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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)

**CLARIFICATION ANNOUNCEMENT:
ALTERNATION OF THE TERMS OF THE CONVERTIBLE BONDS**

Reference is made to the Company's announcements (the "Announcements") dated 17 March 2015, 9 April 2015, 8 April 2016 and 11 April 2017 in relation to the issue of the Convertible Bonds.

BACKGROUND

The Board refers to the Announcements in which it was stated that pursuant to the terms of the Convertible Bonds, on 11 April 2017, the Bondholders elected to and the Board resolved to extend the Maturity Date of the Convertible Bonds by one year, from 8 April 2017 to 8 April 2018, to effect the Further Extension. It is also agreed that the interest payment shall be extended by one year, from 8 April 2017 to 8 April 2018. Save as the aforesaid, no other terms and conditions of the Convertible Bonds have been amended.

ALTERNATION OF THE TERMS OF THE CONVERTIBLE BONDS AND LISTING RULES IMPLICATIONS

The Board wishes to clarify that the Further Extension involve an alternation of the existing terms of the Convertible Bonds (the “**Amendment**”) and an application will be made to the Stock Exchange for approval of the Amendment in accordance with Rule 28.05 of the Listing Rules. Application will also be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares. The Further Extension will only be effective upon (i) the Stock Exchange having approved the Amendment pursuant to the Listing Rules; and (ii) the Listing Committee, having granted (either unconditionally or subject to conditions acceptable to the Company) the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Bonds.

The existing principal terms and conditions of the Convertible Bonds are summarised below for ease of reference:

Principal amount: As disclosed in the Company’s announcement of 9 April 2015, Convertible Bonds in the principal amount of HK\$152,000,000 have been placed.

Maturity Date: The Convertible Bonds will mature on the day being the last day of the twelfth month of the date of issue of the Convertible Bonds, the Maturity Date can be extended by the Bondholder(s) to a further 12 months. In the event that the Bondholder(s) intends to extend the Maturity Date, the Bondholder(s) shall give notice in writing directly to the Company at least 20 Business Days before the last day of the twelfth month of the date of issue of the Convertible Bonds.

Maturity date of the Convertible Bonds has been extended to 8 April 2017 pursuant to the terms of the Convertible Bonds.

Interest: 5% per annum and payment to be payable by the Company on:

- (i) the day being the last day of the twelfth month of the date of issue of the Convertible Bonds (total of one interest payment), if the Bondholder(s) does not renew the Convertible Bonds for another 12 months; or

- (ii) the day being the last day of the twelfth month and the twenty-fourth month of the date of issue of the Convertible Bonds (total of two interest payments), if the Bondholder(s) renews the Convertible Bonds for another 12 months.

In the event that the Bondholder has converted part of or whole of the principal amount of the Convertible Bonds during the Conversion Period, the Bondholder shall not be entitled to any interest in respect of such part or whole.

Initial Conversion Price: HK\$0.20 per Conversion Share, subject to the adjustments upon the occurrence of, among others, subdivision or consolidation of Shares, capital distribution, capitalisation of profits or reserves and rights issue.

Conversion Period: The period commencing on the date of issue of the Convertible Bonds and up to and including the Maturity Date.

Conversion rights: The Bondholder may at any time during the Conversion Period require the Company to convert the whole or any part of the principal amount outstanding (in minimum amount of HK\$4,000,000 or whole multiple thereof) under the Convertible Bond into Shares.

Conversion restrictions: No conversion rights attaching to the Convertible Bonds shall be exercised if upon exercise of the conversion rights attaching to the Convertible Bond,

- (i) the Bondholders and their respective associates, together with parties acting in concert (as defined in the Takeovers Code) with them, will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code;
- (ii) the Company will not be unable to meet the public float requirements under the Listing Rules;
- (iii) the Bondholders and their respective associates will become the substantial Shareholders of the Company (as defined in the Listing Rules); or

(iv) no conversion rights may be exercised by any person who is a restricted holder (where a Bondholder who is a resident or national of any jurisdiction other than Hong Kong under the laws and regulations of which an exercise of the conversion rights by such holder or the performance by the Company of the obligations expressed to be assumed by it under the conditions or the allotment and issue and holding of the Conversion Shares cannot be carried out lawfully or cannot be carried out lawfully without the Company first having to take certain actions in such jurisdiction.), and the exercise of any conversion rights by the Bondholder shall constitute a confirmation, representation and warranty by it to the Company that it is not a restricted holder and that all necessary governmental, regulatory or other consents or approvals and all formalities have been obtained and observed by it to enable it to exercise legally and validly the relevant conversion rights, to hold the Conversion Shares allotted and issued upon exercise of the conversion rights, and the Company to legally and validly allot and issue the Conversion Shares.

Redemption:

The Convertible Bonds shall not be redeemed (in whole or in part) at the option of the Company prior to the Maturity Date.

Any principal amount of the Convertible Bonds which has not been converted in accordance with the terms and conditions of the Convertible Bond instrument by the Maturity Date shall be redeemed by the Company on the Maturity Date at a redemption amount equal to 100% of the principal amount of the outstanding Convertible Bonds and the interest accrued thereon.

Ranking:

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 Conversion Notice 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.

Transferability:

The Convertible Bonds are assignable and transferable provided that any assignment or transfer of the Convertible Bonds 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 Convertible Bond shall be transferred to a connected person of the Company or any associate of connected persons of the Company.

As disclosed in the Announcements, the Company received the net proceeds of approximately HK\$150,000,000 from the placing of the Convertible Bonds, of which approximately 90% of the net proceeds were intended to be applied for the development of the eco-environment construction, ecology rehabilitation and related business of the Group; and (ii) approximately 10% of the net proceeds were intended to be applied as general working capital of the Group. As at the date of this announcement, the Company has fully utilised the net proceed from the placing of the Convertible Bonds, of which (i) approximately HK\$135,000,000 has been utilised for the development of the eco-environment construction, ecology rehabilitation and related business of the Group (i.e. for the purchase of biologied assets which are North America red maple tree seedlings); and (ii) approximately HK\$15,000,000 has been utilised as general working capital (i.e. for daily operating and administrative expenses, including but not limited to office rental expenses and staff costs).

GENERAL MANDATE TO ISSUE THE CONVERSION SHARES UPON CONVERSION OF THE CONVERTIBLE BONDS

As at the date of this announcement, 685,000,000 Conversion Shares have been issued pursuant to the Convertible Bonds. As disclosed in the Announcements, Convertible Bonds in the principal amount of HK\$13,000,000 remain outstanding. Based on the Initial Conversion Price, 65,000,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds, representing approximately 1.24% of the issued share capital of the Company as at the date of this announcement and approximately 1.22% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares will be allotted and issued pursuant to the General Mandate and will rank pari passu in all respects with the existing Shares in issue. The issue of the Conversion Shares upon conversion of the Convertible Bonds is not subject to the Shareholders' approval.

As at the date of this announcement, the General Mandate has not been utilised. The issue of the 65,000,000 Conversion Shares under the Convertible Bonds would utilise approximately 6.19% of the General Mandate. Therefore, the Company has sufficient general mandate to cover the issue of the Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds after the Further Extension becoming effective.

The Initial Conversion Price of HK\$0.20 per Conversion Share represents (i) a premium of approximately 102.0% to the closing price of HK\$0.099 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 105.8% to the average closing price of HK\$0.0972 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and (iii) a premium of approximately 106.0% to the average closing price of HK\$0.0971 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day.

EQUITY FUND RAISING ACTIVITIES DURING THE PAST TWELVE MONTHS

The Company has conducted the following fund raising activities in the past 12 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
21 June 2016	Subscription of convertible bonds in the aggregate principal amount of HK\$118,000,000	Approximately HK\$114 million	<p>The net proceeds were intended to be applied as to</p> <p>(i) approximately 80% for funding in environment projects of the Group in the PRC. For further details regarding the funding of the environment projects of the Group in the PRC, please refer to the announcement of the Company dated 5 July 2016; and</p> <p>(ii) approximately 20% general working capital of the Group.</p>	<p>As at the date of this announcement, approximately 20% of the proceeds, i.e. approximately HK\$22,800,000, has been used as intended for general working capital of the Group, while the remaining 80% of the proceeds, i.e. approximately HK\$91,200,000, has not been utilised.</p>

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.

REASONS FOR THE EXTENSION OF MATURITY DATE

Starting in 2013, the Group has been seeking business and investment opportunities to develop its business operations into the ecological and environmental protection industry. As disclosed in the interim report of the Group for the six months ended 30 June 2016, the Group has been expanding its solid waste management businesses, including domestic waste treatment, landfill management and waste sorting and renewable resources businesses. As disclosed in the annual results announcement of the Company for the year ended 31 December 2016 dated 30 March 2017, the Company has sought for and identified a number of relevant potential projects for its ecological environmental protection business in various regions across the PRC, and has been actively engaged in the negotiation with the governmental and corporate clients for detail terms thereof, so as to facilitate the implementation of the plans. The Further Extension effectively allows the Group to refinance its debts under the Convertible Bonds under the same terms (except there is no rights to further extension) for another one year. In addition, the Further Extension will provide flexibility to the Group's deployment of its financial resources to fund its operation and development as mentioned above as well as to plan its working capital requirements. In the absence of the Further Extension, the Company will need to deploy its cash reserves for the redemption of the Convertible Bonds on maturity. Accordingly, the Directors consider that the Further Extension is in the interests of the Company and its Shareholders as a whole.

GENERAL

The Company is an investment holding company. Its subsidiaries are principally engaged in ecological garden and landscape business and ecological environmental protection business.

DEFINITIONS

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

“Board”	the board of Directors
“Bondholder(s)”	a holder(s) of a Convertible Bond and in whose name such Convertible Bond is for the time being registered in the register of bondholders kept by the Company
“Business Day(s)”	day (excluding Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for business
“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
“Conversion Period”	the period commencing from the date of issue of the Convertible Bonds and ending on the Maturity Date
“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”	the convertible bonds in aggregate principal amount of HK\$152,000,000 issued by the Company to the Bondholder(s) on 9 April 2015 whereby the maturity date falls on 8 April 2017, in which the principal amount of HK\$13,000,000 remain outstanding as at the date of this announcement
“Director(s)”	the director(s) of the Company
“Further Extension”	the further extension of the Maturity Date of the Convertible Bonds for a period of one year from 8 April 2017 to 8 April 2018

“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 23 June 2016 to allot, issue and deal with up to 20% of the then issued share capital of the Company as at 23 June 2016, being 1,050,216,984 Shares
“Group”	collectively, the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Conversion Price”	the initial conversion price of the Convertible Bonds, being HK\$0.20 (subject to the adjustments)
“Last Trading Day”	11 April 2017, being the date that the Company and the Bondholder(s) agreed in respect of the Further Extension
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date on which the Convertible Bonds become due
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC 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
“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, 18 April 2017

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