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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)

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

Reference is made to the announcement of Beautiful China Holdings Company Limited (the “**Company**”) dated 21 June 2016 (the “**Announcement**”) in relation to, among other matters, the Subscription and the Placing. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

SUPPLEMENTAL AGREEMENT TO THE SUBSCRIPTION AGREEMENT

The Board announces that after arm’s length negotiations, an amended and restated subscription agreement (the “**Supplemental Agreement**”) was entered into between the Company, the Guarantor and the Subscriber on 5 July 2016 (after trading hours) in relation to the revision of certain provisions in the Subscription Agreement and the terms and conditions of the NSCB.

Amendment of the provision of the Subscription Agreement

As disclosed in the Announcement, there was certain undertakings, among other things, that 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. Pursuant to the Supplement Agreements, amendments were made to delete such undertaking in its entirety.

Amendment of the terms of NSCB

Pursuant to the Supplemental Agreement, the terms of the NSCB were also amended as follow:

1. As disclosed in the Announcement, upon occurrence of material adverse event, the initial conversion price of the NSCB shall be adjusted. Pursuant to the Supplemental Agreement, amendments were made so that upon occurrence of material adverse event, the Company shall, at its own expense, consult an independent investment bank to determine and agree with the holders of the NSCB as soon as practicable what adjustment to the conversion price of the NSCB is fair and reasonable to take account thereof.
2. It was also disclosed in the Announcement that pursuant to the terms and conditions of the NSCB, the Company had undertaken that it shall, and the Company shall procure its 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. Pursuant to the Supplemental Agreement, amendments were made to the term to the effect that “proceeds received from any financing” shall not include proceeds received from the issue of any equity securities or equity-linked securities.

Save as disclosed above, all provisions of the Subscription Agreement and the terms and conditions of the NSCB remain unchanged and in full force and effect. Since the terms of the Supplemental Agreement were arrived at after arm’s length negotiations between the Company, the Guarantor and the Subscriber, the Directors consider that the terms of the Supplemental Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

SUPPLEMENTAL INFORMATION

Further information regarding the Subscription Agreement

The Board wishes to supplement the information regarding the Subscription Agreement provided in the Announcement with the following:

In respect of the appointment of the Designated Director as one of the conditions to be fulfilled prior to completion of the Subscription on the NS Closing Date, the appointment and/or removal of an individual as the Designated Director would be:

- (i) approved by the nomination committee of the Company considering the competency of such individual as a director of the Company;

- (ii) in respect of the appointment of director, upon approval by the nomination committee, the remuneration committee of the Company would then consider the proposed remuneration of such nominee; and
- (iii) based on the recommendation from the nomination committee and/or remuneration committee of the Company, the Board would then convene a board meeting or pass a written resolution to approve the appointment and/or removal of such individual as the Director.

Pursuant to the Subscription Agreement, the Guarantor undertakes to vote in favour of a resolution, or to do so any other things or take any other action (including, but not limited to, voting in a Board meeting, or passing any written Board resolutions) to ensure that a candidate proposed by the Subscriber pursuant to the Subscription Agreement will be elected a Director, or replaced, as may be proposed by the Subscriber.

Further information regarding terms and conditions of NSCB

The Board further wishes to supplement the information regarding the terms and conditions of the NSCB provided in the Announcement with the following:

In respect of the general undertakings given by the Company under the terms and conditions of NSCB, should the Company breach such general undertakings, it would constitute a breach of obligation of the Company under the terms and conditions of the NSCB. Pursuant to the terms and conditions of the NSCB, if the Company does not perform or comply with any obligation in the NSCB 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, such event shall constitute an event of default. As a result, any holder of the NSCB may by written notice addressed to the Company and the Guarantor and delivered to the Company and the Guarantor that the NSCB are, and they shall immediately become due and repayable at the aggregate amount equal to (a) the aggregate principal amount of such NSCB held by such holder thereof; (b) any accrued but unpaid interest on such NSCB; and (c) an amount that would yield an internal rate of return of 18% on the aggregate principal amount of such NSCB calculated from the date of issuance of the NSCB until the date of such redemption, together with accrued interest (if any) to the date of payment.

Use of proceeds

The Board also wishes to supplement the information regarding the use of proceeds provided in the Announcement with the following:

1. In respect of the proceeds to be utilised for funding the capital expenditure on environment projects of the Group in the PRC, it is proposed that approximately 80% of the net proceeds for capital injection in 山東開元橡塑科技有限公司 (Shandong Kaiyuan Rubber Technology Company Limited*) (“**Shangdong Kaiyuan**”). As disclosed in the announcement of the Company dated 8 March 2016, the Company and Shangdong Kaiyuan entered into a memorandum of understanding in relation to the proposed capital injection by the Company to

the registered capital of Shangdong Kaiyuan. According to such memorandum of understanding, the Group proposed to invest in Shangdong 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. 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 Board believes that by funding the capital expenditure on environment project of the Group in the PRC, namely the proposed capital injection in Shandong Kaiyuan, it would enable the Group to expand its business in environmental protection related industry.

2. In respect of the proceeds to be utilised for general working capital, the Company intends to utilise approximately 20% of the net proceeds for operating cost for a period of eight months.

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

Hong Kong, 5 July 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.