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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 DISCLOSEABLE TRANSACTION IN RELATION TO WITHDRAWAL AND ASSUMPTION OF PROJECT

Reference is made to the announcement (the “**Announcement**”) of Beautiful China Holdings Company Limited dated 1 April 2019. Unless otherwise stated, capitalised terms used herein shall have the same meaning as those defined in the Announcement.

As disclosed in the Announcement, pursuant to the Framework Agreement, Weifang Zhongti is currently operating the Phase I Land at an annual rent of RMB1.5 million. By entering into the Agreement, Weifang Zhongti intends to withdraw from and the Group intends to assume and enter into, the Weifang Wetland Development Project and the leasing with the relevant authorities of the Phase I Land. It was one of the conditions precedent under the Agreement that Weifang Zhongti agreeing to sign a termination agreement to terminate the Framework Agreement. Further, pursuant to the Agreement, Weifang Zhongti has undertaken to procure the relevant government authority to enter into a new agreement with the Company in relation to the lease of the Phase I Land at an annual rent of not higher than RMB1.5 million, and in the event where such undertaking is not satisfied within twelve months from the date of the Agreement, the consideration under the Agreement will be returned to the Company.

The Board wishes to supplement that, pursuant to the Framework Agreement, Weifang Zhongti would lease the Phase I Land for a term of 50 years. As at the date of this announcement, the remaining period of such lease term was approximately 40 years.

On 7 December 2018, the Group and 濰城區人民政府 (The People's Government of Weicheng District*) entered into a cooperative framework agreement (the “**Cooperative Framework Agreement**”) pursuant to which the parties expressed the intention to cooperate and develop an ecological park on the Bailang River Upstream Wetland Park, of which the Phase I Land forms part. The ecological park will consist of, among others, flower and tree seedlings farms, and the relevant ecological landscapes and other facilities. To the best of the Directors' knowledge, information and belief, the development of the Weifang Wetland Development Project has been completed by Weifang Zhongti, and Weifang Zhongti has been operating the Phase I Land. It was the Company's intention to develop the ecological park through modifying the Weifang Wetland Development Project and upgrading the existing facilities on the Phase I Land. Pursuant to the Cooperative Framework Agreement, both parties shall negotiate the details of their cooperation regarding the development of the ecological park and enter into formal agreement(s) to set out the details thereof. As at the date of this announcement, the Company had been undergoing negotiations with the relevant government authority in relation to the development plans of the ecological park, including landscape design and planning, scope of work of the Group and required upgrading works to be done on the Phase I Land. It is expected that, should the negotiations become successful, the relevant government authority and the Group will enter into formal agreement(s) in relation to the development of the ecological park on the Bailang River Upstream Wetland Park, which will include the development plans and upgrading works of the Weifang Wetland Development Project, and a lease agreement in relation to the Phase I Land.

Prior to entering into the Agreement, the Company had considered to arrange for direct assignment of the Framework Agreement from Weifang Zhongti to the Company. However, since the new development plan of the ecological park on the Phase I Land as stipulated under the Cooperative Framework Agreement is different from the initial development plan of the Weifang Wetland Development Project stipulated under the Framework Agreement, the responsibilities of Weifang Zhongti under the Framework Agreement may differ from the responsibilities of the Company under the Cooperative Framework Agreement. The Company is under negotiation with the relevant government authority under the Cooperative Framework Agreement to develop an ecological park on the Bailang River Upstream Wetland Park where the details of such new development plan has yet been agreed, and the responsible and signing party(ies) of the relevant government authority(ies) for the development of the ecological park may vary depending on the details of the new development plan. Thus, the Company considered that it is more suitable to enter into new agreement(s) with the relevant government authority(ies) after the details of the new development plan of the ecological park has been agreed.

Pursuant to the Agreement, it was the intention of the parties to the Agreement that Weifang Zhongti will agree to terminate the Framework Agreement and procure the relevant government authority to enter into a new agreement with the Group in relation to the development of the Weifang Wetland Development Project, which includes the lease agreement of the Phase I Land. The terms of the lease agreement of the Phase I Land, including the term of lease, will largely depend on the new development plan of the ecological park under the Cooperative Framework Agreement to be agreed with the relevant government authority. With the intention to retain flexibility in terms of the tenure of the lease, the Company considered that it would be beneficial for the Group if the Group could enjoy a lower future rental payment for the Phase I Land. Therefore, the Company only required Weifang Zhongti to ensure that the lease arrangements between the Group and the relevant government authority would be no higher than RMB1.5 million per annum. With the intention of the parties to the Cooperative Framework Agreement to materialise the development of the ecological park on the Phase I Land, the Company will use its best endeavour to negotiate with the relevant government authority for a lease term in order to carry out the development work for the ecological park and that would be beneficial to the Group. None of the terms under the Framework Agreement have been assumed by the Group, and the Group currently has no legal rights and obligations in relation to the Weifang Wetland Development Project, since no relevant formal agreement had yet been signed between the Group and the relevant government authority as at the date of this announcement.

The Directors consider that the nature and history of the Weifang Wetland Development Project may be similar to that of the ecological park intended to be constructed by the Group under the Cooperative Framework Agreement, where the existing infrastructures and constructions on the Phase I Land may remain useful as part of the ecological park, such as the existing irrigation system such as water pumps, pipes and garden sprinklers, power distribution and drainage works, and existing ecological landscape and greening works on the Phase I Land such as water fountains, sculptures, footbridges, crack and artificial lake revetments. Thus, the Company intends to develop the ecological park through modifying the Weifang Wetland Development Project and upgrading the existing facilities on the Phase I Land. Since the existing infrastructures are immovable properties on the Phase I Land and the removal of such infrastructures will cost extra expenditure on the part of Weifang Zhongti, it is unlikely that Weifang Zhongti will remove the existing infrastructures on the Phase I Land. On 8 May 2019, the Company and Weifang Zhongti entered into a supplemental agreement agreeing that prior to the Group entering into a lease agreement with the relevant government authority(ies), Weifang Zhongti undertakes it will not remove, destroy, transfer or dispose of the existing structures, plantations and infrastructures on the Phase I Land. Further, given that the relevant government authorities in the PRC had been supporting the development of the Bailang River Upstream Wetland Park in the past years, the Directors consider that being involved in the modification of the Weifang Wetland Development Project for the development of the ecological park will provide positive income and prospects to the Group in long run. As such, as (i) the Group will be able to benefit from the lower cost of rental payment of the Phase I Land that Weifang Zhongti had been enjoying in the past should the Group and the relevant government authority reach formal agreement on the development plan of the ecological park under the Cooperative Framework Agreement; and (ii) the Group will be able to utilise certain existing structures, plantations and infrastructures on the Phase I Land constructed by Weifang Zhongti for the development of the ecological park under the Cooperative Framework Agreement which would ultimately reduce future construction and investment cost for the Group, the Board is of the view that the consideration of RMB40 million under the Agreement was in the interest of the Group and shareholders of the Company as a whole.

Since the Group is still under preliminary stage of negotiations with the relevant government authority regarding the Group's role in the development and modification of the Phase I Land, the development plans and the scope of work to be assumed by the Group regarding the development of the ecological park may change depending on the results of the negotiation and the requirements to be imposed by the relevant government authority from time to time. Accordingly, the expected capital expenditure to be incurred by the Group will also depend on the results of the negotiations. The Company will advise its Shareholders and potential investors on the terms of any new agreement(s) to be signed with the relevant government authority, including the development plan and the lease of the Phase I Land, the Group's estimated capital expenditures and the business model, in accordance with the Listing Rules as and when appropriate.

For and on behalf of
Beautiful China Holdings Company Limited
Sze Wai, Marco
Chairman

Hong Kong, 8 May 2019

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, Ms. Chai Lin as a non-executive Director, and Mr. Chong Yiu Kan, Sherman, Mr. Xie Jun and Mr. Liu Liyang as independent non-executive Directors.

* *For identification purposes only*