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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)

**VOLUNTARY ANNOUNCEMENT IN RELATION TO  
THE COOPERATIVE FRAMEWORK AGREEMENT REGARDING  
THE PROPOSED COOPERATION**

This is a voluntary announcement made by the Company.

The Board is pleased to announce that on 11 May 2016, the Company and the People's Government of Shanghe County entered into the Cooperative Framework Agreement in relation to the Proposed Cooperation. After signing the Cooperative Framework Agreement, the parties thereto shall enter into good faith negotiation for the Formal Agreements and other documentation and matters relating to the Proposed Cooperation and the provisions of the Cooperative Framework Agreement shall form the basis for the preparation of the said documents.

**THE MEMORANDUM OF UNDERSTANDING**

**Date:** 11 May 2016

**Parties:**

- (1) the Company; and
- (2) the People's Government of Shanghe County.

To the of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the People's Government of Shanghe County and its associates are Independent Third Parties of the Company and its connected persons.

## **Principal terms**

In accordance with the Cooperative Framework Agreement, the Company and the People's Government of Shanghe County intend to establish a joint venture by setting up the SPV, which is intended to be principally engaged in the businesses of domestic waste classification, harmless treatment, resources recycling and landfill sites operation and management in Shanghe County, Shandong Provinces, the PRC in franchise model. The total investment amount of the Proposed Cooperation is estimated to be RMB80,000,000.

Under the Proposed Cooperation, the Company will mainly be responsible for management of operation, provision of continuing financing and technical support for the SPV in engaging its proposed business activities, whereas the People's Government of Shanghe County will be responsible for policy coordination and support, review and approval of proposal, review of construction plan, land supply, supervision of operation, performance evaluation and payment of expenses.

The Cooperative Framework Agreement shall be effective for a year from the date of the Cooperative Framework Agreement. The parties agree that if there was no progress of the subject matter of the Cooperative Framework Agreement, it shall automatically terminate at the expiry of such one year period. The Proposed Cooperation will be subject to the execution and completion of the Formal Agreements.

## **REASONS FOR THE PROPOSED BUSINESS COOPERATION**

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

To the best of the Directors' information, Shanghe County has a total population of about 650,000, with concentrated residential areas, and thus has a relatively large volume of domestic waste. Due to the shortage of existing landfill capacity and the difficulties in locating new landfill siting, Shanghe County will be facing the difficulties that the domestic waste has nowhere to dispose. The Cooperative Framework Agreement entered into between the Company and the People's Government of Shanghe County represents a move of the Company to collaborate with the PRC local government. With the governmental support, the Company accelerated its effort on the cooperation with social capital (that is, Public-Private-Partnership or PPP mode in short) by serving as the government franchiser to develop the businesses of integrated treatment of domestic waste, landfill operations and waste resource recycling under innovative models like contractual services in environmental performance. The Board considers that the Proposed Cooperation 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 Cooperative Framework Agreement may or may not lead to the entering into any formal agreement(s), the Proposed Cooperation 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 Cooperation 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
“Cooperative Framework Agreement”	the cooperative framework agreement dated 11 May 2016 and entered into between the Company and the People’s Government of Shanghe County in relation to the Proposed Cooperation
“Director(s)”	the director(s) of the Company
“Formal Agreements”	formal legally-binding implementation agreements, including but not limited to the joint venture agreement, franchise agreement and environmental services agreement, to be entered into between the Company and the People’s Government of Shanghe County and/or the business entity nominated by it, as the case may be, in the event that the parties proceed with the Proposed Cooperation
“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

“SPV”	A joint venture company to be formed and jointly held (directly or indirectly) by the Company and the business entity platform under the People’s Government of Shanghe County as a special purpose vehicle for engaging in the activities under the Proposed Cooperation
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“People’s Government of Shanghe County”	中國山東省商河縣人民政府 (the People’s Government of Shanghe County, Shandong Province, the PRC*)
“Proposed Cooperation”	the proposed formation of the SPV to be jointly held by the Company and the business entity under the People’s Government of Shanghe County for the purpose of engaging in the business of domestic waste classification, harmless treatment, recycling and landfilling in Shanghe County, Shandong Province, the PRC
“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
“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, 13 May 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*