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北京發展(香港)有限公司

BEIJING DEVELOPMENT (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability under Companies Ordinance)

(Stock code: 154)

**FURTHER SUPPLEMENTAL AGREEMENT IN RESPECT OF
PROPOSED SUBSCRIPTION OF NEW SHARES AND BONDS AND
FURTHER INFORMATION ON USE OF PROCEEDS AND
FURTHER EXTENSION OF LONG STOP DATE**

References are made to the joint announcement of the Company and BEHL dated 15 September 2011 in relation to, among other things, the Proposed Transactions, the announcement of the Company dated 25 October 2011 in relation to, among other things, the Supplemental Agreement to revise certain terms of the Subscription Agreement and the announcement of the Company dated 29 March 2012 in relation to, among other things, the entering into of a further supplemental agreement to extend the Long Stop Date to 31 December 2012.

The Board wishes to announce that in order to further address the concerns on the issue of “cash company”, update certain contractual provisions of the Subscription Agreement and finalise certain information to be included in the Circular, the Company has entered into a further supplemental agreement with the Subscriber and BEHL to further revise certain terms of the Subscription Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) including further revision of the Long Stop Date to 31 March 2013. The Board also wishes to announce further details regarding the proposed use of proceeds from the Proposed Transactions.

References are made to the joint announcement of the Company and BEHL dated 15 September 2011 in relation to, among other things, the Proposed Transactions, the announcement of the Company dated 25 October 2011 in relation to, among other things, the Supplemental Agreement to revise certain terms of the Subscription Agreement (the “**First Supplemental Agreement**”) and the announcement of the Company dated 29 March 2012 in relation to, among other things, the entering into of a further supplemental agreement (the “**Second Supplemental Agreement**”) to extend the Long Stop Date to 31 December 2012 (collectively, the “**Announcements**”). The Board wishes

to announce that in order to further address the concerns on the issue of “cash company”, update certain contractual provisions of the Subscription Agreement and finalise certain information to be included in the Circular, the Company has entered into a further supplemental agreement with the Subscriber and BEHL to further revise certain terms of the Subscription Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) including further revision of the Long Stop Date to 31 March 2013. The Board also wishes to announce further details regarding the proposed use of proceeds from the Proposed Transactions. Unless defined otherwise, capitalised terms used herein shall bear the same meanings as defined in the Announcements.

FURTHER SUPPLEMENTAL AGREEMENT TO THE SUBSCRIPTION AGREEMENT (THE “THIRD SUPPLEMENTAL AGREEMENT”)

Date

12 December 2012

Parties

- (a) The Company;
 - (b) Idata Finance Trading Limited (i.e., the Subscriber); and
 - (c) BEHL
- (together, the “**Parties**”)

Subject matters of the Third Supplemental Agreement

The Parties have agreed to further revise certain terms of the Subscription Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) to:

1. replace the terms of the Review Meetings in their entirety with the parties agreeing that the Company, subject to satisfaction of certain pre-conditions to giving notice (the “**Pre-conditions to Notification**”), shall have the discretion to notify the Subscriber at any time during the term of the Bonds to require the Subscriber to subscribe for such amount of Standby Bonds as the Company may, from time to time, consider appropriate. The pre-conditions that must be satisfied before the Company is eligible to serve any such notice (together with all such supporting documents as may be required to the reasonable satisfaction of the Subscriber) to the Subscriber requiring the Subscriber to subscribe for the Standby Bonds are:
 - (i) in respect of each of the specific projects (namely, the Proposed Green Energy Project, the Proposed Shanxi Project and/or any of the Potential Projects as further described in the section headed “Use of Proceeds” in this announcement), a formal binding sale and purchase agreement for the Group’s acquisition of the project shall have been entered into between a member of the Group and the counterparty(ies) within one calendar year from the Completion Date;

- (ii) details of the consideration for the acquisition and any related funding requirements shall have been specified in a published announcement (as required by the Listing Rules) and/or a circular despatched to the Shareholders (as required by the Listing Rules) or alternatively, where an announcement is not required to be published or a circular is not required to be despatched in accordance with the requirements of the Listing Rules, in a business plan in respect of such project; and
- (iii) there shall have been satisfaction of all (or, as the case may be, the waiver of any) applicable conditions precedent to the completion of such specific project.

The total principal amount of the Standby Bonds so specified under each such notice to be given by the Company shall match the required funding of, and shall be in accordance with the timeline for business plan stated in (ii) above.

- 2. revise the indemnification terms of the Subscription Agreement such that the Company shall represent and warrant to the Subscriber that the Company has no liabilities, actual, contingent or otherwise, except (i) liabilities expressly provided in the audited consolidated accounts of the Group for the financial year ended 31 December 2011 (as revised from the previous 31 December 2010 under the Subscription Agreement) and the unaudited consolidated management accounts of the Group for the six months ended 30 June 2012 (as revised from the previous 30 June 2011 under the Subscription Agreement); and (ii) actual liabilities incurred in the ordinary course of business of the relevant members of the Group not exceeding HK\$20,000,000 in a single transaction (as revised from the previous HK\$10,000,000 in a single transaction under the Subscription Agreement) or HK\$50,000,000 in aggregate (as revised from the previous HK\$30,000,000 in aggregate under the Subscription Agreement).
- 3. further revise the Long Stop Date to 31 March 2013 and all other provisions of the Subscription Agreement shall be amended, read and construed accordingly.

REASONS FOR AND BENEFITS OF THE THIRD SUPPLEMENTAL AGREEMENT

The Directors consider that, in order to further address the concerns on the issue of “cash company”, update certain contractual provisions of the Subscription Agreement and finalise certain information to be included in the Circular, it is in the interests of the Company to enter into the Third Supplemental Agreement. Having taken this into account, the Directors (excluding the independent non-executive Directors who will express their views in the Circular) consider that the terms of the Third Supplemental Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The independent non-executive Directors’ view are subject to the advice to be received from the Independent Financial Adviser, which advice and recommendations in respect of, among other things, the Subscription Agreement (as amended by the supplemental agreements in relation thereto) and the Whitewash Waiver will be set out in the circular to be issued by the Company to the Shareholders as required by the Takeovers Code and the Listing Rules.

USE OF PROCEEDS

The Company announced on 15 September 2011 that it would issue new Shares and convertible bonds to BEHL, the proceeds of which would be used for investment in environmental protection and solid waste treatment business. Subsequently, the Company has announced three transactions in relation to the investment and acquisition of waste-to-energy business, namely:

(i) the Proposed Green Energy Project

The Company announced on 17 September 2012 that it had entered into a framework agreement for acquisition of equity interests in Green Energy Holding Company Limited (“**Green Energy Holding**”) with China Green Energy Limited (“**China Green Energy**”) (the “**Proposed Green Energy Project**”). Under the framework agreement, the Group will acquire 100% equity interests in Green Energy Holding, a wholly-owned subsidiary of China Green Energy. The total consideration payable for the possible acquisition is preliminarily estimated to be ranged from US\$530 million to US\$535 million, and will be settled by issuing consideration shares and/or convertible bonds of the Company. The Company and China Green Energy agreed to commence due diligence upon the signing of the framework agreement and to procure the entering into of definitive agreement(s) as soon as possible.

(ii) the Proposed Haidian Project

As announced by the Company on 28 June 2012, the Company had entered into an increase of capital contract (the “**Increase of Capital Contract**”) involving a proposed formation of an equity joint venture (the “**Joint Venture**”) for investing, constructing and operating renewable energy power generation projects including solid waste pollution control and emission and gas control in Beijing, the PRC (the “**Proposed Haidian Project**”). The Company intends to finance 100% (instead of the previously announced intention to finance 80%) of the Proposed Haidian Project, comprising a proposed injection of additional registered capital into the target company (the “**Target Company**”) of RMB256 million, a proposed injection of equity premium into the Target Company of a maximum amount of RMB27.55 million, and advancements of shareholder’s loans of a total maximum amount of RMB644 million to the Joint Venture following its establishment, through such amount of net proceeds as may become available from the Proposed Transactions.

(iii) the Proposed Shanxi Project

The Company announced on 30 May 2012 that it had entered into a Framework Agreement for Investment and Cooperation in Shanxi Domestic Garbage Incineration-Power Generation Project with 山西國際能源集團有限公司 (Shanxi International Energy Group Co. Ltd.*), 北京北控環保工程技術有限公司 (Beijing Enterprises Holdings Environment Technology Co. Ltd.*) and 山西省環境保護基金有限公司 (Shanxi Environmental Protection Fund Co. Ltd.*) to establish long-term strategic cooperation partnership (the “**Proposed Shanxi Project**”). Under the framework

agreement, the four parties thereto shall, in accordance with their shareholding percentages as agreed upon negotiation, jointly develop the domestic garbage incineration-power generation market in Shanxi, including (but not limited to) the investment in the new Yangquan Garbage Incineration-Power Generation Project and the Shuozhou Garbage Incineration-Power Generation Project. The parties thereto are currently still continuing with the in-depth investigation, research and due diligence in respect of the above specific projects. The concrete cooperation arrangements of the specific projects shall be subject to the legal documents (such as project investment and cooperation contracts) to be entered into by the parties thereto. The Company expects the total investment costs of these two projects to be approximately RMB1 billion. As with the Proposed Haidian Project, the Company intends to finance its share of the costs under the Proposed Shanxi Project through such amount of net proceeds as may become available from the Proposed Transactions.

The Company intends to use the net proceeds from the Proposed Transactions for the following purposes and projects:

- Financing of the Proposed Green Energy Project (estimated capital needs of HK\$2.49 billion), the Proposed Haidian Project (estimated total capital commitment of HK\$1.15 billion) and the Proposed Shanxi Project (estimated total investment costs of HK\$1.24 billion);
- In addition, as the Company continues to explore investment opportunities, it intends to allocate a maximum amount of US\$100 million (approximately HK\$778 million) for the financing of potential waste-to-energy projects of the Group which may emerge and be executed through signing of definitive agreements prior to a definitive agreement can be signed for the Proposed Green Energy Project or the Proposed Shanxi Project. (the **“Potential Projects”**)

Leveraging on BEHL’s extensive experience and leading position in utilities businesses, the Company is in the process of identifying other potential waste-to-energy projects since it first announced its intention to enter into the waste-to-energy industry. In addition to the three specific projects mentioned above, it is important for the Company to maintain funding flexibility in project planning and bidding. With sufficient funds on hand, it will help the Company expedite the process of winning new waste-to-energy projects and entering into binding contracts, which usually requires no less than 20% of the total investment to be in the form of share capital according to an industry guidance jointly promulgated by the State Planning Commission, the Ministry of Construction and the Ministry of Environmental Protection (《關於印發推進城市污水、垃圾處理產業化發展意見的通知》).

The deployment of funds by the Potential Projects, as with the Proposed Green Energy Project and the Proposed Shanxi Project, is subject to the Pre-conditions to Notification which must be satisfied by the Company as referred to in sub-paragraph of this announcement headed “Further Supplemental Agreement To The Subscription Agreement (The “Third Supplemental

Agreement”) — Subject matters of the Third Supplemental Agreement” including the entering into of a definitive agreement in relation to any of such projects within one calendar year from the Completion Date. Furthermore, the parties have agreed that the Company shall adopt a mixed-use approach in utilizing the net proceeds from the Proposed Transactions on the Proposed Green Energy Project, the Proposed Shanxi Project and the Potential Projects which have yet to enter into any formal binding agreement, such that should, for example, the Company fail to enter into a formal binding agreement for the Proposed Shanxi Project within one year from the date of Completion, the net proceeds from the Proposed Transactions which would otherwise be used for funding the Proposed Shanxi Project would be allocated for use by the Proposed Green Energy Project in such amount as may be required for funding the entire costs of such project with reference to the approximate proposed total investment costs as stated above. Any net proceeds from the Proposed Transactions that remain unutilized by either of the Proposed Green Energy Project or Proposed Shanxi Project will be utilized by the Potential Projects with reference to the maximum amount of US\$100 million (approximately HK\$778 million) as stated above.

The Company intends to finance the excess in the capital needs for the proposed projects with both internal sources of the Group such as cash on hand, and external sources such as bank loans in the future. With the completion of the proposed projects, especially the Proposed Green Energy Project, the Company is expected to generate positive cash flow from operations and gain better debt financing capability.

Details regarding the terms of the Proposed Transactions and the use of proceeds from the Proposed Transactions will be further set out in the Circular expected to be despatched by the Company on or before 21 December 2012.

By order of the Board
Beijing Development (Hong Kong) Limited
Wang Yong
Executive Director

Hong Kong, 12 December 2012

As at the date of this announcement, the executive Directors are Mr. E Meng, Mr. Zhang Honghai, Mr. Wang Yong, Mr. Yan Qing, Ms. Sha Ning and Mr. Ng Kong Fat, Brian and independent non-executive Directors are Dr. Jin Lizuo, Dr. Huan Guocang and Dr. Wang Jianping.

All the Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

* *For identification purpose only*