



BEAUTIFUL CHINA HOLDINGS COMPANY LIMITED
美麗中國控股有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 706)

Executive Directors:

Sze Wai, Macro (*Chairman*)
Mao Zhenhua
Tan Shu Jiang
Shentu Jun

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Chong Yiu Kan, Sherman
Chan Ming Sun, Jonathan
Lai Yip Wing

Principal Place of Business in Hong Kong:

Unit 2003 and 2005, 20th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

6 December 2013

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION
FOR NEW SHARES BY A SUBSTANTIAL SHAREHOLDER
(2) APPLICATION FOR WHITEWASH WAIVER
(3) CAPITAL INCREASE
AND
(4) NOTICE OF SPECIAL GENERAL MEETING**

I. INTRODUCTION

Reference is made to the Announcement. On 16 October 2013, the Subscriber entered into the Subscription Agreement with the Company pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 2,000,000,000 Subscription Shares at the price of HK\$0.10 per Subscription Share. Assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the

Subscription Agreement up to Completion, the Subscription Shares represent (i) approximately 93.54% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 48.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

In addition, the Company proposes to effect the Capital Increase whereby the authorized share capital of the Company will be increased from HK\$300,000,000 divided into 3,000,000,000 Shares of par value of HK\$0.10 each to HK\$600,000,000 divided into 6,000,000,000 Shares of par value of HK\$0.10 each by the creation of an additional 3,000,000,000 Shares.

The Subscriber is a substantial shareholder of the Company and is therefore a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders by way of poll at the SGM.

As at the Latest Practicable Date, the Subscriber held 474,869,906 Shares, representing approximately 22.21% of the voting rights of the Company. Global Prize Limited, being person acting in concert with the Subscriber, held 2,040,000 Shares, representing approximately 0.10% of the voting rights of the Company. Upon Completion, 2,000,000,000 Subscription Shares will be issued to the Subscriber, and the interests of the Subscriber and persons acting in concert with it in the voting rights of the Company will be increased from approximately 22.31% to approximately 59.86% (assuming that no additional Shares other than the Subscription Shares will be issued since the date of the Subscription Agreement up to Completion). Accordingly, the Subscriber and persons acting in concert with it, in the absence of the Whitewash Waiver, would be obliged to make a general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by it.

An application to the Executive for the Whitewash Waiver has been made by the Subscriber and the Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of Independent Shareholders at the SGM by way of poll. The Subscriber, Mr. Sze and parties acting or presumed to be acting in concert with any one of them (including Global Prize Limited) and any other Shareholders who are involved or interested in the Subscription and/or the Whitewash Waiver shall abstain from voting at the SGM in respect of the resolutions approving the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

The purpose of this circular is to provide you, among other things, (i) further details of the Subscription Agreement; (ii) further details of the Whitewash Waiver; (iii) further details of the Capital Increase; (iv) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver; (vi) a notice of the SGM; and (vii) other information as required under the Listing Rules and the Takeovers Code, for the purpose of the SGM.

II. SUBSCRIPTION

1. Principal Terms of the Subscription Agreement

Date:

16 October 2013 (after trading hours)

Parties:

- (i) the Subscriber, a company incorporated in the British Virgin Islands, and is wholly-owned by Mr. Sze. As at the Latest Practicable Date, the Subscriber held 474,869,906 Shares, representing approximately 22.21% of the issued share capital of the Company; and
- (ii) the Company.

The Subscription Shares:

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 2,000,000,000 Subscription Shares. As at the Latest Practicable Date, there were 2,138,084,922 Shares in issue and the Subscription Shares represent approximately 93.54% of the issued share capital of the Company as at the Latest Practicable Date and, assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Subscription Agreement up to Completion, approximately 48.33% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The aggregate nominal value of the Subscription Shares is HK\$200,000,000.

Subscription Price:

The Subscription Price is HK\$0.1 per Subscription Share. The Subscription Price represents:

- (i) a discount of approximately 63.64% to the closing price of HK\$0.2750 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 22.48% to the closing price of HK\$0.1290 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 22.72% to the average closing price of HK\$0.1294 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;

- (iv) a discount of approximately 23.43% to the average closing price of HK\$0.1306 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;
- (v) a discount of approximately 18.30% to the average closing price of HK\$0.1224 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day; and
- (vi) a premium of approximately 38.89% over and above the Group's unaudited consolidated net asset value attributable to the Shareholders per Share as at 30 June 2013 of approximately HK\$0.072 (based on a total of 2,138,084,922 Shares as at the Latest Practicable Date and the Group's unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$153,916,000 as at 30 June 2013).

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to, among other factors, the financial position of the Group, the historical trading volume of the Shares on the Stock Exchange and the recent trading prices of the Shares as quoted on the Stock Exchange. Although the Subscription Price represents a discount of approximately 22.48% to the closing price as quoted on the Stock Exchange on the Last Trading Day, the Directors believe the discount is reasonable in view of the following reasons:

- (i) the Subscription Price still represents a premium of approximately 38.89% over and above the Group's unaudited consolidated net asset value attributable to the Shareholders per Share as at 30 June 2013 of approximately HK\$0.072; and
- (ii) average daily trading volume of the Shares for the last 30 trading days up to and including the Last Trading Day were approximately 310,000 Shares, representing a percentage of the average total number of Shares held by the public Shareholders of approximately 0.019%. Given the low trading volume of the Shares, it is difficult for the Company to conduct equity fund raising activities with independent investors.

The total consideration for the Subscription Shares in the sum of HK\$200,000,000 will be financed by internal resources available to the Subscriber.

Rankings:

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all the Shares in issue at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

Conditions of the Subscription:

Completion is conditional upon:

- (i) the Shares remaining listed and traded on the Main Board of the Stock Exchange at all times from the date of the Subscription Agreement up to (and including) the Completion Date, save for any temporary suspension not exceeding twelve consecutive Trading Days, or such longer period not exceeding fifteen consecutive Trading Days as may be required by the SFC or the Stock Exchange in connection with the review and approval of the documents relating to the transactions contemplated in the Subscription Agreement (including but not limited to announcements and documents relating to the transactions contemplated herein) by the SFC or the Stock Exchange prior to their release or publication;
- (ii) no indication being received prior to the Completion from the SFC or the Stock Exchange to the effect that the listing of the Shares on the Main Board of the Stock Exchange shall or may be withdrawn or objected to;
- (iii) having obtained the approval of the Independent Shareholders at the SGM of the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the subscription, allotment and issue of the Subscription Shares);
- (iv) having obtained any necessary waiver, consent, approval, licence, authorization, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the execution and performance of the Subscription Agreement and any of the transactions contemplated under the Subscription Agreement;
- (v) listing of and permission to deal in the Subscription Shares being granted by the Listing Committee of the Stock Exchange (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares);
- (vi) the Executive granting the Whitewash Waiver to the Subscriber and any parties acting in concert respectively with it;
- (vii) the passing of the necessary resolutions by the Independent Shareholders at the SGM who are permitted by the Executive to vote on the relevant resolution to approve the Subscription Agreement and the transactions contemplated thereunder and the granting by the Executive of the Whitewash Waiver to the Subscriber; and

- (viii) all the warranties as set out in the Subscription Agreement being true and correct in all material respects as at completion of the Subscription Agreement by reference to the facts and circumstances subsisting at that date.

As at the Latest Practicable Date, none of the conditions had been fulfilled.

None of the Conditions can be waived by either party. In the event that not all the Conditions have been fulfilled by on or prior to the Long Stop Date or such later date as may be agreed in writing between the Company and the Subscriber, the Subscription Agreement shall terminate and neither party shall have any claim against the other for costs, damages, compensation or otherwise save in respect of any antecedent breaches of the Subscription Agreement.

Completion:

Subject to fulfillment of all the Conditions, Completion shall take place on Completion Date.

2. Information on the Subscriber and Mr. Sze

The Subscriber is an investment holding company and is wholly-owned by Mr. Sze. Mr. Sze is an executive Director, the chairman and the chief executive officer of the Company and has over 22 years of experience in investing in Hong Kong and the PRC. His investment interests cover various sectors including information technology, industrial, property investment and development, transportation and trading.

3. Reasons for the Subscription

The Company is an investment holding company. The Group is principally engaged in the provision of automatic teller machines ("ATM") in the PRC.

Given that the operational environment of the ATM market in the PRC has not shown solid improvement during 2013 and a majority of the ATM operators have delayed their network expansion and the operating data indicated that competition in ATM operation has become more intense, the Board has been exploring suitable investment or business projects to invest in so as to diversify the business of the Group with an objective to broaden its income source and to minimize the idiosyncratic risks associated with the focused principal business. However, the Board intends to maintain its ATM business. Based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2013 as disclosed in the 2013 interim report of the Company, the aggregate balance of the cash and bank balances was approximately HK\$105.6 million and will be used for maintaining its ATM business.

The guideline of "Building a Beautiful Country" advanced at the 18th National Congress is intended to create momentum for the continuous rapid growth of the eco-environment construction sector in the future. To take advantage of this opportunity, the Group entered into a memorandum of understanding ("MOU") to collaborate with a Mainland China-based company ("Target Company")

principally engaged in the business of gardening and landscape construction during February 2013 relating to a proposed investment (the "MOU Investment"), details of which have been disclosed in the Company's announcement dated 4 February 2013. Pursuant to the MOU, Beauty China Investment Company Limited ("Beauty China Investment"), an indirect wholly owned subsidiary of the Company intended to increase to the registered capital of the Target Company by contributing RMB60 million (equivalent to approximately HK\$74.8 million). In addition, the expected transaction fees involved in the MOU Investment such as due diligence expenses, would amount to approximately HK\$8 million. Upon completion of the MOU Investment, (i) it is intended that the Beauty China Investment shall be interested in 60% equity interests in the registered capital of the Target Company; and (ii) the business form of the Target Company shall change from a state-controlled limited liability company to a sino-foreign equity joint venture. Since the Target Company is a state-controlled limited liability company, increase in its registered capital is subject to public tender. According to the MOU, Beauty China Investment shall participate in the tender in relation to the increase of registered capital of the Target Company and pay for relevant fees during the tender process.

The MOU Investment represents an important step for the Group to tap the potential of this sector in the PRC. As at the Latest Practicable Date, the Company was still conducting due diligence on the Target Company and has not entered into any legally binding agreements on the MOU Investment.

Since a significant portion of the cash and bank balance of the Group will be reserved to maintain its ATM business, the Directors consider that it is necessary for the Group to increase its capital to finance the aforesaid investment if materialized and/or to capture opportunities in the eco-environment construction business as and when they arise and to meet its ongoing working capital requirements.

In view of the above, the Board has considered various fund raising methods apart from the Subscription such as debt financing, placement of new Shares to independent investors as well as rights issue or open offer. As regards debt financing, having considered that it would increase the gearing level of the Group and the interest expenses incurred which would impose additional financial burden to the Group's future cash flows, the Board considers that such fund raising method is currently not the most appropriate method to the Group. In considering equity financing through placement of new Shares to independent investors, the Company has encountered difficulties in engaging a placing agent which is believed to be due to relative small market capitalization and the low trading volume of the Shares under the current market sentiment. As regards the viability of a rights issue or an open offer, the Company has found it difficult to find an independent underwriter in Hong Kong which is interested to underwrite a rights issue or open offer of the Company.

In light of the above, the Board is of the view that equity financing by way of the Subscription is, in the circumstance, the most appropriate mean of raising additional capital as (i) it is more practicable and direct under a volatile market and the uncertain global market conditions currently prevailing; (ii) it is less costly and no interest burden is imposed; and (iii) it is less time consuming.

The Board is of the view that it is in the interest of the Group and the Independent Shareholders as a whole to raise funds by the Subscription, which allows the Group to strengthen its capital position and equip the Group with the financial flexibility to achieve the Group's business objectives.

In addition, the Subscription signifies the confidence of the substantial shareholder of the Company in the existing and future development potentials of the Group. With the continuing support of the substantial shareholder of the Company, this will ensure business stability and continuity of the Group which is crucial and beneficial to the long-term development of the Group.

Based on the above, the Directors consider that the Subscription represents a straightforward and cost-effective means of financing for the Group, and is fair and reasonable and on normal commercial terms, and the entering into of the Subscription Agreement is in the interests of the Group and the Shareholders as a whole.

The gross proceeds from the Subscription amounts to HK\$200 million and the net proceeds from the Subscription are estimated to be approximately HK\$198.8 million. Based on the estimated net proceeds, the net subscription price would be approximately HK\$0.10 per Subscription Share. The Group intends to apply the net proceeds from the Subscription in the following manner:

- (i) approximately 75% of the net proceeds to be used to capture opportunities in the eco-environment construction business by (i) funding the Company's newly setup business on gardening and landscape construction; or (ii) potential acquisitions of companies related to the business of gardening and landscape construction such as the MOU Investment, for the purposes of broadening the spectrum of business the Company provide. As at the Latest Practicable Date, the Company has not entered into any legally binding agreements in relation to any acquisitions; and
- (ii) approximately 25% of the proceeds as general working capital of the Group.

The Company expects that the total fund requirement to the MOU Investment will be approximately HK\$82.8 million and the remaining allocated net proceeds of HK\$66.2 million will be used for other potential investment projects in gardening and eco-environment construction sector in the PRC, including landscaping, planting and planting maintenance.

As at the Latest Practicable Date, the Company has yet to identify any specific investment opportunities other than the MOU Investment, however, the additional capital on hand will facilitate the efficient execution of such potential investment projects, if any. The Company has demonstrated its commitment to diversifying its business by changing its company name in July 2013 and will take steps to identify feasible investment projects.

Application will be made to the Stock Exchange for the listing of, and permission to deal in the Subscription Shares.

4. Intention of the Subscriber

It is the intention of the Subscriber to maintain the listing of the Shares on the Stock Exchange. Following Completion, the Subscriber intends to maintain the existing businesses of the Group. The Subscriber has no intention to re-deploy the employees or the fixed assets of the Group after Completion other than in its ordinary and usual course of business. The Subscriber and the Company will comply with the relevant requirements under the Listing Rules and the Takeovers Code in the event any possible diversification of the Group's business operations materializes after Completion.

5. Listing Rules Implications

Since the Subscriber is a substantial shareholder of the Company, the Subscriber is a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders by way of poll at the SGM.

The Subscriber and Global Prize Limited are wholly owned by Mr. Sze. Accordingly, Mr. Sze has abstained from voting on the relevant Board resolutions approving the Subscription Agreement and the transactions contemplated thereunder. In addition, Mr. Sze, the Subscriber and Global Prize Limited and their respective associates shall abstain from voting in respect of the resolutions approving the Subscription Agreement and the transactions contemplated thereunder at the SGM. The Directors have confirmed that so far as they are aware, save for Mr. Sze, the Subscriber and Global Prize Limited, no other Shareholder is interested in the Subscription. In addition, save for Mr. Sze, none of the Directors has a material interest in the Subscription and shall also abstain from voting in respect of the resolutions approving the Subscription Agreement and the transactions contemplated thereunder at the SGM.

6. Takeovers Code Implications

As at the Latest Practicable Date, the Subscriber held 474,869,906 Shares, representing approximately 22.21% of the voting rights of the Company. Global Prize Limited, being person acting in concert with the Subscriber, held 2,040,000 Shares, representing approximately 0.10% of the voting rights of the Company.

Upon Completion, 2,000,000,000 Subscription Shares will be issued to the Subscriber, and the interests of the Subscriber and persons acting in concert with it in the voting rights of the Company will be increased from approximately 22.31% to approximately 59.86% (assuming that no additional Shares other than the Subscription Shares will be issued since the date of the Subscription Agreement up to Completion). Accordingly, the Subscriber and persons acting in concert with it, in the absence of the Whitewash Waiver, would be obliged to make a general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by it.

An application to the Executive for the Whitewash Waiver has been made by the Subscriber and the Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of Independent Shareholders at the SGM by way of poll. The Subscriber, Mr. Sze

and parties acting or presumed to be acting in concert with any one of them (including Global Prize Limited), and any other Shareholders who are involved or interested in the Subscription and/or the Whitewash Waiver shall abstain from voting at the SGM in respect of the resolutions approving the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Each of the Subscriber and Mr. Sze has undertaken to the Company that apart from the Subscription Agreement, the Subscriber and Mr. Sze will not and each of them will procure persons acting in concert with each of them respectively (including Global Prize Limited) will not:

- (i) from the date of the Subscription Agreement until the Completion Date acquire or dispose of or enter into any agreement or arrangement to acquire or dispose of any voting rights in the Company; and
- (ii) within six months after the SGM, acquire or enter into any agreement or arrangement to acquire any voting rights in the Company from or to a person who is a Director or substantial shareholder of the Company.

7. Information required under the Takeovers Code

As at the Latest Practicable Date, other than 34,700,000 options granted under the share option scheme of the Company, the Company did not have any options, warrants or convertible securities in issue.

The Subscriber has confirmed that neither the Subscriber, Mr. Sze nor any persons acting in concert with any of them:

- (i) apart from 2,000,000,000 new Shares under the Subscription Agreement, have acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company within the six months prior to the date of the Subscription Agreement and up to the date of the Announcement;
- (ii) apart from 474,869,906 Shares and 2,040,000 Shares owned by Mr. Sze through the Subscriber and Global Prize Limited, respectively and 2,500,000 outstanding options owned by Mr. Sze, own, control or has direction over any warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;
- (iii) have any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of the Subscriber and which might be material to the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver;

- (iv) have any agreements, arrangements or undertaking to which the Subscriber or parties acting in concert with it/they is/are a party which relate to the circumstances in which the Subscriber or parties acting in concert with it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Subscription Agreement or the Whitewash Waiver; and
- (v) have received any irrevocable commitment as to whether they will vote for or against the resolution approving the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver at the SGM.

8. Fund raising activities in the past twelve months

The Company did not conduct any fund raising activities during the past twelve months immediately preceding the date of the Announcement.

III. PROPOSED CAPITAL INCREASE

As at Latest Practicable Date, the authorized share capital of the Company was HK\$300,000,000 comprising 3,000,000,000 Shares of par value of HK\$0.10 each, of which 2,138,084,922 Shares have been issued and fully paid. The issued share capital of the Company is HK\$213,808,492.20. Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 2,000,000,000 Subscription Shares. On the assumption that the conditions precedent to Completion are fulfilled and the Subscription is completed, the enlarged issued share capital of the Company will be increased to HK\$413,808,492.20 comprising 4,138,084,922 Shares of par value of HK\$0.10 each, which will exceed the existing authorized share capital of the Company.

In view of the above, the Company proposes to effect the Capital Increase whereby the authorized share capital of the Company will be increased from HK\$300,000,000 divided into 3,000,000,000 Shares of par value of HK\$0.10 each to HK\$600,000,000 divided into 6,000,000,000 Shares of par value of HK\$0.10 each by the creation of an additional 3,000,000,000 Shares so as to i) allow the allotment and issue of the Subscription Shares for the Subscription; and ii) provide greater flexibility for equity fund raising of the Company in the future.

The Capital Increase is conditional upon, inter alia, the following:

- a) the passing of necessary resolution(s) by the Shareholders at the SGM to approve the Capital Increase; and
- b) compliance with the relevant legal procedures and requirements under the Listing Rules and Companies Act to effect the Capital Increase.

Subject to the above conditions being fulfilled, the Capital Increase is expected to become effective before Completion.

IV. EFFECT OF THE SUBSCRIPTION

The shareholdings in the Company as at the Latest Practicable Date and immediately after the Capital Increase becomes effective and Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the Latest Practicable Date up to Completion) are summarised as follows:

	As at the Latest Practicable Date		Assuming (i) Capital Increase becomes effective; (ii) completion of the Subscription; and (iii) the subscription rights attaching to the Outstanding Options were not exercised at all		Assuming (i) Capital Increase becomes effective; (ii) completion of the Subscription; and (iii) full exercise of the Outstanding Options (Note 5)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Subscriber (Note 1)	474,869,906	22.21	2,474,869,906	59.81	2,474,869,906	59.31
Global Prize Limited (Note 1)	2,040,000	0.10	2,040,000	0.05	2,040,000	0.05
Mr. Sze (Note 2)	-	-	-	-	2,500,000	0.06
<i>Sub-total of the Subscriber and persons acting in concert with it (Note 3)</i>	<i>476,909,906</i>	<i>22.31</i>	<i>2,476,909,906</i>	<i>59.86</i>	<i>2,479,409,906</i>	<i>59.42</i>
Executive Director(s)						
Mao Zhenhua	-	-	-	-	2,500,000	0.06
Tan Shu Jiang	-	-	-	-	4,000,000	0.10
Independent non-executive Director(s)						
Chong Yiu Kan, Sherman	650,000	0.03	650,000	0.01	2,650,000	0.06
Public:						
Grantees of Outstanding Options (other than Mr. Sze and the Directors) (Note 4)	-	-	-	-	23,700,000	0.57
Other Shareholders	1,660,525,016	77.66	1,660,525,016	40.13	1,660,525,016	39.79
	<u>2,138,084,922</u>	<u>100.00</u>	<u>4,138,084,922</u>	<u>100.00</u>	<u>4,172,784,922</u>	<u>100.00</u>

Notes:

1. The Subscriber and Global Prize Limited are companies wholly owned by Mr. Sze.
2. Mr. Sze is the executive Director, chairman and chief executive officer of the Company.
3. The persons acting in concert with the Subscriber comprises Mr. Sze and Global Prize Limited.
4. None of these grantees of the Outstanding Options is a director, chief executive or substantial shareholder of the Company, or any of their respective associates or parties acting in concert with the Subscriber.
5. Full exercise of the Outstanding Options would result in a maximum of 34,700,000 new Shares being fallen to be allotted and issued to its holders.

V. GENERAL

The Capital Increase is conditional upon, inter alia, the approval of the Shareholders at the SGM.

Pursuant to Rule 13.39(6) of the Listing Rules, the Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder. Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the terms of the Whitewash Waiver and as to voting.

None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Subscription Agreement or the Whitewash Waiver. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver. Such appointment has been approved by the Independent Board Committee.

VI. SPECIAL GENERAL MEETING

A notice convening the SGM to be held at Unit A, 29/F., Admiralty Centre 1, 18 Harcourt Road, Hong Kong at 10:00 a.m. on Monday, 23 December 2013 is set out on pages SGM-1 to SGM-2 of this circular. Ordinary resolutions will be proposed at the SGM to consider and, if thought fit, to approve (i) the Capital Increase; (ii) the Subscription Agreement and the transactions contemplated thereunder; and (iii) the Whitewash Waiver by way of poll, the result of which will be announced after the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event, the proxy shall be deemed to be revoked.

VII. RECOMMENDATION

The Directors (including all the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider that the Subscription Agreement and the transaction contemplated thereunder are fair and reasonable and on normal commercial terms, the Whitewash Waiver is fair and reasonable and the Subscription and the Whitewash Waiver are in the interests of the Group and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Subscription Agreement and the transaction contemplated thereunder and the Whitewash Waiver.

Your attention is drawn to:

- (a) this letter from the Board;
- (b) a letter of recommendation from the Independent Board Committee is set out on pages 19 to 20 of this circular; and
- (c) a letter from TC Capital Asia Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 35 of this circular.

The Directors also consider that the Capital Increase is in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Capital Increase.

VIII. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,

By order of the Board

Beautiful China Holdings Company Limited



Tan Shu Jiang
Executive Director