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北京發展(香港)有限公司
BEIJING DEVELOPMENT (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 154)

MAJOR TRANSACTION

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

THE HAIDIAN PROJECT

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

THE JOINT VENTURE MASTER AGREEMENT

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

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

- (i) upon establishment, the Licensed Company shall have an Initial Total Investment Amount of RMB600,000,000 (equivalent to approximately HK\$754,308,990), of which RMB200,000,000 (equivalent to approximately HK\$251,436,330) shall be the Initial Registered Capital. The Initial Registered Capital shall be contributed by BDEP (Haidian) and Lvchaineng as to RMB198,000,000 (equivalent to approximately HK\$248,921,967) and RMB2,000,000 (equivalent to approximately HK\$2,514,363), respectively; and the balance of the Initial Total Investment Amount after deducting the Initial Registered Capital in the sum of RMB400,000,000 (equivalent to approximately HK\$502,872,660) shall be contributed by BDEP (Haidian);
- (ii) upon completion of the first capital injection above, BDEP (Haidian) and Lvchaineng shall further increase the total investment amount of the Licensed Company to RMB925,000,000 (equivalent to approximately HK\$1,162,893,026), of which RMB308,340,000 (equivalent to approximately HK\$387,639,390) shall be the Subsequent Registered Capital. The increase in the registered share capital of the Licensed Company in the sum of RMB108,340,000 (equivalent to approximately HK\$136,203,060) shall be contributed by BDEP (Haidian) and Lvchaineng as to RMB107,256,600 (equivalent to approximately HK\$134,841,029) and RMB1,083,400 (equivalent to approximately HK\$1,362,031), respectively; and the balance of the Subsequent Total Investment Amount after deducting the Subsequent Registered Capital and BDEP (Haidian)'s contribution to the Initial Total Investment Amount (excluding the Initial Registered Capital) in the sum of RMB216,660,000 (equivalent to HK\$272,380,976) shall be contributed by BDEP (Haidian); and
- (iii) the Subsequent Total Investment Amount shall be applied by the Licensed Company to engage Lvchaineng to construct part of the Facilities.

Subsequent to the establishment of and injection of capital into the Licensed Company, the Licensed Company shall enter into further agreements, including the Licensed Operation Agreement, to implement the terms of the Licensed Operation Framework Agreement.

LISTING RULES IMPLICATIONS

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

WRITTEN APPROVAL

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

So far as the Company is aware, none of the Shareholders is materially interested in the Joint Venture Master Agreement and the transactions contemplated thereunder. As such, no Shareholder is required to abstain from voting if a general meeting were to be convened to approve the Joint Venture Master Agreement and the transactions contemplated thereunder. As at the date of this announcement, BEHL and the Subscriber (a wholly-owned subsidiary of BEHL) are interested in 14,784,000 Shares and 738,675,000 Shares, respectively, and constitute a closely allied group of Shareholders holding an aggregate of 753,459,000 Shares (representing approximately 50.46% of the total issued Shares). As none of BEHL and the Subscriber have any material interest in the Joint Venture Master Agreement and the transactions contemplated thereunder other than through its interest in the Shares, and the Company has obtained the Written Approval from BEHL and the Subscriber, being a closely allied group of Shareholders who collectively hold an aggregate of 753,459,000 Shares (representing approximately 50.46% of the total issued Share), no extraordinary general meeting of the Company will be convened for the purpose of approving the Joint Venture Master Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) details of the Haidian Project, the Joint Venture Master Agreement and the transactions contemplated thereunder, and (ii) a business valuation report of the Haidian Project, will be despatched to the Shareholders on or before 26 September 2014 in accordance with the Listing Rules for information purposes only.

BACKGROUND

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

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

On 4 September 2014, BDEP (Haidian) further entered into the Joint Venture Master Agreement with Lvhaiheng, the holding company of the Haidian Project, in relation to the establishment of the Licensed Company for the investment, construction and operation of the Haidian Project. Major terms of the Joint Venture Master Agreement is summarised below.

JOINT VENTURE MASTER AGREEMENT

Date : 4 September 2014

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

Formation of and investment in the Licensed Company

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

Step 1: Initial Registered Capital and Initial Total Investment Amount

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

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

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

Step 2: Subsequent Increase of Capital

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

Subsequent Registered Capital : RMB308,340,000 (equivalent to approximately HK\$387,639,390), i.e. an increase of RMB108,340,000 (equivalent to approximately HK\$136,203,060).

Such increase shall be contributed as to RMB107,256,600 (equivalent to approximately HK\$134,841,029) and RMB1,083,400 (equivalent to approximately HK\$1,362,031) by BDEP (Haidian) and Lvchaineng, respectively. Following such increase, the Licensed Company shall remain to be held as to 99% and 1% by BDEP (Haidian) and Lvchaineng, respectively.

Subsequent Total Investment Amount : RMB925,000,000 (equivalent to approximately HK\$1,162,893,026), i.e. an increase of RMB325,000,000 (equivalent to approximately HK\$408,584,036).

The balance of the Subsequent Total Investment Amount after deducting the Subsequent Registered Capital and BDEP (Haidian)'s contribution to the Initial Total Investment Amount (excluding the Initial Registered Capital) in the sum of RMB216,660,000 (equivalent to approximately HK\$272,380,976) shall be contributed by BDEP (Haidian).

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

Management of the Licensed Company

Board of directors and management : The board of directors is the highest authority of the Licensed Company and is responsible for making all major decisions of the Licensed Company.

The board of directors shall consist of five persons, of which four directors shall be appointed by BDEP (Haidian) and one director shall be appointed by Lvchaineng. The chairman of the board of directors shall be a director appointed by BDEP (Haidian) and the vice-chairman of the board of directors shall be a director appointed by Lvchaineng.

A quorum of the board of directors shall be two thirds of all the directors of the Licensed Company. Certain matters such as amendments to articles of association, increase and reduction of registered capital and dissolution of the Licensed Company shall require the unanimous consent of all the directors present at a board meeting. The director appointed by Lvchaineng shall have veto right over certain matters including any proposals which would jeopardise the operations of the Haidian Project or the treatment of ashes.

Supervisors and senior management : The Licensed Company shall have two supervisors, of which each of BDEP (Haidian) and Lvchaineng shall be entitled to appoint one supervisor.

BDEP (Haidian) is entitled to appoint the general manager and the financial controller of the Licensed Company.

Implementation of the Licensed Operation Framework Agreement

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

Use of the Subsequent Total Investment Amount

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

Replacement of the previous agreements

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

LICENSED OPERATION FRAMEWORK AGREEMENT

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

- The Haidian Project shall be operated by the public-private partnership (PPP) structure. The Licensed Company shall, upon establishment, enter into the Licensed Operation Agreement with the City Management Commission, pursuant to which the City Management Commission will grant an operation license to the Licensed Company for the financing of, investment in, construction, operation and maintenance of the Facilities for a term of 30 years commencing from the date of commercial operations (the “**Licensed Operation Period**”). Upon the expiry of the Licensed Operation Period, the Licensed Company shall transfer the Facilities to the relevant governmental authority at nil consideration.
- During the term of the Licensed Operation Period, the City Management Commission shall supply incinerable waste and food waste to the Licensed Company, and the Licensed Company shall be responsible for the operation of the Haidian Project to process incinerable waste and food waste. (i) The City Management Commission shall be responsible for the supply of on average at least 2,100 tonnes of incinerable waste per day to the Licensed Company, and be

responsible all the costs incurred for the transport and treatment of ashes resulting from the incineration of waste; (ii) the incinerable waste treatment fees shall be an agreed unit price of RMB125 (equivalent to approximately HK\$157.15) per tonne (exclusive of costs incurred for treatment of ashes) (subject to adjustments based on finalised and audited total investment amount for the Haidian Project); and (iii) the food waste treatment fees to be collected shall be determined with reference to the volume of food waste processed and the actual costs incurred.

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

FUNDING ARRANGEMENT

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

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

1. in respect of certain specific projects described in the 2012 Circular where no formal binding agreement has been entered into on or prior to 12 December 2012 (being the date of the third supplemental agreement to the Subscription Agreement), a formal binding sale and purchase agreement for the Group's acquisition of the project shall have been entered into between a member of the Group and the counterparty(ies) within one calendar year from the date of completion of the Subscription Agreement;
2. details of the consideration for the acquisition and any related funding requirements shall have been specified in a published announcement (as required by the Listing Rules) and/or a circular despatched to the Shareholders (as required by the Listing Rules) or alternatively, where an announcement is not required to be published or a circular is not required to be despatched in accordance with the requirements of the Listing Rules, in a business plan in respect of such project; and

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

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

As at the date of this announcement, BEHL is interested in 753,459,000 Shares, representing approximately 50.46% of the total issued Shares. Assuming that (i) the Standby Bonds with an aggregate principal amount of HK\$700,600,000 would be issued for the funding of the Haidian Project, (ii) the conversion rights attaching to the aforesaid Standby Bonds were exercised in full, and (iii) none of the conversion rights attaching to the part of the Standby Bonds in the principal amount of HK\$90,400,000 issued to the Subscriber on 24 April 2014 would be exercised, an aggregate of 620,000,000 new Shares will fall to be allotted and issued to the Subscriber. In such case, BEHL will become interested in a total of 1,373,459,000 Shares, representing approximately 64.99% of the enlarged total number of issued Shares, and minimum public float may not be maintained. Under the terms of the Standby Bonds, the Subscriber shall not exercise any of the conversion rights attaching to such bonds if, following such exercise, minimum public float cannot be maintained. The BEHL Group (including the Subscriber) has further undertaken that the Subscriber shall not exercise any of the conversion rights attaching to such bonds if, following such exercise, minimum public float cannot be maintained.

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

FINANCIAL IMPACT

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

INFORMATION OF LVHAINENG AND THE CITY MANAGEMENT COMMISSION

Lvhaineng is the project legal person of the Haidian Project and is principally engaged in the investment, management, and operation of the Haidian Project.

The City Management Commission is a department of the People's Government of Beijing Municipality, Haidian District in charge of comprehensive coordination of urban environment improvement, city management, related public utility, as well as the city environmental sanitation management in Haidian District, Beijing.

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

INFORMATION ON THE LICENSED COMPANY AND THE HAIDIAN PROJECT

The Licensed Company

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

The Haidian Project

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

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

Based on the best knowledge of the Company, currently the largest waste-to-energy project in the PRC, either in operation or under construction, has a waste processing capacity of 3,000 tonnes per day. The Haidian Project is a large scale waste-to-energy project in Beijing. The economy and feasibility of the Haidian Project are ensured by substantial policy support from the State and local authorities, including provisions of subsidies and preferential tax treatments, stable on-grid tariffs, advanced waste incineration treatment of the Haidian Project and the position of being a key waste harmless treatment plant in Haidian District. The Haidian Project will therefore enjoy a reasonable and stable return upon commencement of its operation.

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

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

With a designed treatment capacity of 2,500 tonnes per day, the Haidian Project will become the key facility for harmless treatment of waste in Haidian District upon completion and will be used to meet the increasing demand for waste treatment in Haidian District. A national standardised on-grid tariff for waste-generated power will be applied in addition to a waste treatment fee. The on-grid tariff for waste-generated power of the Haidian Project will be charged based on the national standardised benchmark power price of RMB0.65 (equivalent to approximately HK\$0.82) per kWh (inclusive of tax), while the waste treatment fee for incinerable waste is RMB125 (equivalent to approximately HK\$157.15) per tonne (exclusive of costs incurred for treatment of ashes). Stable on-grid tariff and waste treatment fee also ensure stable revenue upon the commencement of the Haidian Project's operation.

REASONS AND BENEFITS AND IMPACT ON THE COMPANY

Reference is made to the First Announcement, whereby the Company announced that BDEP (Haidian), a wholly-owned subsidiary of the Company, had entered into the conditional Increase of Capital Contract with the Original Shareholders in relation to the proposed injection of the Capital Investment and the Equity Premium as well as advancement of the Shareholder's Loans to Lvchaineng,

the holding company of the Haidian Project. Upon completion of the Increase of Capital Contract, the Company shall be interested in 50% of the Haidian Project. As the conditions precedent to the Increase of Capital Contract are not yet fulfilled, the Increase of Capital Contract is not yet completed as at the date of this announcement.

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

In light of the above, the Company entered into further negotiations with the City Management Committee and the Original Shareholders. After discussions and as disclosed in the Second Announcement, BDEP (Haidian) entered into the Licensed Operation Framework Agreement to, among other things, increase the Group's potential interest in the Haidian Project from 50% to 99%, and to enter into a formal agreement in relation to the establishment of the Licensed Company and other ancillary agreements, and which will, upon signing thereof, replace and supersede the Increase of Capital Contract, the Joint Venture Contract and the Articles of Association. In furtherance of the Licensed Operation Framework Agreement, BDEP (Haidian) and Lvhaiheng entered into the Joint Venture Master Agreement, whereby the parties will establish the Licensed Company for the purposes of implementation of the major principles set out in the Licensed Operation Framework Agreement.

The Directors believe that the revised investment structure for the Haidian Project through a public-private partnership (PPP) arrangement as set out in the Licensed Operation Framework Agreement could create synergies through the integration and cross transfer of the skills, knowledge and expertise among the Group, Lvhaiheng and the City Management Commission in the Haidian Project, thereby enhancing the efficiency and effectiveness of the construction and future operations of the Haidian Project.

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

To build a stronger business foundation, broaden the source of income and improve the overall financial results of the Group, the Directors have been exploring all business opportunities, including the environmental protection business sector. The challenges associated with increasing demand for energy, sustainable development and the increased environmental concern have led the PRC government to pay greater attention to environmental protection and energy issues. As the urban standard of living in the PRC continues to improve and the economy continues to grow, the volume of municipal waste will increase steadily. Encompassing the characteristics of energy-

saving and environmental friendly power generation as well as new energy power generation, waste incineration-power generation is a dominant way for waste treatment that captures an enormous market with vast prospects, delivers good social efficiency and provides stable cash flow. Accordingly, with substantial support and great attention from the state and local governments, subsidies and preferential tax treatments and stable on-grid tariffs, the Company believes that waste incineration-power generation projects have promising growth prospects with growth potential in terms of scale and stability in terms of revenue. Under the full support of its parent company which enjoys competitive advantages and after making ample consideration, the Company will enter the environmental protection industry, and secure and explore platforms of suitable business opportunities in the fields of waste incineration-power generation and waste treatment in the future.

In order to accelerate such strategic transformation, establish business capability in participating in the waste incineration-power generation sector, improve its financial performance and maximise return to the Company and its Shareholders in the long run, the Company has decided to enter into the Joint Venture Master Agreement to capitalise on the business opportunities in this sector, following the Group's acquisition of two waste-to-energy projects in the PRC as disclosed in the announcements of the Company dated 29 January 2014, 24 February 2014 and 29 April 2014 and the circular of the Company dated 27 March 2014.

The formation of the Licensed Company with Lvhaiheng represents an attractive opportunity to the Group to establish an immediate presence in waste incineration-power generation operation in the PRC.

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

LISTING RULES IMPLICATIONS

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

WRITTEN APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval without the need of convening a general meeting if (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Joint Venture Master Agreement and the transactions contemplated thereunder; and (ii)

written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at general meetings to approve the Joint Venture Master Agreement and the transactions contemplated thereunder.

So far as the Company is aware, none of the Shareholders is materially interested in the Joint Venture Master Agreement and the transactions contemplated thereunder. As such, no Shareholder is required to abstain from voting if a general meeting were to be convened to approve the Joint Venture Master Agreement and the transactions contemplated thereunder. As at the date of this announcement, BEHL and the Subscriber (a wholly-owned subsidiary of BEHL) are interested in 14,784,000 Shares and 738,675,000 Shares, respectively, and constitute a closely allied group of Shareholders holding an aggregate of 753,459,000 Shares (representing approximately 50.46% of the total issued Shares). As none of BEHL and the Subscriber have any material interest in the Joint Venture Master Agreement and the transactions contemplated thereunder other than through its interest in the Shares, and the Company has obtained the Written Approval from BEHL and the Subscriber, being a closely allied group of Shareholders who collectively hold an aggregate of 753,459,000 Shares (representing approximately 50.46% of the total issued Shares), no extraordinary general meeting of the Company will be convened for the purpose of approving the Joint Venture Master Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) details of the Haidian Project, the Joint Venture Master Agreement and the transactions contemplated thereunder, and (ii) a business valuation report of the Haidian Project, will be despatched to the Shareholders on or before 26 September 2014 in accordance with the Listing Rules for information purposes only.

DEFINITIONS

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

“2012 Circular”	the circular of the Company dated 21 December 2012;
“Articles of Association”	the articles of association entered into between BDEP (Haidian) and the Original Shareholders on 28 June 2012 to further stipulate the terms of the target joint venture company proposed to be established between BDEP (Haidian) and the Original Shareholders following injection of the Capital Investment pursuant to the terms of the Increase of Capital Contract;
“BDEP (Haidian)”	Beijing Development Environmental Protection (Haidian) Limited, a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of the Company;

“BEHL”	Beijing Enterprises Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 392);
“BEHL Group”	BEHL and its subsidiaries;
“Board”	the board of Directors;
“Capital Investment”	RMB256,000,000 (equivalent to approximately HK\$321,838,502), which is proposed to be injected as additional registered capital of Lvhaiheng by way of cash pursuant to the terms of the Increase of Capital Contract subject to and upon completion of the Increase of Capital Contract;
“City Management Commission”	北京市海澱區市政市容管理委員會 (Commission of City Administration and Environment, Haidian District, Beijing Municipality*);
“Company”	Beijing Development (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 154);
“connected person”	has the meanings ascribed thereto under the Listing Rules;
“Directors”	the directors of the Company;
“Equity Premium”	RMB27,550,000 (equivalent to approximately HK\$34,635,354), which is the maximum amount proposed to be injected by BDEP (Haidian) by way of cash as equity premium of Lvhaiheng pursuant to the terms of the Increase of Capital Contract;
“Facilities”	the facilities of the Haidian Project;
“Firm Bonds”	the convertible bonds due 2018 in the aggregate principal amount of HK\$300,580,000 issued by the Company to the Subscriber, details of which are set out in the 2012 Circular;
“First Announcement”	the announcement of the Company dated 28 June 2012;
“Group”	the Company and its subsidiaries;

“Haidian Project”	北京市海澱區循環經濟產業園再生能源發電廠項目 (Beijing Haidian District Cyclic Economy Industrial Park Renewable Energy Power Generation Haidian Project*), a renewable energy power generation plant situated in Haidian District, Beijing Municipality of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Increase of Capital Contract”	the contract entered into between BDEP (Haidian) and the Original Shareholders on 28 June 2012 in relation to the proposed injection of the Capital Investment and the Equity Premium as well as advancement of the Shareholder’s Loans to the holding company of the Haidian Project;
“Initial Registered Capital”	RMB200,000,000 (equivalent to approximately HK\$251,436,330), being the initial registered capital of the Licensed Company upon establishment;
“Initial Total Investment Amount”	RMB600,000,000 (equivalent to approximately HK\$754,308,990), being the initial total investment amount of the Licensed Company upon establishment, which includes the Initial Registered Capital;
“Joint Venture Contract”	the contract entered into between BDEP (Haidian) and the Original Shareholders on 28 June 2012 to further stipulate the terms of the target joint venture company proposed to be established between BDEP (Haidian) and the Original Shareholders following injection of the Capital Investment pursuant to the terms of the Increase of Capital Contract;
“Joint Venture Master Agreement”	the agreement dated 4 September 2014 entered into between BDEP (Haidian) and Lvchaineng in relation to, among other things, the establishment of the Licensed Company;
“kWh”	kilowatt-hour;
“Licensed Company”	北京北控綠海能環保有限公司 (Beijing Beikong Lvchaineng Environmental Protection Co., Ltd.*), a company to be established under the laws of the PRC pursuant to the Joint Venture Master Agreement, which shall be owned by BDEP (Haidian) and Lvchaineng as to 99% and 1%, respectively;

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

“Original Shareholder D”	北京市海澱區國有資產投資經營有限公司 (State-Owned Properties Investment & Management Co. of Haidian District, Beijing*), is a state-owned enterprise, principally engaged in the investment in high-tech industry and real estates, and which holds 8% equity interests in Lvchaineng as at the date of this announcement;
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan);
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Announcement”	the announcement of the Company dated 29 April 2014;
“Shareholders”	holders of the Shares;
“Shareholder’s Loans”	RMB644,000,000 (equivalent to approximately HK\$809,624,983), which is the total aggregate amount of all unsecured loans proposed to be advanced by BDEP (Haidian) to Lvchaineng pursuant to the terms of the Increase of Capital Contract;
“Share(s)”	ordinary share(s) in the share capital of the Company;
“Standby Bonds”	the standby convertible bonds due 2018 in the aggregate principal amount of HK\$3,000,150,000 issued and proposed to be issued by the Company to the Subscriber, details of which are set out in the 2012 Circular;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	Idata Finance Trading Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of BEHL as at the date of this announcement;
“Subscription Agreement”	subscription agreement dated 15 September 2012 (as amended and supplemented) among the Company, the Subscriber and BEHL in relation to the proposed issue of the Subscription Shares, the Firm Bonds and the Standby Bonds;
“Subscription Shares”	a total of 177,000,000 new Shares issued by the Company to the Subscriber pursuant to the Subscription Agreement;

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

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

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

Hong Kong, 4 September 2014

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

* *for identification purposes only*