

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.*



## **BEAUTIFUL CHINA HOLDINGS COMPANY LIMITED**

### **美麗中國控股有限公司**

*(incorporated in Bermuda with limited liability)*

(Stock code: 706)

- (1) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION FOR NEW SHARES BY A SUBSTANTIAL SHAREHOLDER;**
- (2) APPLICATION FOR WHITEWASH WAIVER;**
- (3) PROPOSED CAPITAL INCREASE; AND**
- (4) RESUMPTION OF TRADING IN THE SHARES OF THE COMPANY**

**Financial Adviser to the Company**



#### **THE SUBSCRIPTION**

On 16 October 2013 (after trading hours), the Subscriber entered into the Subscription Agreement with the Company pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 2,000,000,000 Subscription Shares at the price of HK\$0.1 per Subscription Share.

Assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Subscription Agreement up to Completion, the 2,000,000,000 Subscription Shares represent (i) approximately 93.54% of the issued share capital of the Company as at the date of the Subscription Agreement; and (ii) approximately 48.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with all the Shares in issue at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

### **PROPOSED CAPITAL INCREASE**

The Company proposes to effect the Capital Increase that the authorized share capital of the Company be increased from HK\$300,000,000 divided into 3,000,000,000 Shares of par value of HK\$0.1 each to HK\$600,000,000 divided into 6,000,000,000 Shares of par value of HK\$0.1 each.

### **LISTING RULES IMPLICATIONS**

The Subscriber is a substantial shareholder of the Company and is therefore a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders by way of poll at the SGM. The Subscriber and Global Prize Limited are wholly owned by Mr. Sze. Accordingly, Mr. Sze, the Subscriber and Global Prize Limited and their respective associates shall abstain from voting in respect of the resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder at the SGM.

### **TAKEOVERS CODE IMPLICATIONS**

As at the date of the Subscription Agreement, the Subscriber held 474,869,906 Shares, representing approximately 22.21% of the voting rights of the Company. Global Prize Limited, being person acting in concert with the Subscriber, held 2,040,000 Shares, representing approximately 0.10% of the voting rights of the Company. Upon Completion, 2,000,000,000 Subscription Shares will be issued to the Subscriber, and the interests of the Subscriber and persons acting in concert with it in the voting rights of the Company will be increased from approximately 22.31% to approximately 59.86% (assuming that no additional Shares other than the Subscription Shares will be issued since the date of the Subscription Agreement up to Completion). Accordingly, the Subscriber and persons acting in concert with it, in the absence of the Whitewash Waiver, would be obliged to make a general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by it.

An application to the Executive for the Whitewash Waiver has been made by the Subscriber. The Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. The Subscriber, Mr. Sze and parties acting or presumed to be acting in concert with any one of them (including Global Prize Limited), and any other Shareholders who are involved or interested in the Subscription and/or the Whitewash Waiver shall abstain from voting at the SGM in respect of the resolution approving the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

## **GENERAL**

The Capital Increase is conditional upon, inter alia, the approval of the Shareholders at the SGM. In addition, pursuant to Rule 13.39(6) of the Listing Rules, the Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder. Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the terms of the Whitewash Waiver and as to voting.

None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Subscription Agreement or the Whitewash Waiver. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver. Such appointment has been approved by the Independent Board Committee.

A circular will contain, among other things, (i) further details of the Subscription Agreement; (ii) further details of the Whitewash Waiver; (iii) further details of the Capital Increase; (iv) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver; (vi) a notice of the SGM; and (vii) other information as required under the Listing Rules and the Takeovers Code, for the purpose of the SGM.

## **RESUMPTION OF TRADING IN THE SHARES**

The trading in the Shares was suspended with effect from 9:00 a.m. on 17 October 2013 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 23 October 2013.

**Shareholders and potential investors should note that the Subscription, which is subject to a number of conditions precedent, may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **THE SUBSCRIPTION AGREEMENT**

### **Date:**

16 October 2013 (after trading hours)

### **Parties:**

- (i) the Subscriber, a company incorporated in the British Virgin Islands, and is wholly-owned by Mr. Sze. As at the date of this announcement, the Subscriber holds 474,869,906 Shares, representing approximately 22.21% of the issued share capital of the Company; and
- (ii) the Company.

### **The Subscription Shares:**

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 2,000,000,000 Subscription Shares. As at the date of the Subscription Agreement, there were 2,138,084,922 Shares in issue and the Subscription Shares represent approximately 93.54% of the issued share capital of the Company as at the date of the Subscription Agreement and, assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Subscription Agreement up to Completion, approximately 48.33% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

### **Subscription Price:**

The Subscription Price is HK\$0.1 per Subscription Share. The Subscription Price represents:

- (i) a discount of approximately 22.48% to the closing price of HK\$0.129 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 22.72% to the average closing price of HK\$0.1294 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 23.43% to the average closing price of HK\$0.1306 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 18.30% to the average closing price of HK\$0.1224 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day; and

- (v) a premium of approximately 38.89% over and above the Group's unaudited consolidated net asset value attributable to the Shareholders per Share as at 30 June 2013 of approximately HK\$0.072 (based on a total of 2,138,084,922 Shares as at the date of this announcement and the Group's unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$153,916,000 as at 30 June 2013).

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to, among other factors, the financial position of the Group, the historical trading volume of the Shares on the Stock Exchange and the recent trading prices of the Shares as quoted on the Stock Exchange. The total consideration for the Subscription Shares in the sum of HK\$200,000,000 will be financed by internal resources available to the Subscriber.

### **Rankings:**

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with all the Shares in issue at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

### **Conditions of the Subscription:**

Completion is conditional upon:

- (i) the Shares remaining listed and traded on the Main Board of the Stock Exchange at all times from the date of the Subscription Agreement up to (and including) the Completion Date, save for any temporary suspension not exceeding twelve consecutive Trading Days, or such longer period not exceeding fifteen consecutive Trading Days as may be required by the SFC or the Stock Exchange in connection with the review and approval of the documents relating to the transactions contemplated in the Subscription Agreement (including but not limited to announcements and documents relating to the transactions contemplated herein) by the SFC or the Stock Exchange prior to their release or publication;
- (ii) no indication being received prior to the Completion from the SFC or the Stock Exchange to the effect that the listing of the Shares on the Main Board of the Stock Exchange shall or may be withdrawn or objected to;
- (iii) having obtained the approval of the Independent Shareholders at the SGM of the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the subscription, allotment and issue of the Subscription Shares);

- (iv) having obtained any necessary waiver, consent, approval, licence, authorization, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the execution and performance of the Subscription Agreement and any of the transactions contemplated under the Subscription Agreement;
- (v) listing of and permission to deal in the Subscription Shares being granted by the Listing Committee of the Stock Exchange (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares);
- (vi) the Executive granting the Whitewash Waiver to the Subscriber and any parties acting in concert respectively with it;
- (vii) the passing of the necessary resolutions by the Independent Shareholders at the SGM who are permitted by the Executive to vote on the relevant resolution to approve the Subscription Agreement and the transactions contemplated thereunder and the granting by the Executive of the Whitewash Waiver to the Subscriber; and
- (viii) all the warranties as set out in the Subscription Agreement being true and correct in all material respects as at completion of the Subscription Agreement by reference to the facts and circumstances subsisting at that date.

None of the Conditions can be waived by either party. In the event that not all the Conditions have been fulfilled by on or prior to the Long Stop Date or such later date as may be agreed in writing between the Company and the Subscriber, the Subscription Agreement shall terminate and neither party shall have any claim against the other for costs, damages, compensation or otherwise save in respect of any antecedent breaches of the Subscription Agreement.

### **Completion:**

Subject to fulfillment of all the Conditions, Completion shall take place on the Completion Date.

### **PROPOSED CAPITAL INCREASE**

As at the date of this announcement, the authorized share capital of the Company is HK\$300,000,000 comprising 3,000,000,000 Shares of par value of HK\$0.1 each, of which 2,138,084,922 Shares have been issued and fully paid. The issued share capital of the Company is HK\$213,808,492.20. Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 2,000,000,000 Subscription Shares. On the assumption that the conditions precedent to the Completion are fulfilled and the Subscription is completed, the enlarged issued share capital of the Company will be increased to HK\$413,808,492.20 comprising 4,138,084,922 Shares of par value of HK\$0.1 each, which will exceed the existing authorized share capital of the Company.

In view of the above, the Company proposes to effect the Capital Increase that the authorized share capital of the Company be increased from HK\$300,000,000 divided into 3,000,000,000 Shares of par value of HK\$0.1 each to HK\$600,000,000 divided into 6,000,000,000 Shares of par value of HK\$0.1 each so as to (i) allow the allotment and issue of the Subscription Shares; and (ii) provide greater flexibility for equity fund raising of the Company in the future.

The Capital Increase is conditional upon, inter alia, the following:

- a) the passing of necessary resolution(s) by the Shareholders at the SGM to approve the Capital Increase; and
- b) compliance with the relevant legal procedures and requirements under the Listing Rules and Companies Act to effect the Capital Increase.

Subject to the above conditions being fulfilled, the Capital Increase is expected to become effective before the Completion.

## EFFECTS OF THE SUBSCRIPTION

The shareholdings in the Company as at the date of the Subscription Agreement and immediately after the Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Subscription Agreement up to the Completion) are summarised as follows:

	As at the date of the Subscription Agreement		Assuming (i) completion of the Subscription; and (ii) the subscription rights attaching to the Outstanding Options were not exercised at all		Assuming (i) completion of the Subscription; and (ii) full exercise of the Outstanding Options (Note 5)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Subscriber (Note 1)	474,869,906	22.21	2,474,869,906	59.81	2,474,869,906	59.31
Global Prize Limited (Note 1)	2,040,000	0.10	2,040,000	0.05	2,040,000	0.05
Mr. Sze (Note 2)	–	–	–	–	2,500,000	0.06
<b>Sub-total of the Subscriber and persons acting in concert with it (Note 3)</b>	<b>476,909,906</b>	<b>22.31</b>	<b>2,476,909,906</b>	<b>59.86</b>	<b>2,479,409,906</b>	<b>59.42</b>
<b>Executive Director(s)</b>						
Mao Zhenhua	–	–	–	–	2,500,000	0.06
Tan Shu Jiang	–	–	–	–	4,000,000	0.10
<b>Independent non-executive Director(s)</b>						
Chong Yiu Kan, Sherman	650,000	0.03	650,000	0.01	2,650,000	0.06
<b>Public:</b>						
Grantees of Outstanding Options (other than Mr. Sze and the Directors) (Note 4)	–	–	–	–	23,700,000	0.57
Other Shareholders	<u>1,660,525,016</u>	<u>77.66</u>	<u>1,660,525,016</u>	<u>40.13</u>	<u>1,660,525,016</u>	<u>39.79</u>
	<u><u>2,138,084,922</u></u>	<u><u>100.00</u></u>	<u><u>4,138,084,922</u></u>	<u><u>100.00</u></u>	<u><u>4,172,784,922</u></u>	<u><u>100.00</u></u>

Notes:

1. The Subscriber and Global Prize Limited are companies wholly owned by Mr. Sze.
2. Mr. Sze is the executive Director, chairman and chief executive officer of the Company.
3. The persons acting in concert with the Subscriber comprises Mr. Sze and Global Prize Limited.



4. None of these grantees of the Outstanding Options is a director, chief executive or substantial shareholder of the Company, or any of their respective associates or parties acting in concert with the Subscriber.
5. Full exercise of the Outstanding Options would result in a maximum of 34,700,000 new Shares being fallen to be allotted and issued to its holders.

## **INFORMATION ON THE SUBSCRIBER AND MR. SZE**

The Subscriber is an investment holding company and is wholly-owned by Mr. Sze. Mr. Sze is the Chairman, the Chief Executive Officer and an executive Director of the Company and has over 22 years of experience in investing in Hong Kong and the PRC. His investment interests cover various sectors including information technology, industrial, property investment and development, transportation and trading.

## **REASONS FOR THE SUBSCRIPTION**

The Company is an investment holding company. The Group is principally engaged in the provision of automatic teller machines (“ATM”) in the PRC.

Given that the operational environment of the ATM market in the PRC has not shown solid improvement during 2013 and a majority of the ATM operators have delayed their network expansion and the operating data indicated that competition in ATM operation has become more intense, the Board has been exploring suitable investment or business projects to invest in so as to diversify the business of the Group with an objective to broaden its income source and to minimize the idiosyncratic risks associated with the focused principal business. However, the Board intends to maintain its ATM business. Based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2013 as disclosed in the 2013 interim report of the Company, the aggregate balance of the cash and bank balances was approximately HK\$105.6 million and will be used for maintaining its ATM business.

The guideline of “Building a Beautiful Country” advanced at the 18th National Congress is intended to create momentum for the continuous rapid growth of the eco-environment construction sector in the future. To take advantage of this opportunity, the Group entered into a Memorandum of Understanding to collaborate with a Mainland China-based company principally engaged in the business of gardening and landscape construction during February 2013 relating to a proposed investment (the “MOU Investment”), details of which have been disclosed in the Company’s announcement dated 4 February 2013. The MOU Investment represents an important step for the Group to tap the potential of this sector in the PRC. At the date of this announcement, the Company is still conducting due diligence on the Mainland China-based company and has not entered into any legally binding agreements on the MOU Investment.

Since a significant portion of the cash and bank balance of the Group will be reserved to maintain its ATM business, the Directors consider that it is necessary for the Group to increase its capital to finance the aforesaid investment if materialized and/or to capture opportunities in the eco-environment construction business as and when they arise and to meet its ongoing working capital requirements.

In view of the above, the Board has considered various fund raising methods apart from the Subscription such as debt financing, placement of new Shares to independent investors as well as rights issue or open offer. As regards debt financing, having considered that it would increase the gearing level of the Group and the interest expenses incurred which would impose additional financial burden to the Group's future cash flows, the Board considers that such fund raising method is currently not the most appropriate method to the Group. In considering equity financing through placement of new Shares to independent investors, the Company has encountered difficulties in engaging a placing agent which is believed to be due to relative small market capitalization and the low trading volume of the Shares under the current market sentiment. As regards the viability of a rights issue or an open offer, the Company has found it difficult to find an independent underwriter in Hong Kong which is interested to underwrite a rights issue or open offer of the Company.

In light of the above, the Board is of the view that equity financing by way of the Subscription is, in the circumstance, the most appropriate mean of raising additional capital as (i) it is more practicable and direct under a volatile market and the uncertain global market conditions currently prevailing; (ii) it is less costly and no interest burden is imposed; and (iii) it is less time consuming.

The Board is of the view that it is in the interest of the Group and the Independent Shareholders as a whole to raise funds by the Subscription, which allows the Group to strengthen its capital position and equip the Group with the financial flexibility to achieve the Group's business objectives.

In addition, the Subscription signifies the confidence of the substantial shareholder of the Company in the existing and future development potentials of the Group. With the continuing support of the substantial shareholder of the Company, this will ensure business stability and continuity of the Group which is crucial and beneficial to the long-term development of the Group.

Overall, the Directors (excluding the independent non-executive Directors whose views will be given after taken into account the advice from the Independent Financial Adviser) consider that the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Based on the above, the Directors (other than the independent non-executive Directors who will express their view after considering the advice from the Independent Financial Adviser) consider that the Subscription represents a straightforward and cost-effective means of financing for the Group, and is fair and reasonable and on normal commercial terms, and the entering into of the Subscription Agreement is in the interests of the Group and the Shareholders as a whole.

The gross proceeds from the Subscription amounts to HK\$200 million and the net proceeds from the Subscription are estimated to be approximately HK\$198.8 million. Based on the estimated net proceeds, the net subscription price would be approximately HK\$0.10 per Subscription Share. The Group intends to apply the net proceeds from the Subscription in the following manner:

- (i) approximately 75% of the net proceeds to be used to capture opportunities in the eco-environment construction business by (i) funding our newly setup business on gardening and landscape construction; or (ii) potential acquisitions of companies related to the business of gardening and landscape construction such as the MOU Investment, for the purposes of broadening the spectrum of business the Company provide. As at the date of this announcement, the Company has not entered into any legally binding agreements in relation to any acquisitions; and
- (ii) approximately 25% of the net proceeds as general working capital of the Group.

Application will be made to the Stock Exchange for the listing of, and permission to deal in the Subscription Shares.

#### **LISTING RULES IMPLICATIONS**

Since the Subscriber is a substantial shareholder of the Company, the Subscriber is a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders by way of poll at the SGM.

The Subscriber and Global Prize Limited are wholly owned by Mr. Sze. Accordingly, Mr. Sze, the Subscriber and Global Prize Limited and their respective associates shall abstain from voting in respect of the resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder at the SGM. The Directors have confirmed that so far as they are aware, save for Mr. Sze, the Subscriber and Global Prize Limited, no other Shareholder is interested in the Subscription.

#### **TAKEOVERS CODE IMPLICATIONS**

As at the date of the Subscription Agreement, the Subscriber held 474,869,906 Shares, representing approximately 22.21% of the voting rights of the Company. Global Prize Limited, being person acting in concert with the Subscriber, held 2,040,000 Shares, representing approximately 0.10% of the voting rights of the Company.

Upon Completion, 2,000,000,000 Subscription Shares will be issued to the Subscriber, and the interests of the Subscriber and persons acting in concert with it in the voting rights of the Company will be increased from approximately 22.31% to approximately 59.86% (assuming that no additional Shares other than the Subscription Shares will be issued since the date of the Subscription Agreement

up to Completion). Accordingly, the Subscriber and persons acting in concert with it, in the absence of the Whitewash Waiver, would be obliged to make a general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by it.

An application to the Executive for the Whitewash Waiver has been made by the Subscriber. The Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. The Subscriber, Mr. Sze and parties acting or presumed to be acting in concert with any one of them (including Global Prize Limited), and any other Shareholders who are involved or interested in the Subscription and/or the Whitewash Waiver shall abstain from voting at the SGM in respect of the resolution approving the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Each of the Subscriber and Mr. Sze has undertaken to the Company that apart from the Subscription Agreement, the Subscriber and Mr. Sze will not and each of them will procure persons acting in concert with each of them respectively (including Global Prize Limited) will not:

- (i) from the date of the Subscription Agreement until the Completion Date acquire or dispose of or enter into any agreement or arrangement to acquire or dispose of any voting rights in the Company; and
- (ii) within six months after the SGM, acquire or enter into any agreement or arrangement to acquire any voting rights in the Company from or to a person who is a Director or substantial shareholder of the Company.

## **INFORMATION REQUIRED UNDER THE TAKEOVERS CODE**

As at the date of this announcement, other than 34,700,000 options granted under the share option scheme of the Company, the Company does not have any options, warrants or convertible securities in issue.

The Subscriber has confirmed that neither the Subscriber nor any persons acting in concert with it:

- (i) apart from 2,000,000,000 new Shares under the Subscription Agreement, have acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company within the six months prior to the date of the Subscription Agreement and up to the date of this announcement;
- (ii) apart from 474,869,906 Shares and 2,040,000 Shares owned by Mr. Sze through the Subscriber and Global Prize Limited, respectively and 2,500,000 outstanding options owned by Mr. Sze, own, control or has direction over any warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;

- (iii) have any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of the Subscriber and which might be material to the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver;
- (iv) have any agreements or arrangements to which the Subscriber or parties acting in concert with it/ they is/are a party which relate to the circumstances in which the Subscriber or parties acting in concert with it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Subscription Agreement or the Whitewash Waiver; and
- (v) have received any irrevocable commitment from any Independent Shareholders as to whether they will vote for or against the resolution approving the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver.

As at the date of this announcement, there are not any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Subscriber or any person acting in concert with it has borrowed or lent.

#### **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company did not conduct any fund raising activities during the past twelve months immediately preceding the date of this announcement.

#### **GENERAL**

The Capital Increase is conditional upon, inter alia, the approval of the Shareholders at the SGM.

Pursuant to Rule 13.39(6) of the Listing Rules, the Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder. Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the terms of the Whitewash Waiver and as to voting.

None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Subscription Agreement or the Whitewash Waiver. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver. Such appointment has been approved by the Independent Board Committee.

A circular will contain, among other things, (i) further details of the Subscription Agreement; (ii) further details of the Whitewash Waiver; (iii) further details of the Capital Increase; (iv) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of

the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver; (vi) a notice of the SGM; and (vii) other information as required under the Listing Rules and the Takeovers Code, for the purpose of the SGM.

## **RESUMPTION OF TRADING IN THE SHARES**

The trading in the Shares was suspended with effect from 9:00 a.m. on 17 October 2013 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 23 October 2013.

**Shareholders and potential investors should note that the Subscription, which is subject to a number of conditions precedent, may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“Business Day(s)”	any day (excluding Saturday and Sunday and public holidays) on which licensed banks in Hong Kong are generally open for business in Hong Kong
“Capital Increase”	The proposed increase of authorized share capital of the Company from HK\$300,000,000 divided into 3,000,000,000 Shares of HK\$0.1 each to HK\$600,000,000 divided into 6,000,000,000 Shares of HK\$0.1 each

“Circular”	the circular to be despatched by the Company to the Shareholders which will contain, among other things, (i) further details of the Subscription Agreement; (ii) further details of the Whitewash Waiver; (iii) further details of the Capital Increase (iv) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver; (vi) a notice of the SGM; and (vii) other information as required under the Listing Rules and the Takeovers Code, for the purpose of the SGM
“Company”	Beautiful China Holdings Company Limited, a company incorporated in Bermuda with limited liability and whose Shares are listed on the Stock Exchange (stock code: 706)
“Companies Act”	The Companies Act 1981 of Bermuda
“Completion”	completion of the Subscription
“Completion Date”	the date being the second Business Day after all the Conditions have been fulfilled, when Completion shall take place, or such other date as may be agreed in writing between the Company and the Subscriber
“Conditions”	the conditions precedent to Completion, as more particularly set out under the section headed “Conditions of the Subscription” in this announcement
“connected person”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director
“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 independent board committee comprising all the three independent non-executive Directors, namely Mr. Lai Yip Wing, Mr. Chan Ming Sun, Jonathan and Mr. Chong Yiu Kan, Sherman, which has been established by the Company to advise the Independent Shareholders on the terms of the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver and as to voting
“Independent Financial Adviser”	TC Capital Asia Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders and a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Independent Shareholders”	(i) for the purpose of the Subscription Agreement, Shareholders other than (a) the Subscriber, Mr. Sze and parties acting or presumed to be acting in concert with any one of them (including Global Prize Limited); (b) Subscriber’s associates; and (c) any other Shareholders who are involved in or interested in the Subscription Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver; (ii) for the purpose of the Takeovers Code, Shareholders other than the Subscriber, Mr. Sze and parties acting or presumed to be acting in concert with any one of them (including Global Prize Limited) and any other Shareholders who are involved in, or interested in the Subscription and/or the Whitewash Waiver
“Last Trading Day”	16 October 2013, being the last trading day of the Shares on the Stock Exchange prior to the suspension of the trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 17 October 2013
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2013
“Mr. Sze”	Mr. Sze Wai, Marco, the executive Director, chairman and chief executive officer of the Company
“Outstanding Options”	the options granted by the Company to subscribe for an aggregate of 34,700,000 new Shares under the share option scheme of the Company currently in force and adopted by the Company on 23 May 2002



“PRC”	the People’s Republic of China, which, solely for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“SFC”	Securities and Futures Commission of Hong Kong
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Capital Increase, Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, respectively
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Leading Value Industrial Limited, a company incorporated in the British Virgin Islands, and is wholly-owned by Mr. Sze
“Subscription”	the subscription by the Subscriber for the Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 16 October 2013 between the Subscriber and the Company relating to the subscription of 2,000,000,000 new Shares to be subscribed by the Subscriber
“Subscription Price”	means the subscription price of HK\$0.1 per Subscription Share
“Subscription Share(s)”	new Share(s) to be subscribed by the Subscriber pursuant to the Subscription Agreement
“substantial shareholder”	has the meaning ascribed under in the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers
“Trading Day”	any day on which the Stock Exchange is scheduled to open for trading for its regular trading session

“Whitewash Waiver”

the waiver by the Executive under Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligation on the part of the Subscriber to make a general offer to the shareholders of the Company for all issued shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber as a result of the allotment and issue of the Subscription Shares to the Subscriber

“%”

per cent.

For and on behalf of  
**Beautiful China Holdings Company Limited**  
**Sze Wai, Marco**  
*Chairman*

Hong Kong, 22 October 2013

*As at the date of this announcement, the Board comprises Mr. Sze Wai, Marco, Mr. Tan Shu Jiang, Mr. Mao Zhenhua and Mr. Shentu Jun as executive Directors, and Mr. Lai Yip Wing, Mr. Chan Ming Sun, Jonathan and Mr. Chong Yiu Kan, Sherman as independent non-executive Directors.*

*This announcement, 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 Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement 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 this announcement misleading.*

*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.*