

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



BEAUTIFUL CHINA HOLDINGS COMPANY LIMITED

美麗中國控股有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 706)

DISCLOSEABLE TRANSACTION FINANCE LEASE ARRANGEMENT

The Board would like to announce that on 19 June 2019 (after trading hours), Sino IC Leasing (Beijing) and Shandong Kaiyuan entered into the Finance Lease Arrangement, involving the Ownership Transfer Agreement and the Finance Lease Agreements, pursuant to which Sino IC Leasing (Beijing) agreed, among other things, to (i) purchase the Leased Assets from Shandong Kaiyuan at a consideration of RMB20.0 million; and (ii) following the acquisition, Sino IC Leasing (Beijing), as the lessor, agreed to lease back to the Leased Assets to Shandong Kaiyuan, as the lessee, for a period of 36 months with an aggregate lease payment of approximately RMB22.5 million, which is to be payable by Shandong Kaiyuan to Sino IC Leasing (Beijing) in 12 instalments. In addition, pursuant to the Finance Lease Agreements, Shandong Kaiyuan agreed to pay Sino IC Leasing (Beijing) a finance lease service fee of RMB508,800.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as defined in the Listing Rules in respect of the Finance Lease Arrangement exceed 5% but less than 25%, the Finance Lease Arrangement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, Finance Lease Arrangement is subject to the reporting and announcement requirements under the Listing Rules.

INTRODUCTION

The Board would like to announce that on 19 June 2019 (after trading hours), Sino IC Leasing (Beijing) and Shandong Kaiyuan entered into the Finance Lease Arrangement, involving the Ownership Transfer Agreement and the Finance Lease Agreements.

THE FINANCE LEASE ARRANGEMENT

The Ownership Transfer Agreement

The principal terms of the Ownership Transfer Agreement are set out below:

Date: 19 June 2019 (after trading hours)

Parties: (1) Sino IC Leasing (Beijing) (as transferee); and
(2) Shandong Kaiyuan (as transferor).

To the best of the Directors' knowledge and belief having made all reasonable enquiries, Sino IC Leasing (Beijing), its ultimate beneficial owner(s) and their respective associates were Independent Third Parties as at the date of this announcement.

Purchase of the Leased Assets

As part of the Finance Lease Arrangement and pursuant to the Ownership Transfer Agreement, Shandong Kaiyuan agreed to sell, and Sino IC Leasing (Beijing) agreed to purchase, the Leased Assets owned by Shandong Kaiyuan at a consideration of RMB20.0 million (the "**Purchase Price**"). The Purchase Price was determined after arm's length negotiations between the parties to the Ownership Transfer Agreement with reference to the original costs of the Leased Assets, which is approximately RMB23.1 million.

Security deposit

A security deposit of RMB3.0 million is payable under the Finance Lease Agreement (the "**Security Deposit**"). Sino IC Leasing (Beijing) is entitled to deduct the Security Deposit from the Purchase Price payable to Shandong Kaiyuan for the Leased Assets.

Conditions precedent

Completion of the transactions contemplated under the Ownership Transfer Agreement will be conditional upon the satisfaction of the following conditions:

- (i) Sino IC Leasing (Beijing) having received an original of the payment request from Shandong Kaiyuan for the net amount of the Purchase Price (after deducting the Security Deposit) payable by Sino IC Leasing (Beijing);
- (ii) Sino IC Leasing (Beijing) having received and approved a stamped receipt of RMB20.0 million, representing the amount of Purchase Price payable by Sino IC Leasing (Beijing) under the Ownership Transfer Agreement, from Shandong Kaiyuan;
- (iii) Sino IC Leasing (Beijing) having received the Service Fee payable by Shandong Kaiyuan pursuant to the Finance Lease Service Agreement;
- (iv) Sino IC Leasing (Beijing) having received the guarantee agreement executed by the Company in favour of Sino IC Leasing (Beijing);
- (v) Sino IC Leasing (Beijing) having received the guarantee agreement executed by Beautiful Wuhe in favour of Sino IC Leasing (Beijing);
- (vi) Sino IC Leasing (Beijing) having received and approved the personal guarantee agreement executed by Mr. Sze in favour of Sino IC Leasing (Beijing);
- (vii) Beautiful China Investment having entered into the Beautiful Wuhe Equity Interest Charge Agreement with Sino IC Leasing (Beijing) and registered the corresponding equity interest charge;
- (viii) Smart Harvest having entered into the Shandong Kaiyuan Equity Interest Charge Agreement with Sino IC Leasing (Beijing) and registered the corresponding equity interest charge;
- (ix) Sino IC Leasing (Beijing) having received and approved the original of the resolution(s) passed by the board of directors of Shandong Kaiyuan approving the Finance Lease Arrangement and the entering into of the relevant agreements, including the Ownership Transfer Agreement, the Finance Lease Agreements and other relevant documents;
- (x) Sino IC Leasing (Beijing) having received and approved the original of the resolution(s) passed by the Board approving the grant of joint liability guarantee in favour of Sino IC Leasing (Beijing) with respect to the liabilities of Shandong Kaiyuan pursuant to the Finance Lease Agreements;

- (xi) Sino IC Leasing (Beijing) having received and approved the original of the resolution(s) passed by the board of directors of Beautiful Wuhe and the Company approving the grant of joint liability guarantee agreement in favour of Sino IC Leasing (Beijing) with respect of the obligations on the part of Shandong Kaiyuan pursuant to the Finance Lease Agreements;
- (xii) Sino IC Leasing (Beijing) having received from Shandong Kaiyuan and approved a copy of the insurance policy of no less than RMB20.0 million with respect of the Leased Assets in favour of Sino IC Leasing (Beijing) covering the Lease Period; and
- (xiii) the passing of the resolution(s) by the Board approving the Ownership Transfer Agreement and the transactions contemplated thereunder.

If the above conditions precedent are not fulfilled within 60 days after the entering into of the Ownership Transfer Agreement (the “**Long Stop Date**”), Sino IC Leasing (Beijing) has a right to carry out one or more of the following action(s):

- (1) to terminate the Ownership Transfer Agreement and/or the Finance Lease Agreements (if applicable);
- (2) to demand compensation from Shandong Kaiyuan covering all losses suffered by Sino IC Leasing (Beijing) in relation to the Finance Lease Arrangement;
- (3) to extend the Long Stop Date; and/or
- (4) to carry out any other remedial actions as permitted by the law.

The Finance Lease Agreements

The principal terms of the Finance Lease Agreement are set out below:

- Date: 19 June 2019 (after trading hours)
- Parties: (1) Sino IC Leasing (Beijing) (as lessor); and
- (2) Shandong Kaiyuan (as lessee).

Lease back of the Leased Assets

As part of the Finance Lease Arrangement and pursuant to the Finance Lease Agreement, the Leased Assets will be leased back to Shandong Kaiyuan for a period of 36 months.

Lease payments

The aggregate lease payments (the “**Lease Payments**”) payable by Shandong Kaiyuan to Sino IC Leasing (Beijing) under the Finance Lease Arrangement shall be approximately RMB22.5 million, payable in 12 equal instalments during the Lease Period in accordance with the payment schedule in the Finance Lease Agreement. The interest rate under the Finance Lease Agreement was calculated at an interest rate of 7.55% per annum. During the Lease Period, if the applicable benchmark lending rate promulgated by the People’s Bank of China for a term of one to five years is adjusted, the interest rate shall be adjusted proportionally in the same direction.

In addition, pursuant to the Finance Lease Service Agreement, Shandong Kaiyuan agreed to pay to Sino IC Leasing (Beijing) a finance lease service fee (“**Service Fee**”) in the amount of RMB508,800 and shall be payable in one lump sum.

Sino IC Leasing (Beijing) is entitled to deduct any amount payable by Shandong Kaiyuan under the Finance Lease Agreements from the Security Deposit. In the event any amount is deducted from the Security Deposit, Shandong Kaiyuan shall deposit the same amount with Sino IC Leasing (Beijing) immediately to top-up the Security Deposit. During the six months prior to the end of the Lease Period and in the event that the Security Deposit has not been deducted or Shandong Kaiyuan shall have topped-up the required amount during the first 30 months of the Lease Period, Sino IC Leasing (Beijing) is entitled to deduct the amount payable by Shandong Kaiyuan under the Finance Lease Agreements from the Security Deposit with the following order: (1) default payment; (2) other amount payable by Shandong Kaiyuan; (3) the last installment or installments of rent; and/or (4) the Repurchase Price (as defined below). In the event that there is remaining sum after the deduction from the Security Deposit, Sino IC Leasing (Beijing) shall refund the remaining sum to Shandong Kaiyuan.

The terms of the Finance Lease Arrangement including the Lease Payments, the interest rate and the Service Fee were determined after arm's length negotiations between the parties to the Finance Lease Agreements with reference to the prevailing market rates for finance lease arrangements for similar assets.

Ownership of the Leased Assets

The ownership of the Leased Assets under the Ownership Transfer Agreement will be vested in Sino IC Leasing (Beijing) throughout the Lease Period. At the end of the Lease Period and subject to full payment of all amounts due under the Finance Lease Agreements and any other amounts due under the Finance Lease Arrangement, Shandong Kaiyuan shall have a right to purchase the Leased Assets from Sino IC Leasing (Beijing) for a nominal repurchase price of RMB1,130 (the “**Repurchase Price**”).

Security arrangements for the Finance Lease Arrangement

Pursuant to the Equity Interest Charge Agreements, the obligations under the Finance Lease Agreement (i) are secured by the 70% equity interest in Shandong Kaiyuan owned by Smart Harvest; and (ii) shall be secured by the 100% equity interest in Beautiful Wuhe owned by Beautiful China Investment.

In connection with the Finance Lease Arrangement, Mr. Sze agreed to provide personal guarantee, and each of the Company and Beautiful Wuhe agreed and shall agree to provide corporate guarantee to Sino IC Leasing (Beijing) for the liabilities of Shandong Kaiyuan under the Finance Lease Agreement, respectively.

INFORMATION ON THE GROUP

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

INFORMATION ON SINO IC LEASING (BEIJING)

Sino IC Leasing (Beijing) is a company established in the PRC with limited liability and it is principally engaged in finance lease and other leasing business. To the best of the Directors' knowledge, information and belief, Sino IC Leasing (Beijing) and its ultimate beneficial owner(s) are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The terms of the Finance Lease Arrangement, including the Purchase Price, the Lease Payments and the Service Fee, were determined after arm's length negotiations with reference to the prevailing market rates for finance lease arrangements for similar assets. As a developer of waste tyre (rubber) pyrolysis in the PRC, the Group requires capital from time to time for its production. The Finance Lease Arrangement provides the Group with additional liquidity by refinancing its existing equipment and assets. The Group will benefit from additional working capital which can be used to fund other business and operation activities of the Group.

Based on the above reasons, the Directors believe and consider that the terms and conditions of the Finance Lease Arrangement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as defined in the Listing Rules in respect of the Finance Lease Arrangement exceed 5% but less than 25%, the Finance Lease Arrangement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, Finance Lease Arrangement is subject to the reporting and announcement requirements under the Listing Rules.

DEFINITION

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Beautiful China Investment”	美麗中國投資有限公司 (Beautiful China Investment Company Limited), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company, which is principally engaged in investment holding
“Beautiful Wuhe”	安徽五河大美生態科技發展有限公司 (Anhui Beautiful Wuhe Ecological Technologies Development Co. Ltd.*), a company established in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company through Beautiful China Investment, which is principally engaged in the cultivation and trading of tree seedlings

“Beautiful Wuhe Equity Interest Charge Agreement”	the equity interest charge agreement to be entered into by Sino IC Leasing (Beijing) with Beautiful China Investment in relation to the grant of charge over the 100% equity interest in Beautiful Wuhe owned by Beautiful China Investment
“Beautiful Wuhe Guarantee Agreement”	the guarantee agreement to be entered into by Sino IC Leasing (Beijing) with Beautiful Wuhe in relation to the Finance Lease Arrangement
“Board”	the board of Directors
“Company”	Beautiful China Holdings Company Limited, a company incorporated in Bermuda, whose shares are listed on the Main Board of the Stock Exchange (stock code: 706)
“connected persons”	have the meaning ascribed to such term in the Listing Rules
“Director(s)”	the director(s) of the Company
“Finance Lease Agreement”	the agreement dated 19 June 2019 and entered into between Sino IC Leasing (Beijing) and Shandong Kaiyuan, pursuant to which the Leased Assets will be leased back to Shandong Kaiyuan for a period of 36 months
“Finance Lease Agreements”	collectively, the Finance Lease Agreement, the Finance Lease Service Agreement, the Beautiful Wuhe Equity Interest Charge Agreement, the Shandong Kaiyuan Equity Interest Charge Agreement, the Guarantee Agreements and the Beautiful Wuhe Guarantee Agreement
“Finance Lease Arrangement”	the purchase of the Leased Assets by Sino IC Leasing (Beijing) from Shandong Kaiyuan pursuant to the Ownership Transfer Agreement and the lease back of the Leased Assets to Shandong Kaiyuan pursuant to the Finance Lease Agreements
“Finance Lease Service Agreement”	the agreement dated 19 June 2019 and entered into between Sino IC Leasing (Beijing) and Shandong Kaiyuan in relation to the finance lease services provided by Sino IC Leasing (Beijing) to Shandong Kaiyuan
“Group”	collectively, the Company and its subsidiaries

“Guarantee Agreements”	the guarantee agreements dated 19 June 2019 and entered into by Sino IC Leasing (Beijing) with each of Mr. Sze and the Company, respectively, in relation to the Finance Lease Arrangement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with, the Company and its connected persons
“Leased Assets”	certain machinery and equipment for the waste tyre (rubber) pyrolysis production line of Shandong Kaiyuan
“Lease Period”	36 months commencing from the date on which Sino IC Leasing (Beijing) issued a commence notice of the Finance Lease Arrangement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Sze”	Mr. Sze Wai, Marco, the Chairman of the Company and an executive Director
“Ownership Transfer Agreement”	the ownership transfer agreement dated 19 June 2019 and entered into between Sino IC Leasing (Beijing) and Shandong Kaiyuan, pursuant to which Shandong Kaiyuan agreed to sell, and Sino IC Leasing (Beijing) agreed to purchase, the Leased Assets owned by Shandong Kaiyuan
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Kaiyuan”	山東開元潤豐環保科技有限公司(Shandong Kaiyuan Runfeng Environmental Protection Technology Company Limited*), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“Shandong Kaiyuan Equity Interest Charge Agreement”	the equity interest charge agreement dated 19 June 2019 and entered into by Sino IC Leasing (Beijing) with Smart Harvest in relation to the grant of charge over the 70% equity interest in Shandong Kaiyuan owned by Smart Harvest

“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sino IC Leasing (Beijing)”	芯鑫融資租賃(北京)有限責任公司 (Sino IC Leasing (Beijing) Co., Ltd*), a company established in the PRC and an Independent Third Party
“Smart Harvest”	Smart Harvest Holdings Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 19 June 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*