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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)

**ENTERING INTO LICENSED OPERATION AGREEMENT
AND
ISSUE OF CONVERTIBLE BONDS**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the circulars of the Company dated 21 December 2012 and 10 October 2014 (the “**Circular**”) regarding, among other things, the proposed subscription of the Standby Bonds and the formation of joint venture relating to the investment and operation of the Haidian renewable energy power generation project, respectively. Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as those defined in the Circular.

ENTERING INTO LICENSED OPERATION AGREEMENT

The Board is pleased to announce that the Licensed Company has been incorporated under the laws of the PRC. On 26 December 2014, the Licensed Company and the City Management Commission has entered into a licensed operation agreement (the “**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.

Licensed Operation Period

A term of 30 years commencing from the date of commercial operation (renewable in accordance with the terms of the Licensed Operation Agreement).

Licensed Operation Fee

RMB925,000,000 (approximately HK\$1,156,250,000), for the construction of the Facilities B, which is equal to the Subsequent Total Investment Amount and is payable in one-off basis five days before the date of commencement of operation.

Right of Use of the Facilities

The Licensed Company shall enter into an assets lease agreement with Lvhaiheng for the leasing of the Facilities owned by Lvhaiheng at a rent of RMB3,000,000 (approximately HK\$3,750,000) per annum. During the Licensed Operation Period, the Licensed Company shall be responsible for the management, operation, repair and maintenance and refurbishment of the Facilities. Upon the expiry of the Licensed Operation Period, the Licensed Company shall transfer the Facilities to the Haidian Government or its nominated organisation.

Supply of Waste

The City Management Commission guarantees the supply of at least 693,000 tonnes of incinerable waste per annum to the Licensed Company, i.e. supply of on average at least 2,100 tonnes of incinerable waste per day during the normal operation day (assumed to be 300 days per year) and on average at least 1,050 tonnes of incinerable waste per day during the annual repair and maintenance schedule (assumed to be 60 days per year). The supply of the food waste shall be separately negotiated and determined.

Waste Treatment Subsidies

The waste treatment price for incinerable waste shall be RMB125 (approximately HK\$156) per tonne (subject to adjustments based on finalised and audited total investment amount for the Haidian Project) and shall be reviewed every three years. The City Management Commission shall be responsible for the transportation and treatment of ashes and the associated cost resulting from the incineration of waste of the Haidian Project. The waste treatment price for the food waste shall be separately negotiated and determined.

Power Generation On-Grid

The City Management Commission shall assist the Licensed Company to enter into sale and purchase agreements with power enterprises. According to the “Circular on Improving the Pricing Policy of Garbage Incineration-Power Generation” published by the National Development and Reform Commission (《國家發展改革委關於完善垃圾焚燒發電價格政策的通知》發改價格[2012]801號), a national standardised benchmark on-grid tariff for garbage generated electricity shall be RMB0.65 (approximately HK\$0.81) per kWh (tax inclusive) for the first 280 kWh power generated per tonne of incinerable waste. The on-grid tariff for the remaining power generated shall be subject to the same on-grid tariff as the local coal-fired power generation facilities. The power enterprises shall purchase such remaining power from the Licensed Company.

ISSUE OF CONVERTIBLE BONDS

As disclosed in the Circular, 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 in aggregate of approximately HK\$498,610,000 in February 2013; and (2) the proposed issue of the Standby Bonds with an aggregate principal amount of HK\$700,600,000 to the Subscriber. 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 the pre-conditions, if applicable, to giving notice to the Subscriber requiring it to subscribe for the Standby Bonds in the principal amount of HK\$700,600,000 under the Subscription Agreement have been satisfied, and accordingly, the Company has given the requisite notice to the Subscriber and the Subscriber has subscribed for the issue of the Standby Bonds in the principal amount of HK\$700,600,000, which was completed on 29 December 2014.

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

Hong Kong, 29 December 2014

For the purpose of this circular and for illustrative purpose only, RMB is converted into HK\$ at the rate of RMB0.80:HK\$1.00. No representation is made that any amounts in RMB has been or could be converted at the above rates or at any other rates

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