS, is a registered business valuer of Hong Kong Business Valuation Forum. He possesses over 9 years' experience in the business and financial instruments valuation and has focused on providing valuation services in Hong Kong and the PRC. His track record in infrastructure sector includes valuation of waste to energy power plant project in the PRC.

B. LETTERS

(1) LETTER ON THE ARITHMETICAL ACCURACY FROM ERNST & YOUNG

As the valuation report set out in Appendix IIA of this circular is based on discounted cashflow method, it is deemed to be a profit forecast under the Listing Rules. The following is the text of a letter received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the discounted cash flows forecast underlying the valuation on the business value of the Haidian Project for the purpose of inclusion in this circular.

EY 安永

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道 1 號
中信大廈 22 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

10 October 2014

The Board of Directors
Beijing Development (Hong Kong) Limited
66/F., Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

We have performed the work described below, in respect of the arithmetical accuracy of the calculations of the discounted cash flow forecast (hereinafter referred to as the "Underlying Forecast") underlying the valuation on the business value of 北京市海澱區循環經濟產業園再生能源發電廠項目 (Beijing Haidian District Cyclic Economy Industrial Park Renewable Energy Power Generation Haidian Project, the "Haidian Project") to be invested and operated by 北京北控綠海能環保有限公司 (Beijing Enterprises Holdings Lvhaineng Environment Co., Ltd., the "Licensed Company") as at 4 September 2014 prepared by CBRE Limited for inclusion in the circular to shareholders of Beijing Development (Hong Kong) Limited (the "Company") dated 10 October 2014. The Underlying Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is solely the responsibility of the directors of the Company (the "Directors") to prepare the Underlying Forecast. The Underlying Forecast has been prepared using a set of assumptions (the "Assumptions"), the completeness, reasonableness and validity of which are the sole responsibility of the Directors.

It is our responsibility to draw a conclusion, based on our work on the arithmetical accuracy of the calculations of the Underlying Forecast and to present our conclusion solely to you, as a body, for the purpose of reporting under paragraph 14.62(2) of the Listing Rules and for no other purpose. We are not reporting on the appropriateness and validity of the bases and the Assumptions on which the Underlying Forecast are based and our work does not constitute any valuation of the Haidian Project or the Licensed Company. The Underlying Forecast does not involve the adoption of accounting policies. The Assumptions used in the preparation of the Underlying Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. We have not reviewed, considered or conducted any work on the completeness, reasonableness and the validity of the Assumptions and thus express no opinion whatsoever thereon. Our work is more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. We also accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

BASIS OF CONCLUSION

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Underlying Forecast prepared based on the Assumptions made by the Directors. Our work has been undertaken solely to assist the Directors in evaluating whether the Underlying Forecast, so far as the arithmetical accuracy of the calculations is concerned, has been properly compiled in accordance with the Assumptions made by the Directors. Our work does not constitute any valuation of the Haidian Project.

CONCLUSION

Based on our work described above, nothing has come to our attention that causes us to believe that the Underlying Forecast, so far as the arithmetical accuracy of the calculations of the Underlying Forecast is concerned, has not been properly compiled on the basis of the Assumptions made by the Directors.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

(2) LETTER FROM THE BOARD

As the valuation report set out in Appendix IIA of this circular is based on discounted cashflow method, it is deemed to be a profit forecast under the Listing Rules. The following is the text of a letter from the Board on such valuation for the purpose of incorporation in this circular.

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)

10 October 2014

To the Shareholders

Dear Sirs,

MAJOR TRANSACTION

FORMATION OF JOINT VENTURE RELATING TO THE INVESTMENT AND OPERATION OF THE HAIDIAN RENEWABLE ENERGY POWER GENERATION PROJECT

We refer to the valuation report dated 10 October 2014 prepared by CBRE Limited in relation to the valuation on the business value of the Haidian Project as at 4 September 2014 (the "**Valuation**"), the text of which is set out in Appendix IIA to the circular of the Company dated 10 October 2014 (the "**Circular**"). Capitalised terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise requires.

The Valuation, which is prepared based on discounted cash-flow method, is regarded as a profit forecast (the "**Forecast**") under Rule 14.61 of the Listing Rules.

We have considered the letter on the arithmetical accuracy from our reporting accountants, Ernst & Young, dated 10 October 2014 as set out in Appendix IIB(1) to the Circular, which is addressed to the Board regarding, so far as the arithmetical accuracy of the calculations is concerned, whether the Forecast was properly compiled on the basis of the assumptions made by us.

We are of the opinion that the Forecast underlying the Valuation has been made by us after due and careful enquiry.

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

Long positions in the Shares and/or underlying shares of the Company:

	Number of Shares and/or underlying shares held, capacity and nature of interest			Percentage of the
Name of director	**Directly beneficially owned**	**Through a controlled corporation**	**Total**	**Company's issued share capital**
Mr. E Meng	601,000	—	601,000	0.04
Mr. Zhang Honghai	4,000,000	—	4,000,000	0.27
Mr. Ng Kong Fat, Brian	1,600,000	8,792,755#	10,392,755	0.69
	6,201,000	8,792,755	14,993,755	1.00

\# *The 8,792,755 ordinary shares are held by Sunbird Holdings Limited, a company beneficially owned by Mr. Ng Kong Fat, Brian.*

Long positions in share options of the Company:

Name of Director	Number of share options directly beneficially owned
Mr. E Meng	6,770,000
Mr. Zhang Honghai	6,770,000
Mr. Ng Kong Fat, Brian	5,500,000
Dr. Jin Lizuo	670,000
Dr. Huan Guocang	670,000
Dr. Wang Jianping	670,000
	21,050,000

These share options were granted on 21 June 2011 at an exercise price of HK$1.25 per Share. The share options may be exercised at any time commencing on 21 June 2011, and if not otherwise exercised, will lapse on 20 June 2021. The exercise price of these share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the share capital of the Company.

Long positions in share options in an associated corporation of the Company – Beijing Properties (Holdings) Limited:

Name of director	Number of share options directly beneficially owned		
	(Note 1)	*(Note 2)*	**Total**
Mr. E Meng	5,000,000	3,600,000	8,600,000
Mr. Zhang Honghai	6,000,000	5,000,000	11,000,000
	11,000,000	8,600,000	19,600,000

Notes:

(1) These share options were granted on 28 October 2011 at an exercise price of HK$0.465 per share. These share options may be exercised at any time commencing on 28 October 2011, and if not otherwise exercised, will lapse on 27 October 2021.

(2) These share options were granted on 1 June 2012 at an exercise price of HK$0.41 per share. These share options may be exercised at any time commencing on 1 June 2012, and if not otherwise exercised, will lapse on 31 May 2022.

Save as disclosed above, as at the Latest Practicable Date, there were no interests and short positions of the Directors or chief executives of the Company in the Shares and the underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) As at the Latest Practicable Date, none of the Directors, and the chief executive of the Company was a director or employee of a company which has an interest or short position in the Shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(c) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2013, being the date to which the latest published audited accounts of the Company were made up.

(d) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against any member of the Group.

5. COMPETING BUSINESS

At the Latest Practicable Date, none of the Directors, or their respective close associates (as if each of them were treated as a controlling shareholder under Rule 8.10 of the Listing Rules) had any direct or indirect interest in a business which competes or is likely to compete with the business of the Group.

6. QUALIFICATIONS

The following sets out the qualifications of the expert who has given opinion or advice which are contained in this in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
CBRE Limited	Independent professional valuer

As at the Latest Practicable Date, each of the above experts had no interest in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and each of the above experts had no interest, either directly or indirectly, in any assets which have been, since 31 December 2013, the date to which the latest published audited accounts of the Company were made up, 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 Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report (as the case may be) and references to its name, in the form and context in which they respectively appear.

7. MATERIAL CONTRACTS

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

(a) the supplemental agreement dated 12 December 2012 among the Company, the Subscriber and BEHL to revise certain terms of the Subscription Agreement (as amended by the first supplemental agreement dated 25 October 2011 and the second supplemental agreement dated 29 March 2012), details of which are disclosed in the announcement dated 12 December 2012 of the Company;

(b) the agreement dated 5 February 2013 entered into between Business Net Limited, a direct wholly-owned subsidiary of the Company, and QIFA Holdings Limited pursuant to which Business Net Limited conditionally agreed to sell and QIFA Holdings Limited conditionally agreed to purchase the entire issued share capital of Alison Development Limited, and the indebtedness of HK$9,891,889 for a cash consideration of HK$8,500,000, details of which are disclosed in the announcement dated 5 February 2013 of the Company;

(c) the framework agreement dated 29 January 2014 entered into between the Company and KCS Green Energy International (Group) Investments Company Limited ("**KCS Green Energy**"), pursuant to which the Company proposed to acquire 100% issued share capital of each of KCS Changde Investments Company Limited and KCS Taian Investments Company Limited (collectively as the "**Target Companies**") (the "**Sale Shares**") and the rights under the shareholder's loans in the sum of approximately US$72 million owing KCS Green Energy by the Target Companies (the "**Shareholders Loans**") for a consideration to be satisfied partly by RMB86.79 million in cash, or the equivalent in other currency(ies), and partly by the issue to KCS Green Energy 347,000,000 Shares (the "**Consideration Shares**") at an issue price of HK$1.60 per Share (the "**Issue Price**"), details of which are disclosed in the announcement dated 29 January 2014 of the Company;

(d) the sale and purchase agreement dated 24 February 2014 entered into between the Company and KCS Green Energy, pursuant to which the Company agreed to acquire and KCS Green Energy agreed to sell the Sale Shares and the Shareholders Loans at an aggregate consideration of RMB520 million to be satisfied as to RMB86.79 million in cash (or the equivalent amount in other currency) and as to RMB433,210,000 by the issue of the Consideration Shares at the Issue Price, details of which are disclosed in the announcement dated 24 February 2014 of the Company;

(e) the Licensed Operation Framework Agreement, details of which are disclosed in the announcement dated 29 April 2014 of the Company;

(f) the bought and sold notes dated 18 August 2014 entered into between Prime Technology Group Limited and E-tron Limited as vendors and Farco Holdings Limited as purchaser, pursuant to which Prime Technology Group Limited and E-tron Limited agreed to sell and Farco Holdings Limited agreed to purchase 189,551,344 ordinary share(s) of HK$0.10 each in the share capital of China Information Technology Development Limited at the aggregate consideration of HK$22,935,712.63 (excluding transaction costs), details of which are disclosed in the announcement dated 18 August 2014 of the Company; and

(g) the Joint Venture Master Agreement.

8. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited accounts of the Company were made up.

9. GENERAL

(a) The registered office of the Company is situated at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

(b) The share registrar of the Company is Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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

(d) This circular has been printed in English and Chinese, in the event of inconsistency, the English version shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 66/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal business hours on any weekdays other than public holidays for a period of 14 days from the date hereof:

(a) the articles of association of the Company;

(b) the annual reports of the Group for the two financial years ended 31 December 2012 and 31 December 2013;

(c) the business valuation report of the Haidian Project as set out in Appendix IIA to this circular;

(d) the letter from Ernst & Young on forecast underlying the valuation on the business value of the Haidian Project, the text of which is set out in Appendix IIB(1) to this circular;

(e) the written consents referred to in paragraph headed "Qualifications" of this appendix;

(f) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(g) the circular of the Company dated 27 March 2014; and

(h) this circular.