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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)

## **CHANGE IN USE OF PROCEEDS**

Reference is made to (i) the announcement (“**Rights Issue Announcement**”) of Beautiful China Holdings Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 19 July 2017, the circular (the “**Circular**”) of the Company dated 18 August 2017, the prospectus (the “**Prospectus**”) of the Company dated 21 September 2017 and the announcement (the “**Results Announcement**”) of the Company dated 16 October 2017 in relation to, among other things, the issue of three rights shares for every four existing shares of the Company on 17 October 2017 (the “**Rights Issue**”); and (ii) the announcement (the “**JV Announcement**”) of the Company dated 17 April 2018 in relation to the formation of a joint venture company (the “**Joint Venture**”).

As disclosed in the Rights Issue Announcement, the Circular, the Prospectus and the Results Announcement, the Company raised an amount of net proceeds of approximately HK\$257.9 million from the Rights Issue, of which (i) approximately 3.5% of the net proceeds from the Rights Issue (equivalent to approximately HK\$9.0 million) for capital injection for the development of plastic waste pyrolysis business in cooperation with Shandong Kaiyuan Rubber Technology Company Limited\* (山東開元橡塑科技有限公司) (the “**Kaiyuan Project**”); (ii) approximately 75.7% of the net proceeds from the Rights Issue (equivalent to approximately HK\$195.3 million) for a project relating to treatment and recycling of Waste pyrolysis in Weifang City, Shandong Province, the PRC (the “**Weifang Project**”); and (iii) approximately 20.8% of the net proceeds from the Rights Issue (equivalent to approximately HK\$53.6 million) for the general working capital of the Group. As disclosed in the JV Announcement, the cooperation with an independent third party for the formation of the Joint Venture was considered to be in line with the Company’s commitment to implement its development plan in ecological environmental protection business and would diversify the revenue stream of the Group, therefore the

Company intended to apply the net proceeds originally intended for the Weifang Project, representing approximately 75.7% of the net proceeds from the Rights Issue, to fund the formation of the Joint Venture, such that the intended use of net proceeds from the Rights Issue are as follows:

- (i) approximately 3.5% of the net proceeds from the Rights Issue (equivalent to approximately HK\$9.0 million) for capital injection for the Kaiyuan Project;
- (ii) approximately 75.7% of the net proceeds from the Rights Issue (equivalent to approximately HK\$195.3 million) for the Weifang Project and/or the Joint Venture; and
- (iii) approximately 20.8% of the net proceeds from the Rights Issue (equivalent to approximately HK\$53.6 million) for the general working capital of the Group.

As at 30 September 2018, approximately HK\$185,400,000 of the net proceeds of the Rights Issue remain unutilised.

As disclosed in the annual report of the Company for the year ended 31 December 2017 and the interim report of the Company for the six months ended 30 June 2018, the Group was engaged in (i) the ecological environment construction business, which comprises the tree plantation operating segment; and (ii) the environmental protection treatment service business, which comprises the landfill management and waste sorting operating segment and the waste pyrolysis operating segment. The financial information on the Group's operating segments are as follows:

	For the year ended 31 December 2017			For the six months ended 30 June 2018		
	Ecological environment construction business	Environmental protection treatment service business	Landfill management and waste sorting	Ecological environment construction business	Environmental protection treatment service business	Landfill management and waste sorting
	Tree plantation	Waste pyrolysis	Waste pyrolysis	Tree plantation	Waste pyrolysis	Waste pyrolysis
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	(unaudited)	(unaudited)
Revenue from external customer	55,210	112	348	18,375	–	828
Segment gain/(loss)	8,852	(9,103)	(2,436)	7,011	(2,726)	(5,293)

As shown in the table above, the Group’s tree plantation operating segment recorded a better financial performance than its waste pyrolysis operating segment which the Group has allocated most of the net proceeds of the Rights Issue for. The Directors consider that the waste pyrolysis operating segment is still in its developing stage and it could take more time for its contribution to the Group to grow. On the other hand, the Group’s tree plantation operating segment has been developing steadily and its revenue contribution to the Group has also grown. In addition, the Group’s ecological environment construction business is profit making. In this connection, the board (the “**Board**”) of directors (the “**Directors**”) of the Company considered that allocating more currently available funds for the development of the ecological environment construction business is better utilisation of the Group’s financial resources.

In this connection, the Board considered that as a substantial amount of the net proceeds from the Rights Issue initially allocated for development of its waste pyrolysis businesses under the Weifang Project and/or the Joint Venture has not yet been utilised, it would be in the interests of the Group and its Shareholders, and a better utilisation of the Group’s financial resources, to utilise some of its currently available fund, though initially ear-marked for development of the Weifang Project and/or the Joint venture, for its tree plantation business.

In light of the above, as at the date of this announcement, the Board has resolved to allocate approximately HK\$70 million out of the approximately 75.7% of the net proceeds of the Rights Issue as general working capital of the Group (the “**Reallocation**”). The reallocated funds are intended to be utilised for general working capital purposes, including costs to be incurred for the Group’s tree plantation segment, primarily for the procurement of seedlings. Set out below is the utilisation of the net proceeds from the Rights Issue after the Reallocation:

Use of proceeds	Allocation of funds before the Reallocation		Allocation of funds after the Reallocation	
	<i>HK\$ million</i>	<i>%</i>	<i>HK\$ million</i>	<i>%</i>
Weifang Project and/or Joint Venture	195.3	75.7	125.3	48.6
Kaiyuan Project	9.0	3.5	9.0	3.5
General working capital	53.6	20.8	123.6	47.9
<b>Total</b>	<b>257.9</b>	<b>100.0</b>	<b>257.9</b>	<b>100.0</b>

The Board has considered the impact of the change in use of proceeds on the Group's business and believes that, in view of the Group's operation and business development, the reallocation of the net proceeds from the Rights Issue will facilitate a more efficient use of its financial resources, and strengthen future development of the Group in environmental industry. Therefore, the Directors consider the change in use of proceeds is appropriate and in the best interests of the Company and its shareholders as a whole.

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

Hong Kong, 13 December 2018

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Sze Wai, Marco (Chairman), Mr. Zhou Wei Feng and Mr. Tan Shu Jiang; a non-executive Director, namely Ms. Chai Lin; and three independent non-executive Directors, namely Mr. Xie Jun, Mr. Chong Yiu Kan, Sherman and Mr. Liu Liyang.*

\* *For identification purpose only*