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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)

ALTERATION OF THE TERMS OF THE CONVERTIBLE BONDS

Reference is made to the Company's announcements dated 21 June 2016, 5 July 2016, 12 July 2016, 17 August 2016 and 26 August 2016 (the "**Announcements**") regarding the issue of the NSCB in the aggregate principal amount of HK\$118,000,000 to the Subscriber pursuant to the Subscription Agreement (as supplemented by the Supplemental Agreement and the Side Agreement). Unless otherwise specified herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

BACKGROUND

The Tranche A NSCB was issued to the Subscriber on 12 August 2016, and the Tranche B NSCB was issued to the Subscriber on 24 August 2016. In accordance with the terms of the NSCB, the Tranche A NSCB and Tranche B NSCB matured on 12 August 2019 and 24 August 2019, respectively. As at the date of this announcement, the NSCB in the principal amount of HK\$118,000,000 was outstanding.

Upon the expiry of the Tranche A NSCB and Tranche B NSCB, the Company has been negotiating the terms of extension and amendments of the NSCB with the Subscriber. On 11 June 2020 (after trading hours), by entering into the supplemental deed (the "**Supplemental Deed**") to the Subscription Agreement (as supplemented by the Supplemental Agreement and the Side Agreement), it was agreed between the Subscriber and the Company that, among others, the relevant maturity date be extended.

ALTERATION OF THE TERMS OF THE NSCB

The major terms of the Supplemental Deed are summarised below:

The Supplemental Deed

Date: 11 June 2020 (after trading hours)

Parties: (a) the Company;

(b) the Guarantor; and

(c) New Silkroad Investment Holdings Limited as the Subscriber.

The Subscriber is a company incorporated in the British Virgin Islands that is a non-wholly owned subsidiary of China Huarong Asset Management Co., Ltd..

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

Conditions precedent: The amendments to the Subscription Agreement (as supplemented by the Supplemental Agreement and the Side Agreement) and the deeds of covenant for both Tranche A NSCB and Tranche B NSCB dated 12 August 2016 and 24 August 2016, respectively, ("**Deeds of Covenant**") under the Supplemental Deed shall not be effective unless the following conditions precedent have been fulfilled (or waived):

- (a) all necessary consents and approval (including shareholders' approvals, if required) to be obtained on the part of the Company and the Subscriber in respect of the amendment to the Subscription Agreement (as supplemented by the Supplemental Agreement and the Side Agreement) and the Deeds of Covenant under the Supplemental Deed (the "**Amendments**") having been obtained and the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Conversion Shares to be issued upon a conversion of the NSCB in accordance with the Deeds of Covenant as amended and supplemented by the Supplemental Deed;
- (b) the Board having approved the Amendments and the Company having redeemed part of the outstanding principal amount of the NSCB in the sum of HK\$11.8 million within five (5) business days after the Subscriber having served a written notice to the Company in relation to such partial redemption;
- (c) the Supplemental Deed and other related documents necessary or desirable in connection with the entry into and performance of the Supplemental Deed having been duly executed on or before the first business day immediately after the date on which all conditions precedent set out in the Supplemental Deed have been satisfied or waived in the sole and absolute discretion of the Subscriber (the "**Effective Date**") by or on behalf of all parties thereto;
- (d) the Subscriber having received all the documents required to be delivered to the Subscriber listed out in the Supplemental Deed and all the other documents necessary or desirable in connection with the entry into and performance of the Supplemental Deed; and

- (e) there has, since the date of the Supplemental Agreement up to and including the Effective Date, in the opinion of a Director, been no material adverse change, or any development reasonably likely to involve a material adverse change, in the business, operations, or conditions (financial or otherwise) of the Company or the Group taken as a whole or any change which could materially adversely affect the ability of the Company to perform its obligations under the NSCB or the Issue Documents.

Each of the Company and the Subscriber shall use its reasonable endeavours to procure the fulfillment of all the conditions precedent on or before 31 July 2020 (or such later date as may be agreed by the parties hereto in writing) (“**Long Stop Date**”). Other than conditions precedent specified in paragraphs (b), (c), (d) and (e) above which may be waived by the Subscriber at its sole and absolute discretion on or before the Long Stop Date, none of the other conditions precedent are capable of being waived by any party to the Supplemental Deed.

If any of the conditions precedent have not been fulfilled or waived on or before the Long Stop Date, then the Supplemental Deed shall lapse immediately thereafter and be of no further effect provided that the clauses regarding the Long Stop Date, fees and expenses, governing law and enforcement shall continue in full force following the lapse of the Supplemental Deed. The lapse of the Supplemental Deed shall be without prejudice to the rights and liabilities of any party accrued prior such lapse.

Specific undertakings:

The Company undertakes that, following the fulfillment of condition precedent (a) above, it shall, among others:

(A)

1. within 15 business days after fulfillment of condition precedent (a) above, (i) redeem part of the outstanding principal amount of the NSCB in the sum of HK\$8,200,000; and (ii) repay the accrued but unpaid interest calculated from 12 August 2016 until 12 August 2019 in sum of HK\$79,797.55;

2. within 15 business days upon the Company having received any sum from a company established in the PRC redeem part of the outstanding NSCB; and
 3. by the Interest Payment Date (as defined below), redeem the remaining balance of the NSCB at a redemption price equal to the aggregate of (a) the principal amount of such NSCB; and (b) an amount that would yield an internal rate of return of not more than 10% on the aggregate principal amount of the NSCB of HK\$118,000,000 calculated from the date of issuance of the NSCB until the Interest Payment Date (both dates inclusive).
- (B) The Company shall procure that, at the direction of the Subscriber, Anhui Beautiful Wuhe Ecological Technologies Development Co. Ltd.* (安徽五河大美生態科技發展有限公司) (the “**PRC Subsidiary**”) will do all that is required and desirable for the appointment of one (1) nominee of the Subscriber as a director on the board of directors or equivalent body of the PRC Subsidiary (the “**Nominee Director**”) by no later than one (1) month after the Effective Date (or any other date as agreed by the Company and the Subscriber in writing), and the Nominee Director shall resign from the board of directors or equivalent body of the PRC Subsidiary within one (1) month after the Subscriber ceases to be the holder of the NSCB.

The Company shall procure the PRC Subsidiary, within one (1) month after the Effective Date (or any other date as agreed by the Subscriber in writing), amends its constitutional documents to provide that the Nominee Director, during his/her tenure of service as a director of the PRC Subsidiary, shall have: (A) the right to be added as a co-signatory of all the bank accounts maintained by the PRC Subsidiary and the right to control such bank accounts; (B) the right to be given reasonable prior notice of any management meetings of the PRC Subsidiary and to attend any such meetings; and (C) the right to request for and review all company documents.

- (C) so long as the Subscriber remains as the holder of the NSCB, the Company shall as soon as practicable inform the Subscriber of any proposed fund-raising exercise to be undertaken by the Company and shall prepare and provide to the Subscriber a report on the progress of such proposed fund-raising. The Company shall also use certain amount of the amount raised pursuant to such fund-raising to redeem the NSCB.
- (D) so long as the Subscriber remains as the holder of the NSCB, the aggregate amount of administrative expenses of the Group in the financial year for the period from 1 January 2020 to 31 December 2020 shall not exceed an agreed amount; and unless with prior written consent of the Subscriber (such consent shall not be unreasonably withheld), the Company shall not make any prepayment or deposit to any other party.
- (E) subject to any applicable legal or regulatory restrictions (including the Listing Rules), so long as the Subscriber remains as the holder of the NSCB, the Company undertakes that it shall use an agreed portion of the sale proceeds derived from its seedling business to redeem the NSCB.
- (F) so long as the Subscriber remains as the holder of the NSCB, to the extent permitted by laws, rule and regulations, the Company shall supply to the Subscriber as soon as reasonably practicable upon becoming aware of them: (i) the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any member of the Group and the Guarantor which would have a material adverse effect; (ii) further information regarding the financial condition, business and operations of each member of the Group as the Subscriber may reasonably request; and (iii) information as the Subscriber may reasonably require about its compliance with the terms of the Issue Documents.

THE AMENDMENTS

The existing and revised terms and conditions of the NSCB are summarised below:

	Existing	Revised
Principal amount:	<p>As disclosed in the Announcements, the following tranches of NSCB have been placed:</p> <ul style="list-style-type: none">• Tranche A NSCB: principal amount of HK\$60,000,000; and• Tranche B NSCB: principal amount of HK\$58,000,000.	<p>No revision was made in this respect.</p>
Maturity:	<p>The maturity of NSCB shall be the date falling on the third anniversary of the date of issue of the NSCB.</p>	<p>The maturity of NSCB shall be 12 February 2021 (“Maturity Date”).</p>
Redemption:	<p>Unless previously redeemed, converted or purchased and cancelled as provided in the terms and conditions of the NSCB, the Company will redeem each NSCB on the relevant maturity date at its principal amount together with accrued and unpaid interest thereon plus an additional amount that would yield an internal rate of return of 13.00% on such NSCB which remains outstanding immediately before the relevant maturity date. The Company may not redeem the NSCB at its option except as provided in the relevant terms and conditions of the NSCB.</p>	<p>Unless previously redeemed, converted or purchased and cancelled as provided in the terms and conditions of the NSCB, the Company will redeem each NSCB on the Maturity Date at its principal amount together with accrued and unpaid interest thereon plus an additional amount that would yield an internal rate of return of not more than 10.00% on the aggregate principal amount of the NSCB of HK\$118,000,000 calculated from the date of issuance of the NSCB until the earlier of (i) Maturity Date or (ii) the date upon which the Subscriber or any of its nominee ceases to be the holder of the NSCB (the “Interest Payment Date”) (both dates inclusive). The Company may not redeem the NSCB at its option except as provided in the relevant terms and conditions of the NSCB.</p>

Interest:

Subject to any increase as described below, the NSCB bear interest from and including the date of issuance of the NSCB at the rate of 8.50% per annum and payment to be payable by the Company semi-annually in arrears in equal instalments on the NS Interest Payment Date.

The NSCB will cease to bear interest (a) where the conversion right attaching to the NSCB shall have been exercised by a holder the NSCB, from and including the NS Interest Payment Date immediately preceding the conversion date of the NSCB, or if none, the date of issuance of NSCB; or (b) where the NSCB are redeemed or repaid pursuant to the conditions of the NSCB, from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, it will continue to bear at 18.00% per annum (both before and after judgment) until the date on which all sums due in respect of the NSCB up to that day are received by or on behalf of the holder(s) of the NSCB.

Upon the occurrence of an event of default as set out in the terms and conditions of the NSCB and unless the NSCB are redeemed or repaid pursuant to the terms and conditions of the NSCB, the interest rate of 8.50% applicable to each NSCB will increase to 18.00% per annum with effect from the date on which any event of default as set out in the terms and conditions of the NSCB occurs.

The NSCB bear interest from and including the date of issuance of the NSCB at the rate of 8.50% per annum and payment to be payable by the Interest Payment Date.

The NSCB will cease to bear interest (a) where the conversion right attaching to the NSCB shall have been exercised by a holder the NSCB, from and including the Interest Payment Date immediately preceding the conversion date of the NSCB, or if none, the date of issuance of NSCB; or (b) where the NSCB are redeemed or repaid pursuant to the conditions of the NSCB, from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, it will continue to bear at 18.00% per annum (both before and after judgment) until the date on which all sums due in respect of the NSCB up to that day are received by or on behalf of the holder(s) of the NSCB.

Upon the occurrence of an event of default as set out in the terms and conditions of the NSCB and unless the NSCB are redeemed or repaid pursuant to the terms and conditions of the NSCB, the interest rate of 8.50% applicable to each NSCB will increase to 18.00% per annum with effect from the date on which any event of default as set out in the terms and conditions of the NSCB occurs.

Initial conversion price:

HK\$0.16 per Conversion Share, subject to the adjustments in the circumstances described in the terms and conditions of the NSCB.

HK\$0.01 per Conversion Share (“**Revised Initial Conversion Price**”), subject to adjustments upon the occurrence of, among others, subdivision or consolidation of Shares, capital distribution, capitalisation of profits or reserves and rights issue.

The Revised Initial Conversion Price of HK\$0.01 per Conversion Share represents:

- (i) the closing price of HK\$0.0100 per Share as quoted on the Stock Exchange on 11 June 2020, being the date of the Supplemental Deed;
- (ii) a discount of approximately 3.8% to the average closing price of HK\$0.0104 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Supplemental Deed; and
- (iii) a discount of approximately 2.0% to the average closing price of HK\$0.0102 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to the date of the Supplemental Deed.

The Board considers the Revised Initial Conversion Price of HK\$0.01 per Conversion Share, taking into account of the recent trading prices of the Shares, and a conversion period of 18 months, are fair and reasonable, which are determined after negotiations on arm’s length basis between the Company and the Subscriber, and are in the interests of the Company and the Shareholders as a whole.

Conversion period:	The period commencing on the date of the issue of the NSCB and up to and including the maturity date of the NSCB.	The period commencing on the date of the issue of the NSCB and up to and including the Maturity Date provided that (i) any conversion of the NSCB does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the NSCB which exercised the conversion right, whether or not such mandatory offer obligation is triggered by the fact that the number of Shares to be allotted and issued upon the exercise of the conversion rights attaching to the NSCB (if applicable, including any Shares acquired by the parties acting in concert with the holder of the NSCB) represents more than 30% (or such other percentage as stated in Rule 26 of the Takeovers Code in effect from time to time) of the then issued ordinary share capital of the Company or otherwise pursuant to other provisions of the Takeovers Code; and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares of the Company at any one time in compliance with the Listing Rules.
Conversion rights:	<p>The holder of the NSCB may exercise right of conversion at any time between date of the issuance of the NSCB to the close of business on the relevant maturity date, or, if such NSCB shall have been called for redemption by the Company before the relevant maturity date, then up to and including the close of business on a date no later than seven days prior to the date fixed for redemption thereof.</p> <p>Each NSCB shall entitle the holder thereof to convert such NSCB into the Conversion Shares credited as fully paid at any time during the conversion period.</p>	No revision was made in this respect.

The Conversion Shares shall be allotted and issued in the name of the holder of the NSCB or if it so directs any other persons pursuant to the Conversion Notice and shall be delivered to the holder of the NSCB no later than seven trading days of the Stock Exchange after the date of presentation of the relevant original certificate issued in respect of the NSCB.

No fraction of a Share will be issued on conversion and no cash adjustments will be made in respect thereof. The Conversion Shares shall be entitled to all dividends, bonuses and other distributions the record date of which falls on a date on or after the date of issue and allotment of the Conversion Shares.

Ranking:

Conversion Shares issued upon exercise of conversion rights attaching to the NSCB shall rank pari passu in all respects with all other existing Shares outstanding at the date of the registration date of relevant holder of the Conversion Shares 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.

No revision was made in this respect.

Transferability:

The NSCB are assignable and transferable at any time, except (a) during the period of seven days ending on (and including) the dates for payment of any principal; and (b) after a conversion notice has been delivered with respect to a NSCB; or (c) during the period of seven days ending on (and including) the fifteenth day prior to the NS Interest Payment Date.

No revision was made in this respect.

Save as the aforesaid, no other terms and conditions of the NSCB have been amended.

LISTING RULES IMPLICATIONS

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities.

The Amendments involve alterations of the existing terms of the NSCB and an application will be made to the Stock Exchange for approval of the Amendments 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 Amendments will only be effective upon, among others, the Stock Exchange having approved the Amendments pursuant to the Listing Rules and 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 NSCB.

SPECIFIC MANDATE TO ISSUE THE CONVERSION SHARES UPON CONVERSION OF THE NSCB

As at the date of this announcement, no Conversion Shares have been issued pursuant to the NSCB. As at the date of this announcement, NSCB in the principal amount of HK\$118,000,000 remain outstanding. Based on the Revised Initial Conversion Price, upon full conversion of the NSCB, 11,800,000,000 Conversion Shares represent approximately 127.4% of the issued share capital of the Company as at the date of this announcement and approximately 56.0% 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 a specific mandate (the “**Specific 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 NSCB is subject to the Shareholders’ approval at the special general meeting (“**SGM**”) of the Company in approving, among others, the allotment and issue of the Conversion Shares under the Specific Mandate.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement; (ii) upon conversion of the NSCB not resulting (a) the Subscriber and the parties acting concert with it triggering a mandatory offer obligation under Rule 26 of the Takeovers Code; and (b) the public float of the Shares being less than 25% of the issued Shares at that time; and (iii) upon full conversion of the NSCB (on the assumptions that the NSCB are converted at the Revised Initial Conversion Price being HK\$0.01 and there is no other change in the issued Shares from the date of this announcement up to the date of full conversion of the NSCB) is as follows:

	As at the date of this announcement ¹		Upon conversion of the NSCB not resulting (a) the Subscriber and the parties acting concert with it triggering a mandatory offer obligation under Rule 26 of the Takeovers Code; and (b) the public float of the Shares being less than 25% of the issued Shares at that time ¹		Upon full conversion of the NSCB ^{1&2}	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
	Subscriber	–	–	3,968,582,082	29.99	11,800,000,000
Leading Value Industrial Limited ³	4,938,393,905	53.30	4,938,393,905	37.32	4,938,393,905	23.44
Global Prize Limited ³	3,570,000	0.04	3,570,000	0.03	3,570,000	0.02
Public Shareholders	4,322,471,958	46.66	4,322,471,958	32.66	4,322,471,958	20.52
Total	<u>9,264,435,863</u>	<u>100.00</u>	<u>13,233,017,945</u>	<u>100.00</u>	<u>21,064,435,863</u>	<u>100.00</u>

Notes:

1. Certain percentages above have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
2. This column demonstrates the scenario where the Subscriber and parties acting in concert with it, taken together, will directly or indirectly, make a mandatory offer obligation under Rule 26 of the Takeovers Code.
3. Leading Value Industrial Limited and Global Prize Limited are companies wholly-owned by the Guarantor.

EQUITY FUND RAISING ACTIVITIES DURING THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activities in the past 12 months from the date of this announcement.

The Company has not conducted any rights issue or open offer within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue or open offer within such 12-month period. The issue of Conversion Shares does not result in theoretical dilution effect of 25% or more on its own.

REASONS FOR THE AMENDMENTS

As disclosed in the unaudited annual results announcement of the Company for the year ended 31 December 2019 dated 31 March 2020, 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 Amendments effectively allows the Group to refinance its debts under the NSCB under substantially the same terms (except as to conversion price) for a longer period. In addition, the Amendments 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 Amendments, the Company will need to deploy its cash reserves for the redemption of the NSCB. Accordingly, the Directors consider that the Amendments are in the interests of the Company and its Shareholders as a whole.

USE OF PROCEEDS

The Company has applied the net proceeds from the subscription of the NSCB of HK\$114 million for funding an environment project of the Group and as general working capital. For details, please refer to the interim report of the Company dated 18 September 2019.

GENERAL

The Supplemental Deed and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Conversion Shares upon exercise of the conversion rights attached to the NSCB according to the terms of the Supplemental Deed) and the grant of the Specific Mandate are subject to, inter alia, the approval of the Shareholders at the SGM. The Specific Mandate for the allotment and issue of the Conversion Shares will be sought in the SGM.

A circular containing, among other matters, (i) further details of the Supplemental Deed and the transactions contemplated thereunder; and (ii) a notice of the SGM is expected to be despatched to the Shareholders on or before 30 June 2020 in accordance with the Listing Rules.

Completion of the Supplemental Deed is subject to, among others, fulfillment of the conditions precedent in the Supplemental Deed. As the transactions contemplated under the Supplemental Deed may or may not proceed finally, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

By Order of the Board
Beautiful China Holdings Company Limited
Sze Wai, Marco
Executive Director

Hong Kong, 11 June 2020

** For identification purpose only*

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