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)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION DISPOSAL OF INTEREST IN A SUBSIDIARY

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out on pages 5 to 13 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 14 to 15 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and Independent Shareholders is set out on pages 16 to 27 of this circular.

A notice convening an EGM of the Company to be held at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 19 May 2015 at 11:00 a.m. is set out on pages EGM-1 and EGM-2 of this circular. If you are unable to attend the meeting in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

23 April 2015

CONTENTS

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

"Announcement"	the announcement of the Company dated 23 December 2014
"associate"	has the meaning ascribed thereto under the Listing Rules
"BEGCL"	Beijing Enterprises Group Company Limited* (北京控股集團有限公司), a company established in the PRC and a controlling shareholder of the Company
"Beijing Enterprises Jetrich"	Beijing Enterprises Jetrich (Beijing) Limited (北控捷通(北京)科技發展有限公司), a company established in the PRC and an indirectly wholly owned subsidiary of the Target Company
"Beijing Enterprises Teletron"	Beijing Enterprises Teletron Information Technology Co., Ltd. (北京北控電信通信息技術有限公司), a company established in the PRC and a directly wholly owned subsidiary of the Target Company
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Company"	Beijing Development (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 154)
"Completion"	completion of the sale and purchase of the Sale Shares and the Debt pursuant to the terms of the Disposal Agreement
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules

"Conditions Precedent"	the conditions precedent set out in the Disposal Agreement which must be satisfied or waived by the Purchaser within six months from the date of the Disposal Agreement (or such other date as agreed by the parties) in order for Completion to take place
"connected person"	has the meanings ascribed thereto under the Listing Rules
"Debt"	the shareholder's loans owed and repayable by the Target Group to the Company in the sum of approximately HK$49,623,000
"Director(s)"	the director(s) of the Company
"Disposal"	the sale of the Sale Shares and the Debt by the Vendor to the Purchaser pursuant to the terms and conditions of the Disposal Agreement
"Disposal Agreement"	the agreement dated 23 December 2014 entered into between the Vendor and the Purchaser in relation to the Disposal
"EGM"	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Disposal Agreement and the transactions contemplated thereunder
"Gram Capital" or "Independent Financial Adviser"	Gram Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal Agreement and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	the committee of Directors consisting of Dr. Jin Lizuo, Dr. Huan Guocang, Dr. Wang Jianping, Prof. Nie Yongfeng and Mr. Cheung Ming, being all the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the terms of the Disposal
"Independent Shareholders"	Shareholders other than BEGCL and its associates and those who are involved in or interested in the relevant resolution to be approved at the EGM
"Latest Practicable Date"	21 April 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information set out in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China (excluding, for the purpose of this circular, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
"Purchaser"	Beijing Enterprises Group Information Limited, a company incorporated in the BVI with limited liability
"Remaining Group"	the Group other than the Target Group
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	72% shareholding in the Target Company owned by the Vendor as at the Latest Practicable Date
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholders"	holders of the Shares

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	B E Information Technology Group Limited, a company incorporated in the BVI with limited liability
"Target Group"	the Target Company and its subsidiaries
"Vendor"	Prime Technology Group Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
"%"	percentage

For the purpose of this circular and for illustrative purpose only, RMB is converted into HK$ at the rate of RMB0.8: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

23 April 2015

To the Shareholders,

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION DISPOSAL OF INTEREST IN A SUBSIDIARY

INTRODUCTION

Reference is made to the Announcement, whereby the Company announced that on 23 December 2014, the Vendor, a direct wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which, subject to the

Conditions Precedent set out therein, the Vendor agreed to sell and dispose of the Sale Shares and the Debt at a total consideration of HK$126,000,000, of which approximately HK$76,377,000 arising from the Vendor's disposal of the Sale Shares and approximately HK$49,623,000 will be payable arising from assignment of the Debt.

This circular provides you with, among other things, (i) details of the Disposal Agreement and the transactions contemplated thereunder; (ii) financial information of the Group; (iii) financial information of the Target Group; (iv) unaudited pro forma financial information of the Remaining Group; and (v) a notice of the EGM.

THE DISPOSAL AGREEMENT

Date: 23 December 2014

Parties:

(1) vendor: the Vendor, a direct wholly-owned subsidiary of the Company

(2) purchaser: the Purchaser, which is a wholly-owned subsidiary of BEGCL, a controlling shareholder of the Company.

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

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

Consideration:

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

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

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

Conditions Precedent:

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

(1) the Disposal Agreement shall have been signed and chopped by the parties and become effective;

(2) the Vendor shall have obtained all necessary internal approval in respect of the Disposal Agreement and the transactions contemplated under the Disposal Agreement, including but not limited to the approval of the Independent Shareholders as may be required under the Listing Rules and in accordance with the articles of association of the Company;

(3) each of the Vendor and the Purchaser shall have obtained approval from its board of directors (or its shareholders if required under its articles of association) in respect of the Disposal Agreement and the transactions contemplated under the Disposal Agreement;

(4) Bank of Beijing Co., Ltd. (Tiantan branch) shall have agreed to release the guarantee dated 18 June 2014 given by the Company in favour of Bank of Beijing Co., Ltd. (Tiantan branch) in relation to a facility provided to Beijing Enterprises Teletron up to RMB100 million (equivalent to approximately HK$125 million);

(5) there shall have no material adverse change for the Target Group;

(6) the parties shall have observed all laws and regulations in relation to the transfer of the Sale Shares, including completion of all necessary procedures and registration; and

(7) the Company (as assignor) and the Purchaser (as assignee) shall execute the deed of assignment of the Debt.

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

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

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

INFORMATION ABOUT THE GROUP AND OTHER PARTIES

The Group

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

The Vendor

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

The Purchaser

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

The Target Group

The Target Company is a company incorporated in the BVI with limited liability and is an investment holding company. The Target Company owns the entire equity interest in Beijing Enterprises Teletron and Beijing Enterprises Jetrich. Beijing Enterprises Teletron is principally engaged in system integration and provision of information technology technical support and consultation services, whereas Beijing Enterprises Jetrich is principally engaged in provision of total education solutions. Apart from its interest in Beijing Enterprises Teletron and Beijing Enterprises Jetrich, the Target Company has no other business.

As at 31 December 2014, the unaudited consolidated net assets value of the Target Group (prepared in accordance with Hong Kong Financial Reporting Standards) was approximately HK$62,733,000. The unaudited net profits/(losses) (both before and after taxation and extraordinary items) attributable to the Group's interest in the Target Group (prepared in accordance with Hong Kong Financial Reporting Standards) for the financial years ended 31 December 2014 and 31 December 2013 are as follows:

	2014	**2013**
	HK$'000	***HK$'000***
Net profits/(losses) before taxation and extraordinary items	1,599	(3,725)
Net profits/(losses) after taxation and extraordinary items	1,464	(3,725)

REASONS FOR THE DISPOSAL AND FINANCIAL IMPLICATIONS THEREOF

Provision of information technology related services has been the principal activity of the Group over the past decade. Despite years of operation and development, the businesses of the Target Group have been shrinking and in loss-making position for the past years. 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. In 2014, the businesses of the Target Group remained stagnant and contributed only an insignificant unaudited net profit attributable to the Shareholders of approximately HK$1,222,000, represented a net profit return of approximately 0.39% over its total assets employed. In view of the insignificant contribution of the Target Group to the Group's profit in the past, the Directors believe that the Disposal has no material effect on the future earnings of the Group.

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

Upon Completion, the Group will no longer be engaged in any information technology business except for one of its insignificant subsidiary, namely, Beijing Enterprises UniCard Co., Ltd, which was loss making and only accounted for approximately 4.8% of the Group's revenue derived from the discontinued operation during the year ended 31 December 2014. As at the Latest Practicable Date, the Group has entered into a conditional agreement with an independent third party for the disposal of such subsidiary and such disposal has not yet been completed. Since the applicable percentage ratios under Rule 14.07 of the Listing Rules for this disposal are less than 5%, this disposal is not notifiable transaction under Chapter 14 of the Listing Rules.

In line with the strategic transformation, the Group has:

(i) completed the acquisition of two household waste incineration power generation projects of daily waste treatment capacity of 2,000 tonnes in aggregate in April 2014, details of which are disclosed in the circular of the Company dated 27 March 2014. During the post-acquisition period from May to December 2014, the two projects contributed unaudited revenue and net profit of approximately HK$108,516,000 and HK$24,626,000, respectively; and

(ii) established a joint venture (the "**Licensed Company**") for the investment and operation of the Haidian Renewable Energy Power Generation Project (the "**Haidian Project**") with total investment amount of RMB925,000,000 (equivalent to approximately HK$1,156,250,000) to be contributed by the Licensed Company, details of which are disclosed in the circular of the Company dated 10 October 2014. On 26 December 2014, the Licensed Company and Commission of City Administration and Environment, Haidian District, Beijing Municipality (the "**City Management Commission**") has entered into a licensed operation agreement pursuant to which the City Management Commission shall grant the Licensed Company during the licensed operation period the exclusive right for the operation and maintenance of the facilities of the Haidian Project and collection of waste treatment subsidies and revenue from the sales of electricity for a licensed operation fee.

The Group intends to focus on solid waste treatment business after the Disposal and believes that such solid waste treatment business constitutes sufficient level of operations as required under Rule 13.24 of the Listing Rules as (i) the total unaudited revenue and net profits generated from the two household waste incineration power generation projects in May to December 2014 amounted to approximately HK$108,516,000 and HK$24,626,000, respectively, and (ii) the Group has established another joint venture with total investment amount of RMB925,000,000 (equivalent to approximately HK$1,156,250,000) in second half of 2014. The Group has the intention and is under preliminary negotiations to acquire potential solid waste treatment business and will continue to explore business opportunities in this field. However, as at the Latest Practicable Date, the Group has not entered into any agreement or letter of intent for such potential acquisition. Save as disclosed in this circular, the Group does not have concrete plan nor is it in negotiation for other significant acquisition or disposal as at the Latest Practicable Date.

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

Based on the consideration receivable by the Vendor arising from the Disposal of HK$126,000,000, the unaudited consolidated net assets value of the Target Group attributable to the Group (prepared in accordance with Hong Kong Financial Reporting Standards) as at 31 December 2014 which amounted to approximately HK$41,179,000 (being calculated at 72% share of the unaudited net assets value of the Target Group of approximately HK$62,733,000 after deducting those attributable to the non-controlling interests of approximately HK$5,540,000), the Debt which amounted to approximately HK$49,623,000, the realisation of the exchange fluctuation reserve as at 31 December 2014 which amounted to approximately HK$40,874,000 and the estimated legal and other professional expenses relating to the Disposal of approximately HK$1,000,000, the Group presently expects to record a gain of approximately HK$75,072,000 from the Disposal and the excess of the consideration from the Disposal over the unaudited consolidated net asset value of the Target Group is amounted to approximately HK$63,267,000. In addition, based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, the Disposal will lead to a decrease of approximately HK$186,582,000 in the consolidated total assets of the Group after receipt of the net proceeds from the Disposal, and a decrease of approximately HK$199,226,000 in the consolidated total liabilities of the Group.

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

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

LISTING RULES IMPLICATIONS

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

EGM

A notice convening the EGM to be held at 11:00 a.m. on Tuesday, 19 May 2015 at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong is set out on pages EGM-1 and EGM-2 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolution in relation to the Disposal. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same to the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Any Shareholder with a material interest in the Disposal and his close associates will abstain from voting on resolution(s) approving the Disposal. To the best knowledge, belief and information of the Directors, having made all reasonable enquiries, (save and except BEGCL who is, as of the Latest Practicable Date, interested in 753,459,000 Shares (representing approximately 50.36% of the issued share capital of the Company) and is required to abstain from voting on the resolution in relation to the Disposal together with the transactions contemplated thereunder) no Shareholder is required to abstain from voting on the resolution put forward at the EGM.

None of the Directors has a material interest in the Disposal Agreement and the transaction contemplated thereunder or was required to abstain from voting on the Board resolutions for considering and approving the same.

RECOMMENDATION

The Independent Board Committee has been appointed to advise the Independent Shareholders in connection with the Disposal. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Disposal.

The Independent Board Committee, having taken into account the advice of Gram Capital, is of the view that the Disposal are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Disposal.

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

The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Disposal Agreement and the Disposal, which has been prepared for the purpose of inclusion 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)

23 April 2015

To the Independent Shareholders

Dear Sir or Madam,

We have been appointed as members of the Independent Board Committee to advise you in connection with the Disposal Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board in a circular dated 23 April 2015 to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

Gram Capital has been appointed to advise us and the Independent Shareholders on whether the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and whether the Disposal Agreement and the transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole. Details of its advice are set out on pages 16 to 27 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 5 to 13 of the Circular.

Having considered the advice and recommendation of Gram Capital, we consider the Disposal Agreement and the transactions contemplated thereunder to be fair and reasonable so far as the Independent Shareholders are concerned and are in the best interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully
Beijing Development (Hong Kong) Limited
Dr. Jin Lizuo, Dr. Huan Guocang, Dr. Wang Jianping,
Prof. Nie Yongfeng and Mr. Cheung Ming
Independent Board Committee

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal for the purpose of inclusion in this circular.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

23 April 2015

To: The independent board committee and the independent shareholders of Beijing Development (Hong Kong) Limited

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION DISPOSAL OF INTEREST IN A SUBSIDIARY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 23 April 2015 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 23 December 2014, the Vendor, a direct wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which subject to the Conditions Precedent set out therein, the Vendor agreed to sell and dispose of the Sale Shares and the Debt at a total cash consideration of HK$126,000,000 (the "**Consideration**").

Upon Completion, the Group will cease to have any interest in the Target Group and the consolidated financial results, assets and liabilities of the Target Group will no longer be consolidated into the consolidated financial statements of the Group.

With reference to the Board Letter, the Disposal constitutes a very substantial disposal and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules respectively. As such, the Disposal is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising Dr. Jin Lizuo, Dr. Huan Guocang, Dr. Wang Jianping, Prof. Nie Yongfeng and Mr. Cheung Ming (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Disposal is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Disposal Agreement and the transactions contemplated thereunder at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Disposal. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Vendor, the Purchaser, the Target Group or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Disposal, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Disposal

Business overview of the Group

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

Set out below are the audited consolidated financial results of the Group for each of the two years ended 31 December 2014 as extracted from the Company's annual report for the year ended 31 December 2014 (the "**Annual Report**"):

	For the year ended 31 December 2014	**For the year ended 31 December 2013 (restated)**	**Year on year change**
	HK$'000	*HK$'000*	*%*
Revenue from continuing operations	108,516	—	N/A
Profit/(Loss) for the year from continuing operations	7,533	(21,663)	N/A
Loss for the year from a discontinued operation	(2,386)	(7,449)	(68.0)

According to the Annual Report, the Group has commenced its strategic transformation plans to focus its resources on its solid waste treatment business and has decided to cease its IT business. The Group's revenue from continuing operations in 2014 comprised the provision of solid waste treatment services of approximately HK$29.26 million, and sale of electricity and steam generated from waste incineration of approximately HK$79.26 million. The Group has started to record profit of approximately HK$25.00 million from the aforesaid businesses for the year ended 31 December 2014. On the other hand, the revenue of the Group from the IT segment amounted to approximately HK$239.99 million for the year ended 31 December 2014 and the Group recorded loss of approximately HK$2.39 million from this segment during the same said year under review.

For details regarding the business prospects of the Group, please refer to the below sub-section headed "Reasons for the Disposal".

Information on the Target Group

As referred to in the Board Letter, the Target Company is a company incorporated in the BVI with limited liability and is an investment holding company. The Target Company owns the entire equity interest in Beijing Enterprises Teletron and Beijing Enterprises Jetrich. Beijing Enterprises Teletron is principally engaged in system integration and provision of IT technical support and consultation services; whereas Beijing Enterprises Jetrich is principally engaged in provision of total education solutions. Apart from its interest in Beijing Enterprises Teletron and Beijing Enterprises Jetrich, the Target Company has no other business.

Set out below are the unaudited consolidated financial results of the Target Group for each of the three years ended 31 December 2014 as extracted from Appendix II to the Circular:

	For the year ended 31 December 2014	**For the year ended 31 December 2013**	**For the year ended 31 December 2012**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	228,565	187,213	190,539
Gross profit	36,264	36,496	19,486
Profit/(loss) for the year	1,464	(3,725)	(15,575)
Gross profit margin	15.9%	19.5%	10.2%
Net profit margin	0.6%	Not applicable	Not applicable

As also extracted from Appendix II to the Circular, the unaudited consolidated net asset value of the Target Group attributable to its shareholders was approximately HK$57,193,000 as at 31 December 2014.

We noted that the Target Group had been loss making for the two consecutive years ended 31 December 2013. For the year ended 31 December 2014, it only recorded net profit of less than HK$1.5 million, representing a minimal net profit margin of approximately 0.6%.

Reasons for the Disposal

As extracted from the Board Letter, 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 Target Group have been loss-making or just recording minimal profit for the past years. Due to 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, the PRC, saw steady development. In 2014, the businesses of the Target Group remained stagnant and contributed only an insignificant unaudited net profit attributable to the Shareholders of approximately HK$1,222,000, representing a net profit return of approximately 0.39% over its total assets employed. In view of the insignificant contribution of the Target Group to the Group's profit in the past, the Directors believe that the Disposal has no material effect on the future earnings of the Group.

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

As also advised by the Directors, upon Completion, the Group will no longer be engaged in any IT business except for one of its insignificant subsidiary, namely, Beijing Enterprises UniCard Co., Ltd, which was loss making and only accounted for approximately 4.8% of the Group's revenue derived from discontinued operation during the year ended 31 December 2014. As at the Latest Practicable Date, the Group had entered into a conditional agreement with an independent third party for the disposal of the said subsidiary and such disposal had not yet been completed.

In line with the strategic transformation, the Group has:

(i) completed the acquisition of two household waste incineration-power generation projects of daily waste treatment capacity of 2,000 tonnes in aggregate in April 2014, details of which are disclosed in the circular of the Company dated 27 March 2014. During the post-acquisition period from May to December 2014, the two projects contributed unaudited revenue and net profit of approximately HK$108,516,000 and HK$24,626,000, respectively; and

(ii) established a joint venture (the "**Licensed Company**") for the investment and operation of the Haidian Renewable Energy Power Generation Project (the "**Haidian Project**") with total investment amount of RMB925,000,000 (equivalent to approximately HK$1,156,250,000) to be contributed by the Licensed Company, details of which are disclosed in the circular of the Company dated 10 October 2014. On 26 December 2014, the Licensed Company and the Commission of City Administration and Environment, Haidian District, Beijing Municipality (the "**City Management Commission**") entered into a licensed operation agreement, pursuant to which the City Management Commission shall grant the Licensed Company during the licensed operation period the exclusive right for the operation and maintenance of the facilities of the Haidian Project and collection of waste treatment subsidies and revenue from the sales of electricity for a licensed operation fee.

According to the Directors, the Group intends to focus on the solid waste treatment business after the Disposal. Moreover, the Group has the intention and is under preliminary negotiations to acquire potential solid waste treatment business and will continue to explore business opportunities in this field.

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

Outlook of the waste incineration-power generation industry

Under《國家環境保護"十二五"規劃》(The Twelfth Five-Year Plan regarding Environment Protection*) issued by the PRC government on 20 December 2011, energy-saving and environmental protection was listed as the first of the seven major emerging industries by the PRC government. Since then, the energy-saving and environmental protection industry in the PRC has been developing rapidly. On 13 February 2014, the National Development and Reform Commission of the PRC

("**NDRC**") further indicated that it will formulate and implement《關於加快推進生態文明建設的意見》(Opinions on Accelerating Ecological Civilisation Construction*) (the "**Opinions**") for the overall deployment of ecological civilisation construction. The Opinions mainly focused on the promotion of energy conservation, emission reduction and carbon reduction, issue and implementation of《2014-2015年節能減排降碳行動計劃》(2014-2015 Energy Conservation, Emission Reduction and Carbon Reduction Action Plan*), and formulation and promulgation of implementation plans for industrialisation projects of material energy-saving, environmentally protection and resource-recycling technologies and equipment. The Opinions also stated that speeding up the implementation of plans for the construction of sewage treatment and household waste treatment plants in cities and towns across the PRC will be beneficial to the development of environmental protection and waste incineration-power generation industries.

In March 2012, the NDRC promulgated《關於完善垃圾焚燒發電價格政策的通知》(Circular on Improving the Pricing Policy for Waste Incineration-power Generation*) which has established a national standardised benchmark on-grid tariff for waste-generated electricity 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, and thereby providing opportunity for the continual development of the waste incineration-power generation industry.

In view of (i) that the solid waste treatment business of the Group has started to be profit making in 2014 as demonstrated under the sub-section headed "Business overview of the Group" of this letter; (ii) the unsatisfactory historical financial performance of the Target Group as demonstrated under the sub-section headed "Information on the Target Group" of this letter; and (iii) the foregoing reasons for the Disposal as well as the positive outlook of the waste incineration-power generation industry, we concur with the Directors that the Disposal is in the interests of the Company and the Shareholders as a whole even though it is not conducted in the ordinary and usual course of business of the Group.

2. Principal terms of the Disposal Agreement

On 23 December 2014, the Vendor, a direct wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which subject to the Conditions Precedent set out therein, the Vendor agreed to sell and dispose of the Sale Shares and the Debt at the cash Consideration of HK$126,000,000.

The Consideration

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

Given that the Debt will be assigned to the Purchaser on a dollar-to-dollar basis, the Consideration for the consolidated net asset value of the Target Group which is attributable to the Group would be approximately HK$76,377,000 (the "**Consideration for Attributable NAV**").

In this relation, we calculated that the consolidated net asset value of the Target Group which is attributable to the Group was approximately HK$74,369,000 as at 31 December 2013 (i.e. the sum of items (i) and (ii) above) and approximately HK$41,179,000 as at 31 December 2014 (i.e. HK$57,193,000 x 72%) (prepared in accordance with Hong Kong Financial Reporting Standards) (altogether, the "**Attributable NAVs**"). As such, the Consideration for Attributable NAV represents premiums over the Attributable NAVs.

On the other hand, we noted that commonly adopted valuation methods in the market include the dividend yield analysis as well as the trading multiples analysis. Therefore, in order to assess the fairness and reasonableness of the Consideration, we have tried to perform the aforesaid analyses for the Disposal:

(i) Dividend yield analysis

Since the Target Group had not declared any dividend to its shareholders during the year ended 31 December 2014, there is no basis to assess the Consideration based on the historical dividend yield of the Target Group. Thus, the dividend yield analysis would be inapplicable and we have to rely on the trading multiples analysis as the alternative.

(ii) Trading multiples analysis

To perform the trading multiples analysis, we have searched for companies listed in Hong Kong which are engaged in similar line of business as the Target Group, being system integration and provision of IT technical support and consultation services, and derive a majority of their turnover from such business based on their respective latest published financial information (the "**Market Comparable(s)**") for comparison. To the best of our knowledge and endeavour, we found one Hong Kong listed company which meets the aforesaid criteria. Shareholders should note that the businesses, operations and prospects of the Target Group are not exactly the same as the Market Comparable.

Set out below are price to book ratio ("**PBR**") and price to earnings ratio ("**PER**") of the Market Comparable based on its closing price as at 23 December 2014, being the date of the Disposal Agreement, and its latest published financial information:

Company name (Stock code)	**Principal business**	**Year end date**	**PBR** *(times)*	**PER** *(times)*
Chinasoft International Limited (354)	Development and provision of IT solutions services, IT outsourcing services, consulting services, mobile internet technology services and training services.	31 December 2014	1.2	16.6
The Consideration			1.9 *(Note 1)*	103.1 *(Note 2)*

Notes:

(1) The implied PBR of the Consideration is calculated based on the Consideration for Attributable NAV and the Attributable NAV as at 31 December 2014 (prepared in accordance with Hong Kong Financial Reporting Standards).

(2) The implied PER of the Consideration is calculated based on the Consideration and 72% of the profit for the year of the Target Group attributable to shareholders of the Target Company for the year ended 31 December 2014 (prepared in accordance with Hong Kong Financial Reporting Standards).

We noticed from the above table that the PBR and PER of the Market Comparable were approximately 1.2 times and 16.6 times respectively. Thus, the implied PBR and PER of the Consideration of approximately 1.9 times and 103.1 times, respectively, are higher than the PBR and PER of the Market Comparable.

In light of that (i) the Debt will be assigned to the Purchaser on a dollar-to-dollar basis; (ii) the Consideration for Attributable NAV represents premiums over the Attributable NAVs; and (iii) the results of the market comparison as illustrated above, we are of the view that the Consideration is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

3. Possible financial effects of the Disposal

As confirmed by the Directors, upon Completion, the Group will cease to have any interest in the Target Group and the consolidated financial results, assets and liabilities of the Target Group will no longer be consolidated into the consolidated financial statements of the Group.

With reference to the unaudited pro forma financial information of the Remaining Group as contained in Appendix III to the Circular, the Disposal would lead to an increase of approximately HK$12.6 million in the net assets of the Group. As also stated under the sub-section headed "Reasons for the Disposal and financial implications thereof" of the Board Letter, the Group presently expects to record a gain (subject to final audit) of approximately HK$75.1 million from the Disposal.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon Completion.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Disposal is in the interests of the Company and the Shareholders as a whole even though it is not conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Disposal Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with Securities and Futures Commission and a responsible officer of Gram Capital to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in investment banking industry.

* *For identification purposes only*

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2012, 2013 and 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 2012 of the Company for the year ended 31 December 2012 dated 27 March 2013 (pages 27 to 89);
- the annual report 2013 of the Company for the year ended 31 December 2013 dated 28 March 2014 (pages 28 to 95); and
- the annual report 2014 of the Company for the year ended 31 December 2014 dated 31 March 2015 (pages 29 to 117).

2. INDEBTEDNESS STATEMENT OF THE GROUP

As at the close of business on 31 March 2015, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this circular, the Group had unsecured convertible bonds in the principal amount of HK$791,000,000. Save as aforesaid, the Group 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 March 2015.

3. WORKING CAPITAL OF THE GROUP

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the effect of the completion of the Disposal and the present financial resources available to the Group, including their internally generated revenue and funds, the Group 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.

4. MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year ended 31 December 2014, the Group has commenced its strategic transformation, plans to focus its resources on its solid waste treatment business and has decided to cease its information technology business.

At the end of April 2014, the Group completed the acquisition of the entire equity interests in two solid waste incineration plants in operation in Mainland China, namely 泰安生活垃圾焚燒發電項目 Taian Household Waste Incineration Power Generation Project (the "**Taian Project**") in Shandong Province and 常德市生活垃圾焚燒發電項目Changde Household Waste Incineration Power Generation Project (the "**Changde Project**") in Hunan Province.

The Taian Project is equipped with two 500 tonnes/day fluidized bed boilers and two 6MW and 12MW condensing steam turbines, respectively, and is operated on a Build-Own-Operate ("**BOO**") basis for a licensed period of 30 years commencing from 2008. For the whole year of 2014, the Taian Project handled solid waste of 284,869 tonnes (2013: 307,266 tonnes), generated on-grid electricity of 60.00 million kWh (2013: 60.85 million kWh), recorded a total revenue of HK$72.03 million (2013: HK$72.17 million) and contributed an EBITDA (excluding foreign exchange gain) of HK$26.38 million (2013: HK$21.69 million) and a net profit of HK$5.17 million (2013: HK$9.60 million), respectively.

The Changde Project is equipped with two 500 tonnes/day fluidised bed boilers and two 12MW condensing steam turbines, and is operated on a Build-Operate-Transfer ("**BOT**") basis for a licensed period of 27 years commencing from 2010. For the whole year of 2014, the Changde Project handled solid waste of 304,425 tonnes (2013: 275,091 tonnes), generated on-grid electricity of 90.33 million kWh (2013: 71.17 million kWh), recorded a total revenue of HK$82.38 million (2013: HK$69.30 million) and contributed an EBITDA (excluding foreign exchange gain) of HK$42.28 million (2013: HK$32.27 million) and a net profit of HK$24.71 million (2013: HK$27.33 million), respectively.

In the second half of 2014, the Group has established the Licensed Company for the investment and operation of the Haidian Project. The total investment amount of the Haidian Project shall be RMB1,525 million and is operated on a Public-Private-Partnership ("**PPP**") basis. The Haidian Project has household waste treatment capacity of 2,500 tonnes/day, including household waste incineration of 2,100 tonnes/day (equipped with three 600 tonnes/day mechanical grate incinerators and two 20MW steam turbine generators) and kitchen waste biochemical treatment of 400 tonnes/day.

On 26 December 2014, the Licensed Company entered into a licensed operation agreement and under which the Licensed Company has been granted from the relevant government authority the exclusive right for the operation of the Haidian Project for 30 years from the date of commercial operation at a licensed operation fee of RMB925 million to be payable before the date of commercial operation. The Haidian Project is still under construction and is expected to be transferred and put into operation by the end of 2015. The Group has established a joint venture with Suez Environnment, a world leader exclusively dedicated to water and waste management, for the provision of technical monitoring services to the Haidian Project.

During the year under review, the system integration business under the Group's information technology segment remained stagnant. The new construction contracts carried out during the year included Beijing Subway Automatic Fare Collection Piecewise Charges Upgrade System and China National Offshore Oil Corporation Data Centre. The provision of total solution services to Beijing elementary education and universities, including network operation, internet access service, network service, software development, student smartcard operation and data operation, has moderate improvement as compared with last year.

During the last quarter of 2014, the Group has entered into agreements for the disposals of its interests in subsidiaries engaged in information technology business. The disposals, subject to the approval of Independent Shareholders (if applicable), are expected to be completed in 2015.

Business Prospects

The acquisition of the Taian Project and the Changde Project was the first step of the Group's strategic transformation. The Group has been carrying out the feasibility studies in respect of the expansion of the current capacities and the second phases of the projects. The Group will closely monitor the progress of the completion of the construction of the Haidian Project and its transfer in the coming months. The Company believes that the investment and operation of the Haidian Project, a remarkable waste incineration plant in Beijing, shall build a stronger business foundation and enlarge the source of income of the Group.

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.

Financial Review

During the year ended 31 December 2014, the Group commenced the solid waste treatment business upon the acquisition of the Taian Project and the Changde Project. The Group's reportable operating segments are structured as (i) the solid waste treatment segment; (ii) the information technology segment; and (iii) the corporate and others segment.

The Group's information technology segment is currently undertaken by the subsidiaries of the Target Company and Business Net (Hong Kong) Limited ("**BNHK**"), the immediate holding company of Beijing Enterprises UniCard Co. Ltd., both are indirectly-owned subsidiaries of the Company. As at 31 December 2014, as a result of the proposed disposals of the Target Company and BNHK, the Target Company, BNHK and their respective subsidiaries were classified as disposal groups held for sale and the information technology segment was classified as a discontinued operation. Certain comparative amounts have been restated and reclassified.

Continuing operations

Revenue

The Group's revenue in 2014 comprised the provision of solid waste treatment services of HK$29.26 million, sale of electricity and steam generated from waste incineration of HK$79.26 million from the Taian Project and the Changde Project during the post-acquisition period from May to December 2014, representing a year-to-year growth of 9.2% as compared with the pre-acquisition year of 2013.

Cost of sales

The Group's corresponding cost of sales in 2014 was HK$75.09 million.

Gross profit

The Group recorded a gross profit of HK$33.43 million and a gross profit margin of 30.8% in 2014, representing a year-to-year growth of 19% as compared with the pre-acquisition year of 2013.

Other income and gains, net

The Group's other income and gains, net in 2014 amounted to HK$11.80 million, as compared with HK$10.20 million in 2013. The other income mainly comprised bank interest income of HK$11.41 million, increased by HK$1.70 million as compared with HK$9.71 million in 2013.

Administrative expenses

The Group's administrative expenses in 2014 was HK$31.75 million, of which HK$9.00 million was incurred by the solid waste treatment segment and HK$22.75 million was incurred by the corporate and others segment, increased by HK$9.45 million as compared with HK$22.30 million in 2013. The administrative expenses of the current year included the expenses incurred for merger and acquisition of HK$3.45 million.

Other operating expenses, net

The Group's other operating expenses in 2014 amounted to HK$0.28 million, as compared with HK$1.96 million in 2013.

Finance costs

The Group's finance costs incurred from the convertible bonds subscribed by the immediate holding company, Idata Finance Trading Limited ("**Idata**"), in 2014 was HK$4.23 million, decreased by HK$3.42 million as compared with HK$7.65 million in 2013.

Income tax

The Group's income tax expense for 2014 was HK$1.40 million, compared with the income tax credit of HK$0.04 million in 2013.

Discontinued operation

The total revenue of the information technology segment in 2014 was HK$239.99 million, an increase of 24.3% as compared with HK$193.07 million in 2013. The other income and gains, net (including the gain on deemed disposal of interests in an associate, China Information Technology Development Limited ("**CITD**"), of HK$22.88 million) was HK$26.75 million, as compared with HK$7.65 million in

2013. Cost of sales and operating expenses was HK$269.59 million, as compared with HK$210.64 million in 2013. Share of net profits of a joint venture and associates was HK$0.60 million, as compared with HK$2.48 million in 2013.

Profit/(loss) for the year

	Profit/(loss) for the year		**Profit/(loss) for the year attributable to shareholders of the Company**	
	2014	**2013**	**2014**	**2013**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Continuing operations				
– Solid waste treatment segment	25.00	—	25.01	—
– Corporate and others segment	(17.47)	(21.66)	(17.33)	(21.52)
	7.53	(21.66)	7.68	(21.52)
Discontinued operation				
– Information technology segment	(2.38)	(7.45)	(0.16)	(2.96)
	5.15	(29.11)	7.52	(24.48)

Financial Position

Investing activities

On 29 April 2014, the Group completed the acquisition of the entire equity interests in the Taian Project and the Changde Project for a total consideration of RMB520 million. The consideration was satisfied as to RMB86.79 million by cash and RMB433.21 million by the issue of 347 million ordinary shares of the Company at an issue price of HK$1.60 per share (fair value of which on issue date was HK$2.36 per share). The fair value of the identifiable net assets of the Taian Project and the Changde Project as at the date of acquisition was HK$766.64 million, including property, plant and equipment of HK$223.19 million, prepaid land lease payments of HK$26.25 million, operating concession of HK$397.40 million and other intangible assets of HK$106.41 million, deferred tax liabilities of HK$62.09 million and other net current assets of HK$75.48 million. Goodwill on acquisition was HK$160.16 million and net cash outflow arising from acquisition was HK$60.94 million.

On 18 August 2014, the Group disposed of 189,551,344 ordinary shares of CITD, representing approximately 7.03% of its issued share capital, at a consideration of HK$22.94 million. After the disposal, the Group ceased to have any equity interest in CITD. During the year under review, the investment in CITD contributed a net profit to the shareholders of the Company of HK$2.31 million.

In the second half of 2014, the Group has established the Licensed Company with an ultimate registered capital and total investment amount of RMB308.34 million and RMB925 million, respectively. In November 2014, the Group has injected an initial registered capital of RMB198 million.

On 9 October 2014, the Group entered into an equity transfer agreement for the disposal of its 60% equity interest in BNHK and the shareholder's loan owed by BNHK to the Group at a total consideration of HK$13 million. The disposal of BNHK is expected to be completed in 2015.

On 23 December 2014, the Group entered into an equity transfer agreement with a fellow subsidiary, Beijing Enterprises Group Information Limited (a wholly-owned subsidiary of Beijing Enterprises Group Company Limited, the ultimate holding company of the Company), pursuant to which the Group conditionally agreed to dispose of its 72% equity interest in the Target Company and the shareholder's loans owed by the Target Company and its subsidiaries to the Group at a total consideration of HK$126 million. Subject to the approval of the independent shareholders of the Company, the disposal of the Target Company is expected to be completed in 2015.

Financing activities

On 28 February 2013, pursuant to the conditional subscription agreement dated 15 September 2011 (as amended by the supplemental agreements in relation thereto, collectively, the "**Subscription Agreement**") entered into between the Company, Idata (a wholly owned subsidiary of Beijing Enterprises Holdings Limited ("**BEHL**", an intermediate holding company of the Company)), as subscriber, and BEHL, as guarantor, Idata subscribed for the issue of 177 million new ordinary shares of the Company at a price of HK$1.13 per share and firm convertible bonds of the Company in the principal amount of HK$300.58 million at an initial conversion price of HK$1.13 per share. The net proceeds of HK$498.61 million was intended to be used for investment in environmental protection and solid waste treatment business, as described in the circular of the Company dated 21 December 2012. In addition, pursuant to the Subscription Agreement and subject to the Company's satisfaction of certain preconditions to giving notice to Idata, the Company shall have the right to require Idata to subscribe for such amount of standby convertible bonds of an aggregate principal amount of HK$3,000.15 million with an initial conversion price of HK$1.13 per share as the Company may consider appropriate.

On 24 April 2014, Idata subscribed for part of the standby convertible bonds of the Company in the principal amount of HK$113 million to finance the cash consideration of the acquisition of the Taian Project and the Changde Project of HK$107.88 million and related expenses, as described in the circular of the Company dated 27 March 2014.

On 25 April 2014, certain convertible bonds of the Company with an aggregate principal amount of HK$323.18 million were converted into 286 million ordinary shares of the Company at the conversion price of HK$1.13 per share.

On 29 April 2014, 347 million ordinary shares of the Company were issued as consideration shares for the acquisition of the Taian Project and the Changde Project.

On 29 December 2014, Idata subscribed for part of the standby convertible bonds in the principal amount of HK$770.60 million, and together with the net proceeds of HK$498.61 million from the issue of new ordinary shares and firm convertible bonds received on 28 February 2013, to finance the capital commitment for the Licensed Company of RMB921.92 million and the general working capital of the Haidian Project, as described in the circular and announcement of the Company dated 10 October 2014 and 29 December 2014, respectively. As at 31 December 2014, the Company has paid HK$250 million as initial registered capital of the Licensed Company and the remaining balance of the proceeds of HK$1,019.21 million has been placed in licensed banks in Hong Kong to generate interest income.

As a consequence, during the year ended 31 December 2014, the number of ordinary shares of the Company in issue has been increased by 641,100,000 to 1,496,060,150, including 8,100,000 ordinary shares issued upon the exercise of share options during the year.

Financial position

As at 31 December 2014, the Group's total assets increased by HK$1,761.02 million to HK$3,192.90 million (including those assets of disposal groups classified as held for sale of HK$321.75 million) and total liabilities increased by HK$629.20 million to HK$1,132.01 million (including those liabilities directly associated with assets classified as held for sale of HK$218.70 million) as compared with 31 December 2013. The Group's net assets increased by HK$1,131.83 million to HK$2,060.89 million, of which equity attributable to shareholders of the Company amounted to HK$2,053.67 million as at 31 December 2014.

Liquidity and financial resources

As at 31 December 2014, the cash and bank balances held by the Group (excluded the disposal groups) amounted to HK$1,692.47 million. During the year, net cash flows used in operating activities amounted to HK$123.56 million, net cash flows used in investing activities amounted to HK$58.93 million and net cash flows from financing activities HK$824.66 million. As at 31 December 2014, the Company has outstanding convertible bonds subscribed by Idata with an aggregate principal amount of HK$791 million at an initial conversion price of HK$1.13 per share. The convertible bonds are unsecured and bear interest at 1% per annum and will be matured in February 2018.

As at 31 December 2014, the Group had no charge on its assets, did not have any bank borrowings, nor did it hold any financial derivatives. As at 31 December 2014, the Group had a net current assets of HK$1,912.26 million and its current ratio increased from 5.79 times to 7.56 times and total liabilities to assets ratio increased from 35.1% to 35.5%.

The Group adopts a prudent approach in cash and financial management to ensure proper risk control and low costs of funds. The Group finances its daily operations of the existing business primarily with internally generated cash flow. When the Group comes across with acquisition or investment opportunities, the Group will first utilise the internal funding and arrange for project finance from financial institutions. Depending on its investment needs, the Group may also consider raising fund from the shareholders and potential investors of the Company in compliance with relevant statutory requirements.

Foreign exchange risks

The Group's cash and bank balances were denominated as to 71% in Hong Kong dollars and 29% in Renminbi. The Group's businesses are principally located in Mainland China and the majority of its transactions are conducted in Renminbi. As the financial statements of the Group are presented in Hong Kong dollars, which is the Company's functional and presentation currency, the Group will be subject to translational foreign exchange risk. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss and the gains or losses arising on retranslation of foreign operations are recognised in the exchange fluctuation reserve. During the year ended 31 December 2014, the Group did not enter into any foreign currencies hedging arrangements.

Capital expenditure and commitment and contingent liabilities

During the year ended 31 December 2014, the total capital expenditures of the Group amounted to HK$771.00 million, including the acquisition of the Taian Project and the Changde Project in April 2014 amounted to HK$753.25 million. As at 31 December 2014, the Group had capital commitment of RMB925 million (equivalent to HK$1,156.25 million) for the operating concession of the Haidian Project and HK$8 million for the balance payment of a property. The Group did not have any material contingent liabilities.

Employees and Remuneration Policy

	Number of employees as at 31 December		Total expenses on employee benefits for the year ended 31 December	
	2014	**2013**	**2014**	**2013**
			HK$ million	*HK$ million*
Continuing operations				
– Solid waste treatment segment	215	—	10.81	—
– Corporate and others segment	28	25	6.99	6.75
	243	25	17.80	6.75
Discontinued operation				
– Information technology segment	221	215	37.11	36.70
	464	240	54.91	43.45

The Group's employee remuneration policy and package are periodically reviewed by the management based on the employees' work performance, professional experiences and prevailing market practices. The Group encourages and finances its employees to attend training courses in the fields of their job responsibilities. Discretionary bonuses are awarded to certain employees according to the assessment of individual performance.

The Company operates a share option scheme for the Group's employees and directors. During the year ended 31 December 2014, no share option was granted, forfeited or lapsed and 8,100,000 share options were exercised at an exercise price of HK$1.25 per share. As at 31 December 2014, the Company had 42,820,000 share options outstanding, which were granted on 21 June 2011 at an exercise price of HK$1.25 per share and represented approximately 2.9% of the Company's ordinary shares in issue as at 31 December 2014.

UNAUDITED FINANCIAL INFORMATION OF B E INFORMATION TECHNOLOGY GROUP LIMITED (THE "TARGET COMPANY") AND ITS SUBSIDIARIES (HEREAFTER COLLECTIVELY REFERRED TO AS THE "TARGET GROUP")

Set out below are the unaudited consolidated statements of financial position of the Target Group as at 31 December 2012, 2013 and 2014, and the unaudited consolidated statements of profit or loss, the unaudited consolidated statements of comprehensive income, the unaudited consolidated statements of changes in equity and the unaudited consolidated statements of cash flows of the Target Group for each of the three years ended 31 December 2012, 2013 and 2014 and explanatory notes (the "**Unaudited Financial Information**").

The Unaudited Financial Information has been prepared in accordance with the accounting policies adopted by the Company as set out in its annual report for the year ended 31 December 2014, paragraph 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the basis of preparation set out in note 2 to the Unaudited Financial Information.

The Unaudited Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular in connection with the disposal of the Target Group (the "**Disposal**"). The Company's reporting accountant was engaged to review the financial information of the Target Group as set out on pages II-2 to II-9 in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* and with reference to Practice Note 750 *Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal* issued by the Hong Kong Institute of Certified Public Accountants. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountant to obtain assurance that the reporting accountant would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountant does not express an audit opinion.

UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Unaudited		
	Year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
REVENUE	190,539	187,213	228,565
Cost of sales	(171,053)	(150,717)	(192,301)
Gross profit	19,486	36,496	36,264
Other income and gains, net	8,602	5,522	3,492
Selling and distribution expenses	(4,509)	(6,305)	(5,169)
Administrative expenses	(34,151)	(34,476)	(32,398)
Other operating expenses, net	(1,104)	(4,245)	(1,771)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	(11,676)	(3,008)	418
Finance costs	(4,507)	(468)	(431)
Share of profits and losses of:			
A joint venture	679	(286)	1,598
Associates	34	37	14
PROFIT/(LOSS) BEFORE TAX	(15,470)	(3,725)	1,599
Income tax	(105)	—	(135)
PROFIT/(LOSS) FOR THE YEAR	(15,575)	(3,725)	1,464
ATTRIBUTABLE TO:			
Shareholders of the Target Company	(15,331)	(3,392)	1,697
Non-controlling interests	(244)	(333)	(233)
	(15,575)	(3,725)	1,464

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited		
	Year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	(15,575)	(3,725)	1,464
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange fluctuation reserve:			
— Translation of foreign operations	—	3,605	(2,614)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(15,575)	(120)	(1,150)
ATTRIBUTABLE TO:			
Shareholders of the Target Company	(15,331)	(15)	(772)
Non-controlling interests	(244)	(105)	(378)
	(15,575)	(120)	(1,150)

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited		
	31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Non-current assets:			
Property and equipment	9,077	8,476	7,013
Intangible assets	1,860	2,138	1,547
Investment in a joint venture	12,352	11,986	12,639
Investments in associates	2,865	3,012	2,952
Trade receivables	9,681	7,678	10,803
Total non-current assets	35,835	33,290	34,954
Current assets:			
Inventories	7,810	9,414	23,247
Amounts due from contract customers	909	1,331	398
Trade receivables	78,161	67,388	62,920
Prepayments, deposits and other receivables	29,905	35,076	73,531
Pledged deposits	5,779	3,200	305
Cash and cash equivalents	117,430	153,672	116,227
Total current assets	239,994	270,081	276,628
TOTAL ASSETS	275,829	303,371	311,582

	Unaudited		
	31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Target Company			
Issued capital	8	8	8
Reserves	57,972	57,957	57,185
	57,980	57,965	57,193
Non-controlling interests	6,023	5,918	5,540
TOTAL EQUITY	64,003	63,883	62,733
Non-current liability:			
Trade payables	11,036	6,863	10,191
Current liabilities:			
Trade and bills payables	78,851	115,717	100,625
Amounts due to contract customers	7,173	1,585	839
Other payables and accruals	114,766	115,323	137,194
Total current liabilities	200,790	232,625	238,658
TOTAL LIABILITIES	211,826	239,488	248,849
TOTAL EQUITY AND LIABILITIES	275,829	303,371	311,582

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Unaudited							
	Attributable to shareholders of the Target Company							
	Issued capital *HK$'000*	Share premium account *HK$'000*	Exchange fluctuation reserve *HK$'000*	PRC reserve funds *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2012	8	61,243	41,350	41,232	(70,522)	73,311	6,267	79,578
Loss and total comprehensive loss for the year	—	—	—	—	(15,331)	(15,331)	(244)	(15,575)
Transfer to PRC reserve funds	—	—	—	17	(17)	—	—	—
At 31 December 2012 and 1 January 2013	8	61,243	41,350	41,249	(85,870)	57,980	6,023	64,003
Loss for the year	—	—	—	—	(3,392)	(3,392)	(333)	(3,725)
Other comprehensive income for the year:								
Exchange fluctuation reserve:								
Translation of foreign operations	—	—	3,377	—	—	3,377	228	3,605
Total comprehensive loss for the year	—	—	3,377	—	(3,392)	(15)	(105)	(120)
At 31 December 2013 and 1 January 2014	8	61,243	44,727	41,249	(89,262)	57,965	5,918	63,883
Profit/(loss) for the year	—	—	—	—	1,697	1,697	(233)	1,464
Other comprehensive loss for the year:								
Exchange fluctuation reserve:								
Translation of foreign operations	—	—	(2,469)	—	—	(2,469)	(145)	(2,614)
Total comprehensive loss for the year	—	—	(2,469)	—	1,697	(772)	(378)	(1,150)
At 31 December 2014	8	61,243	42,258	41,249	(87,565)	57,193	5,540	62,733

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited		
	Year ended 31 December		
	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax	(15,470)	(3,725)	1,599
Adjustments for:			
Share of profits and losses of a joint venture	(679)	286	(1,598)
Share of profits of associates	(34)	(37)	(14)
Bank interest income	(1,887)	(2,084)	(1,937)
Imputed interest on interest-free trade receivables with extended credit periods	(5,154)	(1,825)	(234)
Imputed interest on interest-free trade payables with extended credit periods	4,507	468	431
Depreciation	1,345	1,734	1,653
Amortisation of intangible assets	55	426	544
Impairment of trade receivables, net	930	641	1,604
Impairment/(reversal of impairment) of other receivables, net	116	3,263	(511)
Loss on disposal of items of property and equipment, net	6	170	210
	(16,265)	(683)	1,747
Decrease/(increase) in inventories	6,686	(1,304)	(14,068)
Decrease/(increase) in amounts due from contract customers	—	(387)	900
Decrease/(increase) in trade receivables	17,100	17,339	(1,904)
Increase in prepayments, deposits and other receivables	(6,027)	(6,733)	(38,195)
Increase/(decrease) in trade and bills payables	(46,227)	28,768	(9,131)
Decrease in amounts due to contract customers	(2,615)	(5,864)	(707)
Increase/(decrease) in other payables and accruals	(8,170)	(3,857)	24,754
Cash generated from/(used in) operations	(55,518)	27,279	(36,604)
PRC corporate income tax paid	(208)	—	(135)
Net cash flows from/(used in) operating activities	(55,726)	27,279	(36,739)

	Unaudited		
	Year ended 31 December		
	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*
Net cash flows from/(used in) operating activities	(55,726)	27,279	(36,739)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment	(4,880)	(1,096)	(709)
Proceeds from disposal of items of property and equipment	58	131	112
Purchases of intangible assets	(1,877)	(630)	—
Decrease in time deposits with maturity of more than three months when acquired	2,262	7,943	5,000
Decrease/(increase) in pledged deposits	(4,606)	2,801	2,815
Interest received	1,887	2,084	1,937
Net cash flows from/(used in) investing activities	(7,156)	11,233	9,155
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(62,882)	38,512	(27,584)
Cash and cash equivalents at beginning of year	165,256	102,374	145,980
Effect of foreign exchange rate changes, net	—	5,094	(4,669)
CASH AND CASH EQUIVALENTS AT END OF YEAR	102,374	145,980	113,727
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits	107,590	149,180	111,532
Time deposits	15,619	7,692	5,000
Less: Pledged deposits	(5,779)	(3,200)	(305)
Cash and cash equivalents as stated in the consolidated statement of financial position	117,430	153,672	116,227
Less: Time deposits with maturity of more than three months when acquired	(15,056)	(7,692)	(2,500)
Cash and cash equivalents as stated in the consolidated statement of cash flows	102,374	145,980	113,727

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

1. GENERAL

B E Information Technology Group Limited (the "**Target Company**") is a company established in the British Virgin Islands with limited liability and is principally engaged in investment holding. The Target Company owns the entire equity interest in Beijing Enterprises Teletron Information Technology Co., Ltd. ("**Beijing Enterprises Teletron**") and Beijing Enterprises Jetrich (Beijing) Limited ("**Beijing Enterprises Jetrich**"). Beijing Enterprises Teletron is principally engaged in system integration and provision of information technology technical support and consultation services, whereas Beijing Enterprises Jetrich is principally engaged in provision of total education solutions.

On 23 December 2014, Prime Technology Group Limited, a wholly-owned subsidiary of Beijing Development (Hong Kong) Limited (the "**Company**") and the immediate holding company of the Target Company, entered into a disposal agreement for the disposal (the "**Disposal**") of 72% of the issued capital of the Target Company and the shareholder's loans owed and repayable by the Target Company and its subsidiaries (the "**Target Group**") to the Company.

2. BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION

The unaudited financial information of the Target Group for the three years ended 31 December 2012, 2013 and 2014 (the "**Unaudited Financial Information**") has been prepared in accordance with paragraph 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purposes of inclusion in the circular issued by the Company in connection with the Disposal.

The amounts included in the Unaudited Financial Information have been recognised and measured in accordance with the relevant accounting policies of the Company adopted in the preparation of the consolidated financial statements of the Company and its subsidiaries for the relevant years, which conform with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and accounting principles generally accepted in Hong Kong. The Unaudited Financial Information has been prepared under the historical cost convention and is presented in Hong Kong dollar. All values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 *Presentation of Financial Statements* nor a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the HKICPA.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Introduction

The accompanying unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") of the remaining group of Beijing Development (Hong Kong) Limited (the "**Company**") and its subsidiaries (hereafter collectively referred to as the "**Group**"), after the disposal of B E Information Technology Group Limited (the "**Target Company**") and its subsidiaries (hereafter collectively referred to as the "**Target Group**") (the remaining group of the Group after the completion of the disposal of the Target Group are hereafter referred to as the "**Remaining Group**"), comprising the unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2014, the unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2014, has been prepared by the directors of the Company (the "**Directors**") in accordance with rules 4.29 and 14.68(2)(a)(ii) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of illustrating the effect of the proposed disposal of 72% of the issued capital of the Target Group (the "**Disposal**").

The preparation of the unaudited pro forma consolidated statement of financial position of the Remaining Group is based on (i) the unaudited consolidated statement of financial position of the Group as at 31 December 2014 which has been extracted from the published annual report of the Group for the year ended 31 December 2014 dated 31 March 2015; and (ii) the unaudited consolidated statement of financial position of the Target Group as at 31 December 2014, which has been extracted from the financial information of the Target Group as set out in Appendix II to this circular, and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Disposal had been completed on 31 December 2014.

The preparation of the unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of cash flows of the Remaining Group is based on (i) the audited consolidated statement of profit or loss and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2014 which have been extracted from the published annual report of the Group for the year ended 31 December 2014 dated 31 March 2015; and (ii) the unaudited consolidated statement of profit or loss and the unaudited consolidated statements of cash flows of the Target Group for the year ended 31 December 2014 which have been extracted from the financial information of the Target Group as set out in Appendix II to this circular, and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Disposal had been completed on 1 January 2014.

A narrative description of the pro forma adjustments of the Disposal that are directly attributable to the transactions and factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates, uncertainties, currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, it may not purport to describe the results of operations, financial positions or cash flows of the Remaining Group had the Disposal been completed as at the respective dates to which it is made up to or at any future dates. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Remaining Group's future results of operations, financial positions or cash flows. The Unaudited Pro Forma Financial Information should be read in the conjunction with the financial information of the Group as set out in Appendix I to this circular, the published annual report of the Company for the year ended 31 December 2014 dated 31 March 2015, the financial information of the Target Group as set out in Appendix II to this circular, the Company's announcement dated 23 December 2014 and other financial information included elsewhere in this circular. The Unaudited Pro Forma Financial Information does not take into account any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Remaining Group.

As mentioned in the section heading "Reasons for the Disposal and financial implications thereof" in the Letter From the Board in this circular, upon the completion of the Disposal, the Group will cease to have any interest in the Target Group and the consolidated financial results, assets and liabilities of the Target Group will no longer be consolidated into the consolidated financial statements of the Group.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE REMAINING GROUP

	The Group for the year ended 31 December 2014	Pro forma adjustments		Pro forma The Remaining Group for the year ended 31 December 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	
CONTINUING OPERATIONS				
REVENUE	108,516	—	—	108,516
Cost of sales	(75,091)	—	—	(75,091)
Gross profit	33,425	—	—	33,425
Other income and gains, net	11,804	—	—	11,804
Administrative expenses	(31,749)	—	—	(31,749)
Other operating expenses, net	(280)	—	—	(280)
PROFIT FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS	13,200	—	—	13,200
Finance costs	(4,233)	—	—	(4,233)
Share of loss of a joint venture	(33)	—	—	(33)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	8,934	—	—	8,934
Income tax	(1,401)	—	—	(1,401)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	7,533	—	—	7,533
DISCONTINUED OPERATION				
Profit/(loss) for the year from a discontinued operation	(2,386)	(1,464)	76,957	73,107
PROFIT FOR THE YEAR	5,147	(1,464)	76,957	80,640
ATTRIBUTABLE TO:				
Shareholders of the Company				
Continuing operations	7,681	—	—	7,681
Discontinued operation	(162)	(1,697)	76,957	75,098
	7,519	(1,697)	76,957	82,779
Non-controlling interests	(2,372)	233	—	(2,139)
	5,147	(1,464)	76,957	80,640

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

	The Group for the year ended 31 December 2014	Pro forma adjustments		Pro forma The Remaining Group for the year ended 31 December 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 4*	*Note 5*	
ASSETS				
Non-current assets:				
Property, plant and equipment	228,496	—	—	228,496
Investment properties	46,376	—	—	46,376
Prepaid land lease payments	25,868	—	—	25,868
Goodwill	160,161	—	—	160,161
Operating concession	386,558	—	—	386,558
Other intangible assets	103,613	—	—	103,613
Investment in a joint venture	5,967	—	—	5,967
Prepayment	32,000	—	—	32,000
Total non-current assets	989,039	—	—	989,039
Current assets:				
Inventories	2,377	—	—	2,377
Trade receivables	44,484	—	—	44,484
Prepayments, deposits and other receivables	142,777	—	—	142,777
Cash and cash equivalents	1,692,467	—	125,000	1,817,467
	1,882,105	—	125,000	2,007,105
Assets of disposal groups classified as held for sale	321,753	(311,582)	—	10,171
Total current assets	2,203,858	(311,582)	125,000	2,017,276
TOTAL ASSETS	3,192,897	(311,582)	125,000	3,006,315

	The Group for the year ended 31 December 2014	Pro forma adjustments		Pro forma The Remaining Group for the year ended 31 December 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 4*	*Note 5*	
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Company				
Share capital	2,219,647	(8)	8	2,219,647
Equity component of convertible bonds	11,658	—	—	11,658
Other reserves	(177,636)	(57,185)	91,383	(143,438)
	2,053,669	(57,193)	91,391	2,087,867
Non-controlling interests	7,223	(5,540)	(16,014)	(14,331)
TOTAL EQUITY	2,060,892	(62,733)	75,377	2,073,536
Non-current liabilities:				
Convertible bonds	779,947	—	—	779,947
Deferred tax liabilities	60,463	—	—	60,463
Total non-current liabilities	840,410	—	—	840,410
Current liabilities:				
Trade payables	7,031	—	—	7,031
Other payables and accruals	49,443	—	—	49,443
Tax payables	16,420	—	—	16,420
	72,894	—	—	72,894
Liabilities directly associated with assets classified as held for sale	218,701	(248,849)	49,623	19,475
Total current liabilities	291,595	(248,849)	49,623	92,369
TOTAL LIABILITIES	1,132,005	(248,849)	49,623	932,779
TOTAL EQUITY AND LIABILITIES	3,192,897	(311,582)	125,000	3,006,315

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP

	The Group for the year ended 31 December 2014	Pro forma adjustments		Pro forma The Remaining Group for the year ended 31 December 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax				
From continuing operations	8,934	—	—	8,934
From a discontinued operation	(2,251)	(1,599)	76,957	73,107
Adjustments for:				
Gain on disposal of a subsidiary	—	—	(76,957)	(76,957)
Gain on deemed disposal of interests in an associate	(22,878)	—	—	(22,878)
Share of profits and losses of joint ventures	(1,565)	1,598	—	33
Share of losses of associates	999	14	—	1,013
Bank interest income	(13,726)	1,937	—	(11,789)
Imputed interest on interest-free trade receivables with extended credit periods	(234)	234	—	—
Finance costs	4,664	(431)	—	4,233
Depreciation	13,659	(1,653)	—	12,006
Fair value loss on investment properties	185	—	—	185
Amortisation of prepaid land lease payments	387	—	—	387
Amortisation of operating concession	11,497	—	—	11,497
Amortisation of other intangible assets	4,125	(544)	—	3,581
Fair value loss on equity investments at fair value through profit or loss	16,301	—	—	16,301
Loss on disposal of equity investments at fair value through profit or loss	3,249	—	—	3,249
Impairment of an amount due from an associate	30	—	—	30
Impairment of trade receivables, net	1,604	(1,604)	—	—
Reversal of impairment of other receivables, net	(511)	511	—	—
Loss on disposal of items of property, plant and equipment, net	254	(210)	—	44
	24,723	(1,747)	—	22,976

	The Group for the year ended 31 December 2014	Pro forma adjustments		Pro forma The Remaining Group for the year ended 31 December 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	
Decrease/(increase) in inventories	(11,423)	14,068	—	2,645
Decrease in amounts due from contract customers	900	(900)	—	—
Decrease in trade receivables	3,194	1,904	—	5,098
Increase in prepayments, deposits and other receivables	(141,337)	38,195	—	(103,142)
Decrease in trade and bills payables	(9,440)	9,131	—	(309)
Decrease in amounts due to contract customers	(707)	707	—	—
Increase/(decrease) in other payables and accruals	10,669	(24,754)	—	(14,085)
Cash used in operations	(123,421)	36,604	—	(86,817)
PRC corporate income tax paid	(135)	135	—	—
Net cash flows used in operating activities	(123,556)	36,739	—	(86,817)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment	(17,213)	709	—	(16,504)
Proceeds from disposal of items of property, plant and equipment	186	(112)	—	74
Addition of operating concession	(516)	—	—	(516)
Purchases of other intangible assets	(27)	—	—	(27)
Investment in a joint venture	(6,000)	—	—	(6,000)
Acquisition of subsidiaries	(60,937)	—	—	(60,937)
Disposal of a subsidiary	—	—	126,000	126,000
Proceeds from disposal of equity investments at fair value through profit or loss	22,909	—	—	22,909
Increase in an amount due from an associate	(30)	—	—	(30)
Increase in time deposits with maturity of more than three months when acquired	(13,839)	(5,000)	—	(18,839)
Decrease in pledged deposits	2,815	(2,815)	—	—
Interest received	13,726	(1,937)	—	11,789
Net cash flows from/(used in) investing activities	(58,926)	(9,155)	126,000	57,919

	The Group for the year ended 31 December 2014	Pro forma adjustments		Pro forma The Remaining Group for the year ended 31 December 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares upon exercise of share options	10,125	—	—	10,125
Proceeds from issue of convertible bonds	813,600	—	—	813,600
Interest paid	(1,564)	—	—	(1,564)
Capital contribution from a non-controlling interest	2,500	—	—	2,500
Net cash flows from financing activities	824,661	—	—	824,661
NET INCREASE IN CASH AND CASH EQUIVALENTS	642,179	27,584	126,000	795,763
Cash and cash equivalents at beginning of year	1,115,016	(145,980)	—	969,036
Effect of foreign exchange rate changes, net	(9,956)	4,669	—	(5,287)
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,747,239	(113,727)	126,000	1,759,512
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances other than time deposits	1,208,660	(111,532)	126,000	1,223,128
Time deposits	610,223	(5,000)	—	605,223
Less: Pledged deposits	(305)	305	—	—
Cash and cash equivalents as stated in the consolidated statement of financial position	1,818,578	(116,227)	126,000	1,828,351
Less: Time deposits with maturity of more than three months when acquired	(71,339)	2,500	—	(68,839)
Cash and cash equivalents as stated in the consolidated statement of cash flows	1,747,239	(113,727)	126,000	1,759,512

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

(1) The audited financial information of the Group as at 31 December 2014 and for the year ended 31 December 2014 were extracted from the annual report of the Company dated 31 March 2015.

(2) The adjustment reflects the exclusion of the result and cashflows of the Target Group for the year ended 31 December 2014, which is extracted from the unaudited consolidated statement of profit or loss and unaudited consolidated statement of cash flows of the Target Group for the year ended 31 December 2014, as set out in Appendix II to this circular, assuming the Disposal had been taken place on 1 January 2014.

This pro forma adjustment will not have any continuing effect on the consolidated statement of profit or loss and consolidated statement of cash flows of the Remaining Group.

(3) The adjustment reflects the estimated proceeds (after expenses) and the estimated gain on the Disposal of Target Group, assuming that the Disposal had been completed on 1 January 2014.

The estimated gain on the Disposal is arrived at as follows:

	HK$'000
Cash consideration for the Disposal	126,000
Less: Net asset value of the Target Group attributable to its shareholders as at 1 January 2014	(57,965)
Less: 28% non-controlling interests	16,230
	(41,735)
Assignment of the Debt	(49,623)
Estimated professional fees and other expenses directly attributable to the Disposal	(1,000)
Proforma gain on the Disposal before realisation of exchange fluctuation reserve	33,642
Add: Release of exchange fluctuation reserve upon the Disposal	43,315
Proforma gain on the Disposal	76,957

This pro forma adjustment will not have any continuing effect on the consolidated statement of profit or loss and consolidated statement of cash flows of the Remaining Group.

(4) The adjustment reflects the exclusion of the assets and liabilities of the Target Group as at 31 December 2014, which is extracted from the unaudited consolidated statement of financial position of the Target Group as at 31 December 2014, as set out in Appendix II to this circular, assuming the Disposal had been taken place on 31 December 2014.

(5) The adjustment reflects the estimated proceeds (after expenses) and the estimated gain on the Disposal, assuming that the Disposal had been completed on 31 December 2014.

The estimated gain on the Disposal is arrived at as follows:

	HK$'000
Cash consideration for the Disposal	126,000
Less: Net asset value of the Target Group attributable to its shareholders as at 31 December 2014	(57,193)
Less: 28% non-controlling interests	16,014
	(41,179)
Assignment of the Debt	(49,623)
Estimated professional fees and other expenses directly attributable to the Disposal	(1,000)
Proforma gain on the Disposal before realisation of exchange fluctuation reserve	34,198
Add: Release of exchange fluctuation reserve upon the Disposal	40,874
Proforma gain on the Disposal	75,072

The corresponding adjustment to reserves is represented by:

	HK$'000
The reserves of Target Group as at 31 December 2014	57,185
Add: Proforma gain on the Disposal	75,072
Less: Release of exchange fluctuation reserve upon the Disposal	(40,874)
	91,383

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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

23 April 2015

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

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Beijing Development (Hong Kong) Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2014, the unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2014, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2014, and the related notes as set out on pages III-3 to III-10 of the circular dated 23 April 2015 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**") in connection with the proposed disposal (the "**Proposed Disposal**") of 72% of the issued capital of B E Information Technology Group Limited (the "**Target Company**" and together with its subsidiaries, collectively, the "**Target Group**") and the shareholder's loans owed and repayable by the Target Group to the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in the section headed "Introduction" in Section A of Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Disposal on the Group's financial position as at 31 December 2014 and the Group's financial performance and cash flows for the year ended 31 December 2014 as if the transaction had taken place at 31 December 2014 and 1 January 2014, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2014 as set out in the annual report of the Company dated 31 March 2015. Information about the Target Group's financial position, financial performance and cash flows has been extracted by the Directors from the financial information of the Target Group for the three years ended 31 December 2012, 2013 and 2014 as published in Appendix II to the Circular.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Proposed Disposal on unadjusted financial information of the Group as if the Proposed Disposal had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Disposal would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Proposed Disposal, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Proposed Disposal in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

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			
Name of Director	Directly beneficially owned	Through a controlled corporation	Total	Percentage of the 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 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. These share options may be exercised at any time commencing on 21 June 2011, and if not otherwise exercised, will lapse on 20 June 2021.

Long positions in shares of an associated corporation of the Company — Beijing Enterprises Holdings Limited:

Name of Director	Number of shares directly beneficially owned	Percentage of the associated corporation's issued share capital
Mr. E Meng	30,000	0.002

Long positions in share options of 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 2014, 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
Gram Capital	A licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities as defined under the SFO and the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders
Ernst & Young	Certified Public Accountants

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 2014, 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 sale and purchase agreement dated 24 February 2014 entered into between the Company and KCS Green Energy International (Group) Investments Company Limited ("**KCS Green Energy**"), pursuant to which the Company agreed to acquire and KCS Green Energy agreed to sell 100% issued share capital of each of KCS Changde Investments Company Limited and KCS Taian Investments Company Limited (collectively as the "**KCS Companies**") and the rights under the shareholder's loans in the sum of approximately US$72 million owing KCS Green Energy by the KCS Companies at an aggregate consideration of RMB520 million to be satisfied as to RMB86.79 million in cash and as to RMB433.21 million by the issue to KCS Green Energy 347,000,000 Shares at an issue price of HK$1.60 per Share, details of which are disclosed in the circular of the Company dated 27 March 2014;

(b) the licensed operation framework agreement dated 29 April 2014 entered into between Beijing Development Environmental Protection (Haidian) Limited ("**BDEP (Haidian)**"), a direct wholly-owned subsidiary of the Company, and the City Management Commission 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, details of which are disclosed in the announcement dated 29 April 2014 of the Company;

(c) the bought and sold notes dated 18 August 2014 entered into between the Vendor and E-tron Limited, direct wholly-owned subsidiaries of the Company, as vendors and Farco Holdings Limited as purchaser, pursuant to which the Vendor and E-tron Limited agreed to sell and Farco Holdings Limited agreed to purchase 189,551,344 ordinary shares of HK$0.10 each in the share capital of China Information Technology Development Limited (stock code: 8178) 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;

(d) the joint venture master agreement dated 4 September 2014 entered into between BDEP (Haidian) and Beijing Lvhaineng Environmental Protection Co., Ltd. in relation to the establishment of the Licensed Company, details of which are disclosed in the circular of the Company dated 10 October 2014;

(e) the licensed operation agreement dated 26 December 2014 entered into between BDEP (Haidian) and the City Management Commission in respect of the Haidian Project, details of which are disclosed in the announcement dated 29 December 2014 of the Company; and

(f) the Disposal 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 2014, 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 office address of Gram Capital is Room 1209, 12/F., Nan Fung Tower, 88 Connaught Road Central/173 Des Voeux Road Central, Hong Kong.

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

(d) 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.

(e) 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 up to and including 19 May 2015:

(a) the articles of association of the Company;

(b) the annual reports of the Group for the three years ended 31 December 2012, 31 December 2013 and 31 December 2014;

(c) the report of Ernst & Young on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

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

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

(f) the letter from the Independent Board Committee, the text of which is set out on pages 14 to 15 of this circular;

(g) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 16 to 27 of this circular; and

(h) 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)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Beijing Development (Hong Kong) Limited (the "**Company**") will be held at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 19 May 2015 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the entry by the Company into the Disposal Agreement (as defined in the circular to the shareholders of the Company dated 23 April 2015 (the "**Circular**")) (a copy of which has been produced at the meeting and signed by the chairman of the meeting for identification purposes), the terms thereof and transactions contemplated thereunder, be and are hereby approved, ratified and confirmed; and

(b) the directors of the Company (the "**Directors**") be and are generally and unconditionally authorised to prepare and execute all documents and to do all things as they consider necessary, expedient and appropriate to effect and implement the Disposal Agreement and transactions contemplated thereunder or incidental thereto."

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

Hong Kong, 23 April 2015

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint a proxy (or at most two proxies) to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company.

2. To be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before either the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the EGM or any adjournment thereof if the shareholder so desires.

3. As at the date hereof, the executive Directors are Mr. E Meng, Mr. Zhang Honghai, Mr. Ke Jian, Ms. Sha Ning, Ms. Qin Xuemin and Mr. Ng Kong Fat, Brian, and the independent non-executive Directors are Dr. Jin Lizuo, Dr. Huan Guocang, Dr. Wang Jianping, Prof. Nie Yongfeng and Mr. Cheung Ming.