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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)

- (1) SUBSCRIPTION FOR CONVERTIBLE BONDS
UNDER THE GENERAL MANDATE;
AND
(2) PLACING OF CONVERTIBLE BONDS
UNDER THE GENERAL MANDATE**

Placing Agent

平安證券有限公司
Ping An Securities Limited

(1) SUBSCRIPTION OF THE NSCB UNDER THE GENERAL MANDATE

On 21 June 2016, after trading hours, the Company and the Guarantor entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue the NSCB in an aggregate principal amount of HK\$118,000,000.

(2) PLACING OF THE PACB UNDER THE GENERAL MANDATE

On 21 June 2016, after trading hours, the Company also entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent has conditionally agreed to procure, on a best effort basis, Places to subscribe in cash for the PACB of up to an aggregate principal amount of HK\$50,000,000.

THE CONVERTIBLE BONDS

Based on the initial conversion price of HK\$0.16 per Conversion Share, a maximum number of 1,050,000,000 Conversion Shares in aggregate will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, which represent approximately 20.00% of the existing issued share capital of the Company and approximately 16.66% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Convertible Bonds will be issued under the General Mandate.

The maximum net proceeds from the Subscription and the Placing (after deducting related expenses) are estimated to be approximately HK\$163,000,000 and the Company intends to use such proceeds as to (i) approximately 80% for funding the capital expenditure on environment projects of the Group in the PRC; and (ii) approximately 20% as general working capital of the Group.

The Board wishes to announce that on 21 June 2016 (after trading hours), the Company entered into (i) the Subscription Agreement with the Guarantor and the Subscriber; and (ii) the Placing Agreement with the Placing Agent, the respective principal terms of which are summarised below:

(1) SUBSCRIPTION OF THE NSCB UNDER THE GENERAL MANDATE

The Subscription Agreement

Date

21 June 2016 (after trading hours)

Parties

- (a) the Company;
- (b) the Guarantor; and
- (c) New Silkroad Investment Holdings Limited as the Subscriber.

The Subscriber is a company incorporated in the British Virgin Islands that is wholly-owned subsidiary by China Huarong International Holdings Limited.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner(s) are third parties independent of, and not connected with, the Company and its connected persons.

Subscription

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue the NSCB in an aggregate principal amount of HK\$118,000,000, which may be convertible prior to the relevant Maturity Date into 737,500,000 Conversion Shares (subject to adjustments) based on the initial conversion price of HK\$0.16 per Conversion Share upon full conversion. Upon completion, the Company will issue the NSCB to the Subscriber.

Based on the initial conversion price of HK\$0.16 per Conversion Share, a maximum number of 737,500,000 Conversion Shares shall be allotted and issued upon exercise in full of the conversion rights attaching to the NSCB, which represent:

- (i) approximately 14.04% of the existing issued share capital of the Company; and
- (ii) approximately 11.70% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon exercise in full of the conversion rights attaching to the NSCB.

The Conversion Shares shall be allotted and issued pursuant to the General Mandate.

Completion of the Subscription

Pursuant to the Subscription Agreement, completion of the Subscription shall take place on the NS Closing Date whereupon:

1. the Subscriber receiving, among other things, (i) the legal opinion to the Subscriber as to the laws of Hong Kong; (ii) the legal opinion to the Subscriber as to the laws of Bermuda; (iii) the legal opinion to the Company as to the laws of the PRC; and (iv) a certified copy of the “Enterprise Overseas Debt Issuance Registration Certificate (企業發行外債備案登記證明)” with respect to the NSCB issued by the NDRC in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registration (國家發展改革委關於推企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) on the NS Closing Date;
2. execution of the remaining Issue Documents and other related documents, including among others, the (i) Deed of Guarantee; and (ii) Account Control Agreement on or before the NS Closing Date by or on behalf of all parties thereto;
3. the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the approval of listing of and permission to deal in all the Conversion Shares which may be allotted and issued upon the exercise of the conversion right attaching to the NSCB;

4. evidence regarding the appointment of the Designated Director having been obtained;
5. execution and delivery (as the case may be) of any other approvals, certificates or documents as the Subscriber may reasonably request in the form and substance satisfactory to the Subscriber;
6. since the date of the Subscription Agreement up to and including the NS Closing Date, in the opinion of the Subscriber, there having been no adverse change, or any development reasonably likely to involve an adverse change, in the business, operations, assets, conditions (financial or otherwise) or prospects of the Company or the Guarantor or the Group taken as a whole or any change which could adversely affect the ability of the Company or the Guarantor to perform their respective obligations under the NSCB or the Issue Documents or which are otherwise material in the context of the issue or subscription of the NSCB;
7. the representations, warranties and undertakings of the Company or the Guarantor in the Subscription Agreement, the Deed of Guarantee and the Account Control Agreement being true and correct on the date of the Subscription Agreement and on each date on which they are deemed to be repeated and would be true and correct if they were repeated on the NS Closing Date with reference to the facts and circumstances then subsisting;
8. the Company and the Guarantor having performed all of their respective obligations under the Subscription Agreement, the Deed of Guarantee and the Account Control Agreement to be performed on or before the NS Closing Date;
9. the Subscriber having been satisfied with the results of its commercial, financial and legal due diligence on the Company, the Guarantor and any other member of the Group in its sole opinion; and
10. the Subscriber having performed all necessary external, internal and corporate approvals and checks under all applicable laws regarding the Issue Documents, including but not limited to its investment committee's approval, anti-money laundering checks and know-your-client checks.

Pursuant to the Subscription Agreement, the Subscriber may, at its discretion, waive any of the above conditions.

Completion

Completion of the Subscription shall take place on the NS Closing Date, subject to the fulfillment or waiver (if applicable) of the above conditions.

Other material terms

Appointment of a Director

Pursuant to the Subscription Agreement, with effect from the NS Closing Date and for as long as the Subscriber holds any NSCB which remains outstanding, the Subscriber (and not the transferee for any NSCB to whom the Subscriber transfers any of the NSCB held by it) shall have the right (but shall not be under any obligation) to nominate one person to be the Designated Director, and to propose the removal of the then current Designated Director and to nominate another person to be appointed in place of the then current Designated Director, by notice in writing to the Company. In addition, such non-executive Director shall have a right (but shall not be under any obligation) to be appointed as a member of any board committee established or to be established by the Board.

Guarantee

In favour of the Subscriber for the Subscription, the Guarantor has agreed to provide a personal guarantee to guarantee in favour of the Subscriber the performance of the Company under the Issue Documents.

Undertakings

Among other things, from the date of the Subscription Agreement and for so long the Subscriber holds any NSCB which remains outstanding, neither the Company or any of its Subsidiaries shall make any announcements of, or any issue or offer of securities (other than the NSCB) any respect of which (including but not limited to the conversion price, adjustment events, redemption events or internal rate of return) is or will be more favourable than terms contained in the NSCB and the Subscription Agreement.

(2) PLACING OF THE PACB UNDER THE GENERAL MANDATE

The Placing Agreement

Date

21 June 2016 (after trading hours)

Parties

- (d) the Company; and
- (e) Ping An Securities Limited as the Placing Agent

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of, and not connected with, the Company and its connected persons.

Pursuant to the Placing Agreement, the Placing Agent has conditionally agreed to procure, on a best effort basis, the Placees to subscribe for the PACB of up to an aggregate principal amount of HK\$50,000,000 due on the last day of the thirty-sixth month from the date of issue, with the conversion rights to convert at the initial conversion price of HK\$0.16 (subject to the adjustments) per Conversion Share.

Based on the initial conversion price of HK\$0.16 per Conversion Share, a maximum number of 312,500,000 Conversion Shares shall be allotted and issued upon exercise in full of the conversion rights attaching to the PACB, which represent:

- (i) approximately 5.95% of the existing issued share capital of the Company; and
- (ii) approximately 4.96% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon exercise in full of the conversion rights attaching to the PACB.

The Conversion Shares shall be allotted and issued pursuant to the General Mandate.

Placees

The Placing Agent shall use all reasonable endeavours to ensure that the Placees and their ultimate beneficial owners shall be third parties independent of, and not connected with, the Company and its connected persons.

Placing commission

The Placing Agent will receive a placing commission of 5% of the aggregate subscription monies for the PACB placed and/or subscribed by the Placing Agent. The placing commission was determined after arm's length negotiations between the Company and the Placing Agent. The Placing Agent is also entitled to reasonable out-of-pocket expenses incurred by the Placing Agent in respect of the Placing up to the limit of HK\$1,000. If the Placing Agreement is rescinded or if for any other reason the Placing is not completed, the Company is not required to pay any commission, fees or expenses.

Conditions precedent

Completion of the Placing shall be conditional upon:

- (a) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the approval of listing of and permission to deal in all the Conversion Shares which may to be allotted and issued upon the exercise of the conversion right attaching to the PACB; and
- (b) each of the Company and the Placing Agent having obtained all necessary consents and approvals in respect of the Placing Agreement and the transactions contemplated thereunder (including the issue of the PACB).

If any of the conditions precedent above is not fulfilled at or before 5:00 p.m. (Hong Kong time) on 30 July 2016, the Placing Agreement shall forthwith cease and terminate and neither the Company nor the Placing Agent shall have any claim against each other save for any antecedent breach.

Completion

Completion of the Placing shall take place on the PA Closing Date, subject to the fulfillment of the above conditions.

Rescission

If any of the following events occur at any time prior to 5:00 p.m. on the Business Day prior to the PA Closing Date, the Placing Agent may, by giving a written notice to the Company, at any time prior to 5:00 p.m. on the Business Day prior to the PA Closing Date, rescind the Placing Agreement without liability to the other parties thereto and save for certain provisions relating to the confidentiality rescission and notice, the Placing Agreement shall thereupon cease to have effect and none of the parties thereto shall have any rights or claims by reason thereof:

- (a) if there has come to the notice of the Placing Agent:
 - (i) any material breach of the representations, warranties and undertakings of the Company under the Placing Agreement; or
 - (ii) any material breach of any of the obligations imposed upon the Company; or
 - (iii) any act or thing done by or omission of any member of the Group otherwise than in the ordinary course of business whereby any of the representations, warranties and undertakings of the Company under the Placing Agreement would not be true in any material respect if given at that time;

- (b) if there develops, occurs, or comes into effect the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the reasonable opinion of the Placing Agent would materially prejudice the success of the Placing; or

- (c) if there is introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof which materially and adversely affects the business or financial performance of the Company or any member of the Group.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The following table sets forth the principal terms of the Convertible Bonds:

Interest	Subject to any increase as described below, the Convertible Bonds bear interest from and including the date of issuance of the Convertible Bonds at the rate of 8.50% per annum and payment to be payable by the Company semi annually in arrears in equal instalments on the NS Interest Payment Date or the PA Interest Payment Date (as the case may be).
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The relevant Convertible Bonds will cease to bear interest (a) where the conversion right attaching to the relevant Convertible Bonds shall have been exercised by a holder of the relevant Convertible Bonds, from and including the NS Interest Payment Date or the PA Interest Payment Date (as the case may be) immediately preceding the relevant date of the conversion, or if none, the date of issuance of the relevant Convertible Bonds; or (b) where such relevant Convertible Bonds are redeemed or repaid pursuant to the conditions of the relevant Convertible Bonds, from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, it will continue to bear interest at 18.00% per annum (both before and after judgment) until the date on which all sums due in respect of such relevant Convertible Bonds up to that day are received by or on behalf of the relevant holder of the relevant Convertible Bonds.

Upon the occurrence of an event of default as set out in the terms and conditions of the relevant Convertible Bonds and unless such relevant Convertible Bonds are redeemed or repaid pursuant to the terms and conditions of the relevant Convertible Bonds, the interest rate of 8.50% applicable to each relevant Convertible Bond will increase to 18.00% per annum with effect from the date on which any event of default as set out in the terms and conditions of the relevant Convertible Bonds occurs.

Maturity: The maturity of the Convertible Bonds will be the date falling on the third anniversary of the date of the issue of the Convertible Bonds.

Redemption: Unless previously redeemed, converted or purchased and cancelled as provided in the terms and conditions of the NSCB, the Company will redeem each Convertible Bond on the relevant Maturity Date at its principal amount together with accrued and unpaid interest thereon plus an additional amount that would yield an internal rate of return of 13.00% on such Convertible Bond which remains outstanding immediately before the relevant Maturity Date. The Company may not redeem the NSCB at its option except as provided in the relevant terms and conditions of the Convertible Bonds.

Early redemption: In respect of the NSCB, on giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the holders of the NSCB, the NSCB may be redeemed by the Company in whole or in part (subject to the principal amount of such NSCB redeemed and the principal amount of the balance of the NSCB held by each holder of the NSCB not redeemed being the denomination of HK\$2,000,000 each and integral multiples thereof), on the date (the "**Option Redemption Date**") specified in the Option Redemption Notice at the aggregate amount of (a) the aggregate principal amount of such NSCB held by such holder of NSCB, (b) any accrued but unpaid interest on such NSCB; and (c) an amount that would yield an internal rate of return of 13% on the aggregate principal amount of such NSCB calculated from the issuance date of the NSCB until the date of such redemption, together with interest accrued to such date but unpaid at any time after 31 December 2016.

In respect of PACB, on giving not less than 30 nor more than 60 days' Optional Redemption Notice to the holders of the PACB, the PACB may be redeemed by the Company in whole or in part (subject to the principal amount of such PACB redeemed and the principal account of the balance of the PACB held by each holder of the PACB not redeemed being the denomination of HK\$100,000 each and integral multiples thereof), on the Option Redemption Date specified in the Option Redemption Notice at the aggregate amount of (a) the aggregate principal amount of such PACB held by such holder of PACB, (b) any accrued but unpaid interest on such PACB; and (c) an amount that would yield an internal rate of return of 13% on the aggregate principal amount of such PACB calculated from the issuance date of the PACB until the date of such redemption, together with interest accrued to such date but unpaid at any time.

Initial conversion
Price:

HK\$0.16 per Conversion Share, subject to the adjustments in the circumstances described in the terms and conditions of the Convertible Bonds.

The initial conversion price of HK\$0.16 per Conversion Share represents:

- (i) a premium of approximately 42.86% over the closing price of HK\$0.112 per Share as quoted on the Stock Exchange on 21 June 2016, being the date of the Subscription Agreement and the Placing Agreement;
- (ii) a premium of approximately 33.78% over the average closing price of approximately HK\$0.1196 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement and the Placing Agreement; and
- (iii) a premium of approximately 31.58% over the average closing price of approximately HK\$0.1216 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to the date of the Subscription Agreement and the Placing Agreement.

The Board considers that the initial conversion price of HK\$0.16 per Conversion Share, taking into account of the recent trading prices of the Shares, and a conversion period of 36 months, are fair and reasonable, which are determined after negotiations on arm's length basis between the Company and the Subscriber, and the Company and the Placing Agent with reference to the current market sentiment, liquidity flow of the capital market and the historical Share price, and are in the interests of the Company and the Shareholders as a whole.

Adjustment events

The conversion price shall from time to time be subject to adjustment upon occurrence of certain events as further set out in the terms and conditions of the Convertible Bonds:

- (i) consolidation, subdivision or reclassification of Shares;
- (ii) capitalisation of profits or reserves;
- (iii) capital distribution;
- (iv) rights issue or grant of options or warrants to subscribe for Shares at a price which is less than the market price per Share on the date of the announcement of the terms of the issue or grant;
- (v) rights issue of other securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares);
- (vi) issuance (other than as mentioned in (iv) above) of any Shares (other than Shares issued on the exercise of the conversion rights of the Convertible Bonds or on the exercise of any other rights of conversion into, or exchange or subscription of, Shares) or issuance or grant of (otherwise than as mentioned in (iv) above) options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares in each case at a price per Share which is less than the market price per Share on the date of the announcement of the terms of such issue;
- (vii) issuance (other than as mentioned in (iv), (v) or (vi) above) of any securities (other than the Convertible Bonds) which by their terms of issue carry rights of conversion right, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than the market price per Share on the date of announcement of the terms of issue of such securities;
- (viii) modification of rights of conversion, exchange or subscription attaching to any such securities as mentioned in (vii) above so that the consideration per Share has been reduced and is less than the market price per Share on the date of the announcement of the proposals for such modification;
- (ix) other offers to holders of the Shares; and

- (x) other events that the Company determines that an adjustment should be made to the initial conversion price of HK\$0.16 per Conversion Share.

In addition to the abovementioned adjustment events, upon occurrence of material adverse event, the initial conversion price of the NSCB shall be adjusted as well.

Conversion rights

The holder of the Convertible Bonds may exercise right of conversion at any time between date of the issuance of the Convertible Bonds to the close of business on the Maturity Date, or, if such Convertible Bond shall have been called for redemption by the Company before the Maturity Date, then up to and including the close of business on a date no later than seven days prior to the date fixed for redemption thereof.

Each Convertible Bond shall entitle the holder thereof to convert such Convertible Bond into the Conversion Shares credited as fully paid at any time during the conversion period.

The Conversion Shares shall be allotted and issued in the name of the holder of the Convertible Bonds or if it so directs any other persons pursuant to the Conversion Notice and shall be delivered to the holder of the Convertible Bonds no later than seven trading days of the Stock Exchange after the date of presentation of the relevant original certificate issued in respect of the Convertible Bonds.

No fraction of a Share will be issued on conversion and no cash adjustments will be made in respect thereof. The Conversion Shares shall be entitled to all dividends, bonuses and other distributions the record date of which falls on a date on or after the date of issue and allotment of the Conversion Shares.

Cash settlement	<p>Notwithstanding the conversion right of each Bondholder in respect of each Convertible Bond, at any time where the delivery of Shares deliverable upon conversion of the Convertible Bonds is required to satisfy the conversion right in respect of a Conversion Notice (including any additional Shares required to be delivered as described in the terms and conditions of the Convertible Bonds), the Company shall have the option, in the event that such issue of Conversion Shares would result in breach of its obligations under the Listing Rules, to pay to the relevant Bondholder an amount of cash in Hong Kong dollars equal to an amount of the number of Shares times the average price of the Shares for each day during the 14 consecutive trading days on the Stock Exchange immediately after the date of Cash Settlement Notice (as defined below) in order to satisfy such conversion right, in full or in part as determined at the sole discretion of the relevant Bondholder (and, if in part, in which case the other part shall be satisfied by the delivery of Shares) (the “Cash Settlement Option”). In order to exercise the Cash Settlement Option, the Company shall provide notice of the exercise of the Cash Settlement Option (the “Cash Settlement Notice”) to the relevant Bondholder as soon as practicable but no later than the fifth trading day on the Stock Exchange following the date of delivery of the Conversion Notice. The Cash Settlement Notice must specify the number of Conversion Shares in respect of which the Company will make a cash payment in the manner described in the conditions of the Convertible Bonds.</p>
Ranking	<p>Conversion Shares issued upon exercise of conversion rights attaching to the Convertible Bonds shall rank pari passu in all respects with all other existing Shares outstanding at the date of the registration date of relevant holder of the Conversion Shares and all Conversion Shares shall include rights to participate in all dividends and other distributions the record date of which falls on or after the date of the Conversion Notice.</p>
Voting	<p>The Bondholders will not be entitled to attend or vote at any meetings of the Company by reason only of being the Bondholders.</p>
Transferability	<p>The Convertible Bonds are assignable and transferable at any time, except (a) during the period of seven days ending on (and including) the dates for payment of any principal; and (b) after a Conversion Notice has been delivered with respect to a Convertible Bond; or (c) during the period of seven days ending on (and including) the fifteenth day prior to the NS Interest Payment Date or the PA Interest Payment Date (as the case may be).</p>

In addition, the PACB are assignable and transferable provided that any assignment or transfer of the PACB must be made with the prior written consent of the Board and (if required) of the Stock Exchange and subject to the applicable laws and regulations, and the Listing Rules, provided that no PACB shall be transferred to a connected person of the Company or any associate of connected persons of the Company.

Application for listing No application will be made by the Company to the Stock Exchange for listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

Events of default If, among others, any of the following events occurs, the Bondholder(s) may give written notice to the Company that the Convertible Bonds are immediately due and payable at an aggregate amount of (a) the aggregate principal amount of the Convertible Bonds held by the holders thereof; (b) any accrued but unpaid interest on such Convertible Bonds; and (c) an amount that would yield an internal rate of return of 18% on the aggregate principal amount of such Convertible Bond calculated from the date of issuance of the Convertible Bonds until the date of such redemption, together with any accrued interest calculated up to and including the date of repayment:

- (i) the Company fails to pay the principal of or any premium or interest on any of the Convertible Bonds when due;
- (ii) the Guarantor ceases to hold and beneficially own (directly or indirectly) at least 30% of the issued share capital (of each class) of the Company (on an actual basis and on a fully diluted basis) or the Guarantor ceases to be a Director;
- (iii) any event or circumstance (individually or in the aggregate) occurs, which in the opinion of the Bondholder, has or may have a material adverse effect;
- (iv) the Shares cease to be listed or admitted to trading or suspended for a period equal to or exceeding 20 consecutive trading days on the Stock Exchange;
- (v) any failure by the Company to deliver any Shares as and when the Shares are required to be delivered following the conversion of the Convertible Bonds and such failure continues for a period of seven days;

- (vi) the Company or the Guarantor (if applicable) does not perform or comply with any one or more of their obligations in the Convertible Bonds or the Issue Documents (if applicable) which default is incapable of remedy or, if capable of remedy, is not remedied within 14 days after written notice of such default shall have been given to the Company;
- (vii) (a) any other present or future indebtedness of the Company or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like, or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (c) the Company or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this condition have occurred equals or exceeds HK\$10,000,000 or its equivalent; or
- (viii) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Company or any of its principal Subsidiaries and is not discharged or stayed within 30 days;
- (ix) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company or any of its Subsidiaries in respect of any material part of the property, assets or revenues of the Company or any of its Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or
- (x) an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Company or any of its Subsidiaries (except for a members' voluntary solvent winding up of a Subsidiary), or the Issuer or any of its Subsidiaries ceases to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (a) on terms approved by the Bondholders, or (b) in the case of a Subsidiary, whereby the undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Company or another of its Subsidiaries; or

- (xi) the Company or any of its Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts (or of any material part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the Company or any of its Subsidiaries; an administrator or liquidator of the Company or any of its Subsidiaries or the whole or, in the opinion of the Bondholders, any material part of the assets and turnover of the Company or any of its Subsidiaries is appointed (or application for any such appointment is made); or
- (xii) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order to (a) enable the Company or the Guarantor (if applicable) lawfully to exercise their respective rights and perform and comply with their respective obligations under the Convertible Bonds or any of the Issue Documents (if applicable), (b) ensure that those obligations are legally binding and enforceable and (c) make the Convertible Bonds or any of the Issue Documents (if applicable) admissible in evidence in the courts of Bermuda, Hong Kong or the PRC is not taken, fulfilled or done; or
- (xiii) it is or will become unlawful for the Company or the Guarantor (if applicable) to perform or comply with any one or more of their respective obligations under any of the Convertible Bonds or any of the Issue Documents (if applicable); or
- (xiv) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs (viii) to (xii).

In addition to the abovementioned events of default, if the Company or any of its Subsidiaries fails to pay when due or expressed to be due any amounts payable or expressed to be payable by it under any present or future guarantee for any moneys borrowed from or raised through a financial institution, such event shall also count as event of default pursuant to the terms and conditions of the NSCB.

General undertakings The Company undertakes that it shall, and shall procure that none of its Subsidiaries will, save with the Supermajority Approval of the Bondholders, use all reasonable endeavours to maintain a listing for all the issued Shares on the Stock Exchange and to obtain and maintain a listing for all the Conversion Shares on the Stock Exchange.

In addition to the abovementioned undertakings, pursuant to the terms and conditions of the NSCB, the Company further undertakes it shall not, and shall procure that none of its principal Subsidiaries or its Subsidiaries (where applicable) will, without the Supermajority Approval of the Bondholders,

1. enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, license, transfer or otherwise dispose of any material asset in whole or in part;
2. make any loan or grant any credit to any person or be the creditor in respect of any financial indebtedness owing by any person, or give or allow to be outstanding any guarantee or indemnity to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any person; and
3. incur any financial indebtedness (save for any permitted indebtedness) or issue any equity securities (including but not limited to shares, options, warrants or other rights to subscribe for, purchase or otherwise acquire shares, options, warrants of any member of the Group) to any third party, in each case, other than the Placing.

The Company further undertakes it shall, and the Company shall procure its principal Subsidiaries to take all actions necessary for the proceeds received from any financing to be applied in and towards the repayment of any indebtedness owed to any of China Huarong International Holdings Limited and its subsidiaries prior to any other use, disposal or transfer of the proceeds received.

REASONS FOR THE ISSUE OF CONVERTIBLE BONDS AND USE OF PROCEEDS

The Group is principally engaged in the provision of automatic teller machines and eco-environment construction in the PRC.

The Directors have considered various ways of raising funds in the capital market and consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since (i) they will not have an immediate dilution effect on the shareholding of the existing Shareholders; and (ii) if the conversion rights attaching to the Convertible Bonds are exercised, the

shareholder base of the Company will be enlarged and the financial position of the Group will be improved for establishing and strengthening the existing and future business of the Group. The Board considers that the terms of each of the Subscription and the Placing, which were arrived at after arm's length negotiations between the Company, the Subscriber and the Placing Agent, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The maximum gross proceeds from the Subscription and the Placing will be approximately HK\$168,000,000. The maximum net proceeds from the Subscription and the Placing will amount to approximately HK\$163,000,000 (after deducting related expenses) which is intended to be applied to as to (i) approximately 80% for funding the capital expenditure on environment projects of the Group in the PRC; and (ii) approximately 20% as general working capital of the Group. The net price of the Company of each Conversion Share is approximately HK\$0.15.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following fund raising activities in the past twelve months from the date of this announcement:

Date of announcement	Fund raising activities	Net proceeds	Intended use of proceeds as announced	Actual use of proceeds
17 March 2015	Placing of convertible bonds in the aggregate principal amount of HK\$152,000,000 (“ Past Placing ”)	Approximately HK\$150 million	The net proceeds were intended to be applied as to (i) approximately 90% for the development of the eco-environment construction, ecology rehabilitation and related business of the Group; and (ii) approximately 10% as general working capital of the Group.	As at the date of this announcement, the Company has applied approximately HK\$58.2 million of the proceeds from the Past Placing for the development of the eco-environment construction, ecology rehabilitation and related business of the Group, whereas approximately HK\$15 million of the proceeds from the Past Placing has been utilised as general working capital. As at the date of this announcement, the remaining proceeds of approximately HK\$76.8 million have not yet been utilised.

Save as disclosed above, the Company has not conducted any equity fund raising activity in the past 12 months immediately preceding the date of this announcement.

EFFECTS ON THE SUBSCRIPTION AND THE PLACING ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there being no other change in the shareholding structure of the Company, the existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon full conversion of the Convertible Bonds is set out as below:

Shareholders	Immediately before conversion of the Convertible Bonds		Immediately after conversion of the Convertible Bonds	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Leading Value Industrial Limited <i>(Note)</i>	2,425,769,906	46.20	2,425,769,906	38.50
Global Prize Limited <i>(Note)</i>	2,040,000	0.04	2,040,000	0.03
The Guarantor	2,500,000	0.05	2,500,000	0.04
The Subscriber	–	–	737,500,000	11.70
Placees	–	–	312,500,000	4.96
Public Shareholders	<u>2,820,775,016</u>	<u>53.71</u>	<u>2,820,775,016</u>	<u>44.77</u>
Total	<u>5,251,084,922</u>	<u>100.00</u>	<u>6,301,084,922</u>	<u>100.00</u>

Note: Each of Leading Value Industrial Limited and Global Prize Limited is a company wholly owned by the Guarantor.

GENERAL MANDATE

Upon exercise in full of the conversion rights attaching to the Convertible Bonds, 1,050,000,000 Conversion Shares shall be allotted and issued under the General Mandate. The General Mandate entitles the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the annual general meeting of the Company held on 8 June 2015 approving the General Mandate. The maximum number of Shares allowed to be allotted and issued under the General mandate was 1,050,216,984 Shares. As at the date of this announcement, no Shares have been issued under the General Mandate. Accordingly, each of the Subscription and the Placing is not subject to the Shareholders' approval.

GENERAL

Completion of the Subscription and the Placing is subject to, among others, fulfillment of the conditions precedent in the Subscription Agreement and the Placing Agreement respectively. As each of the Subscription and the Placing may or may not proceed finally, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Account Control Agreement”	an account control agreement to be entered into between the Company, the Subscriber and the escrow agent named therein
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	board of the Directors
“Bondholder(s)”	collectively, the holder(s) of the Convertible Bonds
“Business Day(s)”	a day (excluding Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for business
“Company”	Beautiful China Holdings Company Limited, 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(s)”	has the meaning ascribed thereto in the Listing Rules
“Conversion Notice”	notice of conversion to be issued by the Bondholder to the Company to exercise the conversion rights attaching to the Convertible Bonds
“Conversion Share(s) “	the new Share(s) to be allotted and issued by the Company upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	collectively, the PACB and the NSCB
“Deed of Guarantee”	guarantee deed to be provided by the Guarantor in favour of the Subscriber
“Designated Director”	any person from time to time designated by the Subscriber for appointment to the Board as a non-executive Director
“Director(s)”	director(s) of the Company

“General Mandate”	the general mandate granted to the Directors from the Shareholders at the annual general meeting of the Company held on 8 June 2015 to allot and issue up to 1,050,216,984 new Shares, being 20% of the then issued share capital of the Company as at the date of the said annual general meeting
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Sze Wai, Marco, an executive Director
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Documents”	collectively, the Subscription Agreement, the Account Control Agreement, a deed of covenant to be entered into by the Company and the Deed of Guarantee
“Listing Committee”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the day being the last day of the thirty-sixth month of the date of issuance of the relevant Convertible Bonds which the relevant Convertible Bonds will mature
“NDRC”	National Development and Reform Commission of the PRC
“NS Closing Date”	31 July 2016 or such other date as agreed in writing by the Company, the Guarantor and the Subscriber in respect of the Subscription, but no later than 12 December 2016
“NS Interest Payment Date”	31 January and 31 July in each year
“NSCB”	the convertible bonds in an aggregate principal amount of up to HK\$118,000,000 to be issued by the Company convertible into a maximum of 737,500,000 Conversion Shares at the initial conversion price of HK\$0.16 per Conversion Share pursuant to the Subscription Agreement
“PA Closing Date”	30 July 2016 or such other date as agreed in writing by the Company and the Placing Agent in respect of the Placing
“PA Interest Payment Date”	21 June and 21 December in each year

“PACB”	the convertible bonds in an aggregate principal amount of up to HK\$50,000,000 to be issued by the Company convertible into a maximum of 312,500,000 Conversion Shares at the initial conversion price of HK\$0.16 per Conversion Share pursuant to the Placing Agreement
“Placee(s)”	any professional, institutional and/or individual private investor procured by or on behalf of the Placing Agent to subscribe for any of the PACB pursuant to the Placing Agreement
“Placing”	the placing of the PACB on a best effort basis pursuant to the terms of the Placing Agreement
“Placing Agent”	Ping An Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement dated 21 June 2016 entered into between the Placing Agent and the Company in relation to the Placing
“PRC”	People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	New Silkroad Investment Holdings Limited, a company incorporated in the British Virgin Islands and wholly-owned by China Huarong International Holdings Limited
“Subscription”	the subscription of the NSCB by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 21 June 2016 entered into between the Company, the Guarantor and the Subscriber in relation to the Subscription

“Subsidiaries”	subsidiaries of the Company
“Supermajority Approval of the Bondholders”	a resolution in writing signed by or on behalf of holders of the relevant Convertible Bonds holding not less than 75% of the aggregate principal amount of the relevant Convertible Bonds outstanding (excluding those held by or on behalf of the Company, or its Subsidiaries or the Guarantor (if applicable))
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 21 June 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. Chong Yiu Kan, Sherman, Mr. Lum Pak Sum and Mr. Liu Liyang as independent non-executive Directors.