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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 THE PROPOSED CAPITAL INJECTION

This is a voluntary announcement made by the Company.

The Board is pleased to announce that on 29 February 2016 (after trading hours), the Company and Shandong Kaiyuan entered into the Memorandum of Understanding in relation to the Proposed Capital Injection. After signing 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 Proposed Capital Injection and the provisions of the Memorandum of Understanding shall form the basis for the preparation of the said documents.

THE MEMORANDUM OF UNDERSTANDING

Date: 29 February 2016 (after trading hours)

Parties:

- (1) the Company; and
- (2) Shandong Kaiyuan.

To the of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Shandong Kaiyuan and their respective associates are Independent Third Parties of the Company and its connected persons.

Principal terms

The Group proposed to invest in Shandong Kaiyuan by injecting certain registered capital into Shandong Kaiyuan, which shall be determined with reference to the net asset value of Shandong Kaiyuan and the amount of capital required for, to the best of the Directors' knowledge and belief, the implementation of the business plan of Shandong Kaiyuan for waste plastic pyrolysis production facilities for the conversion of plastic waste into oil and related business.

Pursuant to the Memorandum of Understanding, due diligence shall be performed on Shandong Kaiyuan after the signing of the Memorandum of Understanding.

Upon the Company being satisfied with the results of due diligence on Shandong Kaiyuan, the parties to the Memorandum of Understanding shall further negotiate on the relevant terms and conditions of the Proposed Capital Injection with the aim of entering into the Formal Agreement(s).

Non legally-binding effect

The Memorandum of Understanding is a non-binding framework agreement (other than clauses relating to representations and warranties, fees, confidentiality, governing law and dispute resolutions, which are legally binding) setting out the general principles of the Proposed Capital Injection. The Proposed Capital Injection will be subject to the execution and completion of the Formal Agreement(s).

REASONS FOR THE PROPOSED CAPITAL INJECTION

Starting in 2013, the Group has been seeking business and investment opportunities to develop its business operations into the ecological and environmental industry.

The Board believes that as Shandong Kaiyuan is a company which is principally engaged in the manufacturing of oil, relating to the operation of plastic pyrolysis and related business, the Proposed Capital Injection can enable the Group to further expand its business in the environmental protection related industry by engaging in different segments in the waste recycling chain. The Board considers that the Proposed Capital Injection can (i) expand the Group's scale of operation in its environmental protection related businesses; and (ii) enhance the Group's overall competitiveness in the environmental protection related industry in the PRC to achieve better financial performance; and which, in turn, the Board considers would be beneficial and in the interests of the Company and its shareholders as a whole.

GENERAL

As the Memorandum of Understanding may or may not lead to the entering into any formal agreement(s), the Proposed Capital Injection may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

In the event that the Proposed Capital Injection 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:

“Board”	the board of Directors
“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, among others, the Company and Shandong Kaiyuan in the event that the parties proceed with the Proposed Capital Injection
“Group”	collectively, the Company and its subsidiaries
“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 29 February 2016 and entered into between the Company and Shandong Kaiyuan in relation to the Proposed Capital Injection
“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

“Proposed Capital Injection”	the proposed capital injection by the Company to the registered capital of Shandong Kaiyuan
“Shandong Kaiyuan”	山東開元橡塑科技有限公司 (Shandong Kaiyuan Rubber Technology Company Limited*), a company established in the PRC that is currently principally engaged in the manufacturing of rubber-related materials
“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

By Order of the Board
Beautiful China Holdings Company Limited
Tan Shu Jiang
Executive Director

Hong Kong, 8 March 2016

As at the date of this announcement, the Board comprises Mr. Sze Wai Marco, Mr. Zhou Wei Feng, Mr. Tan Shu Jiang and Mr. Pan Tingxuan as executive Directors, Mr. Law Fei Shing as non-executive Director, and Mr. Lum Pak Sum, Mr. Chong Yiu Kan, Sherman and Mr. Liu Liyang as independent non-executive Directors.

* *For identification purpose only*