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BEAUTIFUL CHINA HOLDINGS COMPANY LIMITED

美麗中國控股有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 706)

MEMORANDUM OF UNDERSTANDING RELATING TO A PROPOSED INVESTMENT

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This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules and the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

The Board is pleased to announce that on 18 February 2014, the Subsidiary and the Bengbu City Wuhe County Government entered into the Memorandum of Understanding in relation to the Bengbu City Wuhe County Project.

The Memorandum of Understanding is non-legally binding save for the provision relating to confidentiality.

As the Memorandum of Understanding may or may not lead to the entering into of any Formal Agreement(s) and the Bengbu City Wuhe County Project may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

In the event that the Bengbu City Wuhe County Project materialises, it may constitute a notifiable transaction for the Company under the Listing Rules. Further announcement(s) will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules and the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

The Board is pleased to announce that on 18 February 2014, the Subsidiary and the Bengbu City Wuhe County Government entered into the non-legally binding Memorandum of Understanding in relation to the Bengbu City Wuhe County Project. After signing of the Memorandum of Understanding, the parties thereto shall enter into good faith negotiation for the Formal Agreement(s) and other documentation and matters relating to the Bengbu City Wuhe County Project and the provisions of the Memorandum of Understanding shall form the basis for the preparation of the said documents.

THE MEMORANDUM OF UNDERSTANDING

Date: 18 February 2014

Parties:

1. the Subsidiary
2. the Bengbu City Wuhe County Government

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Bengbu City Wuhe County Government and their respective associates are Independent Third Parties of the Company and its connected persons.

Principal terms

The Subsidiary and the Bengbu City Wuhe County Government proposed to invest in the construction of (i) 景觀苗木研發及栽植區 (landscape, research and development and planting area for Chinese miaomu*); and (ii) 美麗鄉村生態旅遊休閒區 (beautiful country side ecotourism area*) tentatively located nearby the Area with a total site area of approximately 82 km².

The estimated total investment amount in relation to the Bengbu City Wuhe County Project is expected to be approximately RMB5 billion, whereby the actual final total investment amount shall be subject to further negotiation and finalisation in the Formal Agreement(s).

The Bengbu City Wuhe County Government shall be responsible for, including, among others, obtaining relevant approval(s) from the relevant authority(s) in the PRC in relation to the implementation of the Bengbu City Wuhe County Project, while the Subsidiary shall be responsible for, including, among others, the organisation of construction plan and proposals, and the arrangement for financing of the Bengbu City Wuhe County Project.

Details and implementation of the Bengbu City Wuhe County Project shall be subject to further negotiation and finalisation of the Formal Agreement(s), whereby the Bengbu City Wuhe County Government and the Subsidiary shall further negotiate on the relevant terms and conditions of the Bengbu City Wuhe County Project with the aim of entering into the Formal Agreement(s) after the execution of the Memorandum of Understanding.

Non legally-binding effect

Save for the clause on the confidentiality of the Memorandum of Understanding, other terms of the Memorandum of Understanding do not constitute legally-binding commitment in respect of the Bengbu City Wuhe County Project. The Bengbu City Wuhe County Project will be subject to the execution and completion of the Formal Agreement(s).

REASONS FOR THE BENGBU CITY WUHE COUNTY PROJECT

The Board believes that the Bengbu City Wuhe County Project can enable the Group to expand its business to eco-environment construction. It is expected that the demand for Chinese colourful miaomu would sharply increase in the future in accordance with the fast growing eco-environment construction industry in the PRC. The Board considers that the Bengbu City Wuhe County Project can enhance the size of the Group's reserve of Chinese Colourful miaomu so as to achieve a leading position in the supply of high quality and rare species of miaomu market in the PRC, enhance the Group's overall competitiveness in the eco-environment construction industry in the PRC, and diversify the business of the Group with an objective to broaden its income source and achieve better financial performance.

GENERAL

As the Memorandum of Understanding may or may not lead to the entering into of any Formal Agreement(s) and the Bengbu City Wuhe County Project may or may not proceed, Shareholders and potential investors are advised to exercise caution when trading in the Shares.

In the event that the Bengbu City Wuhe County Project materialises, it may constitute a notifiable transaction for the Company under the Listing Rules. Further announcement(s) will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

DEFINITIONS

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

“Area”	中國蚌埠市五河縣淮河以東，大鞏山省級森林公園與樵子澗水庫周邊區域 (the surrounding area of Dagong Mountain County Forest Park and Qiaozijian Reservoir, being east of Huai River, Wuhe County, Bengbu City, the PRC)
“Board”	the board of Directors

“Bengbu City Wuhe County Project”	中國●五河彩色田園綜合體項目(China Wuhe Colourful Pastoral Complex Project*), being the construction of (i) 景觀苗木研發及栽植區 (landscape, research and development and planting area for Chinese miaomu*); and (ii) 美麗鄉村生態旅游休閒區 (beautiful country side ecotourism area*) tentatively located nearby the Area
“Company”	Beautiful China Holdings Company Limited (美麗中國控股有限公司), a company incorporated in Bermuda with limited liability, and the Shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules and the word “connected” shall be construed accordingly
“Director(s)”	the director(s) of the Company
“Formal Agreement(s)”	formal legally-binding implementation agreement(s) to be entered into between the Subsidiary and the Bengbu City Wuhe County Government in the event that the parties proceed with the Bengbu City Wuhe County Project
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party which is not a connected person of the Company and independent of the Company and its connected person
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum of Understanding”	the memorandum of understanding dated 18 February 2014 entered into between the Subsidiary and the Bengbu City Wuhe County Government in relation to the Bengbu City Wuhe County Project
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subsidiary”	Beauty China Investment Company Limited (美麗中國投資有限公司), a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company
“Bengbu City Wuhe County Government”	安徽省五河縣人民政府(the People’s Government of Wuhe County, Anhui Province)

By the order of the Board
Sze Wai, Marco
Chairman

Hong Kong, 18 February 2014

As at the date of this announcement, the Board comprises Mr. Sze Wai, Marco, Mr. Tan Shu Jiang and Mr. Mao Zhenhua as executive Directors, Mr. Law Fei Shing as non-executive Director, and Mr. Chong Yiu Kan, Sherman, Mr. Chan Ming Sun, Jonathan and Mr. Lum Pak Sum as independent non-executive Directors.