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BESTWAY INTERNATIONAL HOLDINGS LIMITED

百威國際控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 718)

(I) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION; (II) UPDATE ON PROGRESS AND STATUS OF THE ACQUISITION AND (III) RESUMPTION OF TRADING

THE ACQUISITION

On 17 August 2012, the Purchaser (a wholly-owned subsidiary of the Company) and the Company entered into the Agreement with the Vendor pursuant to which the Purchaser conditionally agreed to acquire from the Vendor the Sale Share at a consideration of HK\$320,000,000 to be paid to the Vendor by the issue of the Bonds.

No application will be made for listing of the Bonds. Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares.

IMPLICATIONS OF THE LISTING RULES

Given that the Percentage Ratios exceed 100%, the entering into of the Agreement constitutes a very substantial acquisition for the Company under the Listing Rules and will be subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

* For identification purposes only

The Vendor is the father of Mr. Alan Mung, a substantial shareholder of the Company, who as at the date of this announcement, held 926,666,666 Shares, representing approximately 24.82% of the total issued share capital of the Company. The Vendor is therefore regarded as a Connected Person of the Company and the Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Agreement and the transactions contemplated thereunder are subject to approval by the Independent Shareholders at the SGM.

STATUS AND PROGRESS OF THE ACQUISITION

Trading in the Shares was suspended at the request of the Company with effect from 9:00 a.m. on 20 August 2012 pending the release of this announcement. Immediately after the suspension of trading of the Shares, the Company has made a series of submissions in relation to details of the Acquisition to the Stock Exchange in order to resume trading of the Shares as soon as practicable. According to the Ruling from the Stock Exchange, the Acquisition was considered as an extreme case and was deemed as a reverse takeover under Rule 14.06(6) of the Listing Rules. As at the date of this announcement, the Stock Exchange has not changed its decision set out in the Ruling based on all the facts and circumstances provided by the Company. Pursuant to the Rule 14.54 of the Listing Rules, the Stock Exchange will treat the Company proposing a reverse takeover as if it were a new listing applicant. The enlarged group or the assets to be acquired must be able to meet the requirements of Rule 8.05 of the Listing Rules and the enlarged group must be able to meet all the other basic conditions set out in Chapter 8 of the Listing Rules. The Company is required to submit a new listing application according to Chapter 9 of the Listing Rules. However, pursuant to Rule 2B.06 of the Listing Rules, the Company has the right to have the Ruling reviewed by the Listing Committee.

Nevertheless, the Company has elected not to exercise such right as the Company believes that more comprehensive information in relation to the Target Group would enable the Stock Exchange to reassess the Acquisition once the updated Competent Person's Report is ready, with which, the Directors believe that a clear path to the profitability of the Target Group can be demonstrated. Therefore, the Company is still currently liaising with the Stock Exchange with the aim of pursuing the Acquisition as soon as practicable. The Company will continue to keep the Shareholders informed of the progress from time to time.

Shareholders and potential investors in the Company should be aware that the completion of the Acquisition is subject to the satisfaction (or waiver, where applicable) of various conditions and therefore the completion of the Acquisition may or may not take place. Shareholders and potential investors in the Company should exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

Trading in the Shares was suspended at the request of the Company with effect from 9:00 a.m. on 20 August 2012 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the trading in the Shares to resume from 9:00 a.m. on 8 January 2013 following the publication of this announcement.

THE AGREEMENT

Date 17 August 2012

Parties

1. Purchaser
2. Company
3. Vendor. The Vendor is the father of Mr. Alan Mung, a substantial shareholder of the Company, and is regarded as a Connected Person of the Company.

Assets to be acquired

The Sale Share is legally and beneficially owned by the Vendor and represents the entire issued share capital of the Target Company.

The Target Company is an investment holding company which is wholly-owned by the Vendor as at the date of this announcement and it indirectly owns the entire equity interest in the Project Company. Upon completion of the Acquisition, the Target Group will become indirectly wholly-owned by the Company.

Consideration

The total consideration for the Sale Share under the Agreement is HK\$320,000,000 which will be satisfied by the Company's issue of the Bonds to the Vendor.

The consideration for the Acquisition was arrived at based on normal commercial terms after arm's length negotiations between the parties to the Agreement and by reference to (a) the preliminary valuation of the value of the Target Group of HK\$320,000,000 as at 31 March 2011 which was calculated based on discounted cashflows, as represented by the Vendor; (b) the expected costs and expenses for the Acquisition which is estimated to be approximately HK\$5,000,000 (including the fees of the technical adviser, valuer, reporting accountants, legal advisers and independent financial adviser and the printing costs); and (c) other factors set out in the paragraph headed "Reasons for entering into the Agreement" below. When determining the consideration under the Acquisition, the major factor considered by the Company was the preliminary value of the Target Group of HK\$320,000,000 as at 31 March 2011. The Company did not consider the price-to-earnings ratio and the industry standards. Although the Company has initially relied on the preliminary valuation, completion of the Agreement is still conditional on the valuation report on the value of the Target Group to be issued by an independent valuer engaged by the Company based on the updated Competent Person's Report. Such valuation report and updated Competent Person's Report will be prepared in compliance with the relevant requirements under Chapter 18 of the Listing Rules and be included in the circular to be despatched to the Shareholders. Based on the above, the Board is of the view that the consideration for the Acquisition is fair and reasonable.

The Bonds will be converted at the initial conversion price of HK\$0.04 per Conversion Share which was determined based on arm's length negotiations between the Company and the Vendor with reference to the recent trading prices of the Shares. The initial conversion price of HK\$0.04 per Conversion Share represents (a) a premium of approximately 17.65% to the closing price of HK\$0.034 per Share as quoted on the Stock Exchange on the Last Trading Day; and (b) a premium of approximately 17.65% to the average closing price of approximately HK\$0.034 per Share for the last five consecutive trading days up to and including the Last Trading Day.

Particulars of the Bonds are set out in the paragraph headed "Bonds" below.

Conditions precedent

Completion of the Agreement is subject to the fulfillment of, inter alia, the following conditions precedent:

- (a) the Purchaser having completed and satisfied in its absolute discretion with the results of the legal, financial, business and other due diligence investigation in respect of the assets, liabilities, businesses, prospects and other affairs of the Target Group as the Purchaser may in its sole and absolute discretion consider necessary or desirable;
- (b) the Purchaser having received and satisfied in its absolute discretion (in substance and form) a legal opinion issued by a firm of lawyers qualified to practise in the PRC covering matters including, among other things, (I) the Project Company having been duly established and validly subsisting; (II) the Project Company having obtained the Exploration Licence and the Mining Licence and such licences are in full force and effect; (III) the Project Company having obtained a new Mining Licence with the clerical error rectified (the mining method should be open pit instead of underground) (*Note*); (IV) the Project Company having obtained all the licences and permits which are necessary for conducting the business of the Project Company and such licences and permits are in full force and effect; and (V) such other aspect of PRC laws as the Purchaser may consider appropriate or relevant to the transactions contemplated by the Agreement;
- (c) the Purchaser having received and satisfied in its absolute discretion (in substance and form) a legal opinion issued by a firm of lawyers qualified to practise in the British Virgin Islands covering matters including, among other things, (I) the Target Company having been duly established and validly subsisting, and (II) updated lists of directors and shareholders of the Target Company;
- (d) the approval by the shareholders of the Company (or, as the case may be, the independent shareholders of the Company) at the SGM of the Agreement and the transactions contemplated thereunder (including without limitation the issue of the Bonds and the allotment and issue of the Conversion Shares) and all other consents and acts required under the Listing Rules having been obtained and completed;

- (e) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in, the Conversion Shares;
- (f) if required, all approvals, consents, authorisations and licences (so far as are necessary) in relation to the transactions contemplated under the Agreement having been obtained from the relevant governmental authorities;
- (g) the Purchaser being satisfied in its absolute discretion, from the date of the Agreement and at any time before Completion, that the warranties set out in the Agreement remain true and accurate in all material respects, not misleading or in breach in any material respect and that no events have suggested that there were any breach in any material respect of any warranties set out in the Agreement or other provisions of the Agreement by the Vendor;
- (h) the Purchaser being satisfied in its absolute discretion, from the date of the Agreement to Completion, there has not been any material adverse change in respect of any member of the Target Group;
- (i) the Purchaser having received and satisfied in its absolute discretion the documents provided by the Vendor which evidence that the Exploration Licence which will expire in September 2012 has been renewed for a further term (such term shall not be less than two (2) years from September 2012);
- (j) the Purchaser having obtained a final business valuation report issued by such professional valuer retained or to be retained by the Company, that indicates that the value of the business of the Project Company is not less than HK\$320,000,000; and
- (k) the Vendor providing the Purchaser with a confirmation or other documents, showing that all fees required to be paid by the Project Company to the State-owned Land and Resources Authority of the PRC and/or other governmental authorities in respect of exploration and mining of the Target Mine having been fully paid and there is no outstanding fees payable by the Project Company and/or any of its equity holders in respect of exploration and mining of the Target Mine up to the date of completion of the Agreement.

The Purchaser may waive in writing any of the conditions specified above (save and except conditions (d) and (e)) at any time. If all the conditions specified above have not been satisfied or waived by 28 February 2013 (or such later date to be agreed between the parties to the Agreement in writing), then the Agreement shall lapse and have no further effect and the parties shall be released from all their respective obligations under the Agreement save and except for any antecedent breach.

Note: The original mining licence of the Target Mine stated the method of mining as “underground mining method (地下開採)”; but in fact, the method used for the Target Mine is open pit mining. A new mining licence has already been issued by the relevant PRC government authority on 3 May 2011 and the method of mining has been rectified and is stated as “open pit mining method (露天開採)”. According to the Vendor, the clerical error will not have any impact on the Project Company (including any legal consequences or penalty).

Completion

Completion shall take place on a date which is the fifth (5th) Business Day after the date on which the conditions precedent are satisfied or waived or such other date as the Vendor and the Purchaser may agree in writing.

Neither the Vendor nor the original shareholders of the Project Company will appoint or nominate any director to the Company upon Completion.

Profit guarantee

In consideration of the Purchaser agreeing to purchase the Sale Share upon the terms and conditions contained in the Agreement, the Vendor has warranted, represented and undertaken to the Purchaser, among other things, that:

- (a) the Net Profits for the period from 1 January to 31 December of the year immediately following the Completion Date shall not be less than HK\$10,000,000;
- (b) the Net Profits for the period from 1 January to 31 December of the second year immediately following the Completion Date shall not be less than HK\$15,000,000; and
- (c) the Net Profits for the period from 1 January to 31 December of the third year immediately following the Completion Date shall not be less than HK\$20,000,000,

whereas “Net Profits” means the audited net profits of the Project Company for the period from 1 January to 31 December of the relevant year (both dates inclusive), as calculated in accordance with the PRC generally accepted accounting principles and practices and with accounting principles, practices, policies and requirements consistent with those adopted by the Project Company in 2009, 2010 and 2011. The guaranteed net profits refer to the all the profits of the Project Company and are not limited to profits derived from the business of exploitation and sale of mineral products. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the date of the Agreement, the Project Company derived all its revenue from the business of exploitation and sale of the mineral resources obtained from the Target Mine.

In the event that the Project Company cannot achieve the guaranteed net profits, the Vendor shall pay to the Company and/or the Purchaser in cash an amount equal to the difference between the audited net profits and the guaranteed net profits on a dollar basis. If the Vendor fails to fulfill his obligations under the profit guarantee, the Company and/or the Purchaser will consider instituting legal proceedings against the Vendor to claim for recovery of the said amount together with interest and costs.

Based on the information provided by the Vendor and the public information obtained by the Company, apart from the Bonds which will be issued to the Vendor on completion of the Agreement, the Vendor's assets include shares of companies listed on the Stock Exchange. In addition, based on the discussions and negotiations between the Vendor and the management of the Company regarding the business development of the Target Mine, the Directors have no reasons to believe that the Vendor will not fulfil his obligations under the profit guarantee in the event that the audited profit of the Project Company falls under the agreed benchmarks.

BONDS

The consideration under the Agreement will be satisfied by the issue of the Bonds by the Company to the Vendor on Completion.

Assuming that the Bonds are fully converted into Conversion Shares at the initial conversion price of HK\$0.04, a total of 8,000,000,000 Conversion Shares will be issued which represent approximately 214% of the issued share capital of the Company as at the date of this announcement and approximately 68.18% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

The principal terms of the Bonds are as follows:

Issuer	The Company.
Principal amount	HK\$320,000,000.
Interest	The Bonds shall not bear interest.
Maturity	The date falling on the 5th anniversary of the date of issue of the Bonds (which may be extended to the 10th anniversary of the date of issue of the Bonds in accordance with the terms and conditions of the Bonds).
Conversion price	<p>The conversion price, subject to the usual adjustment, is HK\$0.04 per Conversion Share.</p> <p>The conversion price of the Bonds is subject to adjustment provisions which as standard terms for convertible securities of similar type. The adjustment events will arise as a result of certain change in the Shares including, inter alia, consolidation or sub-division of Shares, capitalisation of profits or reserves, capital distributions in cash or specie or rights issues and grant of options and warrants.</p>

Conversion rights

The conversion rights under the Bonds shall be exercisable during the conversion period commencing on the date of the new Mining Licence which has a renewed term of not less than two (2) years from April 2013 and ending on the Business Day immediately preceding the fifth (5th) anniversary of the date of issue of the Bonds (or tenth (10th) anniversary of the issue date, as the case may be). Upon the exercise of any conversion rights under the Bonds, the Company will allot the number of Conversion Shares in respect of which conversion rights are exercised provided that no conversion right may be exercised, to the extent that following such exercise (i) a holder of the Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 29% or more of the entire issued shares of the Company or such percentage as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer, whichever is lower (the “**Maximum Limit**”), or (ii) the Company will be in breach of the minimum public float requirement under the Listing Rules.

For the avoidance of doubt, Skill Trade Investments Limited and Mr. Alan Mung are regarded as parties acting in concert with the Vendor.

Pursuant to the terms and conditions of the Bonds, any Bond which remains outstanding by 4:00 p.m. (Hong Kong time) on the maturity date shall be converted automatically into the Conversion Shares. However, there will not be any automatic conversion of the Bonds at maturity if such conversion will result in (i) a holder of the Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in the Maximum Limit, or (ii) the Company will be in breach of the minimum public float requirement under the Listing Rules. In such event, the Company will, according to the terms and conditions of the Bonds, extend the maturity date of the Bonds will automatically be extended for a further 5 years, i.e., the maturity date of the Bonds will be the 10th anniversary of the date of issue of the Bonds. Any Bonds which remains outstanding by 4:00 p.m. (Hong Kong time) on the extended maturity date shall be converted automatically into the Conversion Shares. However, there shall not be any automatic conversion of the Bonds at the extended maturity if such conversion will result in (i) a holder of the Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in the Maximum Limit, or (ii) the Company will be in breach of the minimum public float requirement under the Listing Rules.

All outstanding Bonds which are not converted at the extended maturity date will be cancelled by the Company and fully waived without any cost or converted into the debt of the Company.

Conversion Shares	<p>The Conversion Shares will rank pari passu in all respects with all existing Shares in issue at the date of the notice of conversion.</p> <p>The Conversion Shares will be issued under a special mandate which will be sought at the SGM. Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares.</p>
Status of the Bonds	<p>The Bonds constitute a direct, general, unconditional and unsecured obligation of the Company and rank pari passu and rateably without preference (with the exception of obligations in respect of taxes and certain other mandatory provisions of applicable law exceptions) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.</p>
Transferability	<p>The Bonds will be freely transferable provided that if the transfer is made to a Connected Person, such transfer shall comply with the requirements under the Listing Rules.</p>
Redemption	<p>There are no early redemption rights.</p> <p>Holders of the Bonds will have no right to redeem. The Company has no obligation to repay any outstanding principal amount of the Bonds at the maturity date or the extended maturity date.</p>
Voting rights	<p>The Bonds do not confer any voting rights at any meetings of the Company.</p>
Application for Listing	<p>No application will be made for the listing of the Bonds.</p>

The Directors believe that the issue of the Bonds and Conversion Shares is fair and reasonable as the Vendor agrees to accept Shares as an alternative to cash thereby not utilising the cash of the Group which may be otherwise used for general working capital and/or development of the Group's business.

SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER COMPLETION

Details of the shareholding structure of the Company (i) as at the date of this announcement, (ii) after Completion and the full conversion of the Bonds, and (iii) after Completion and the conversion of the Bonds (assuming that the conversion restriction of the Bonds applies); assuming that there is no other change in the share capital of the Company are set out below:

Name	Number of Shares held directly or indirectly as at the date of this announcement <i>(Note 1)</i>	Approximate percentage of the total issued share capital of the Company	Number of Shares held after Completion and full conversion of the Bonds <i>(Note 2)</i>	Approximate percentage of the total issued share capital of the Company	Number of Shares held after completion and full conversion of the Bonds (assuming the conversion restriction applies) <i>(Note 3)</i>	Approximate percentage of the total issued share capital of the Company
Skill Trade Investments Limited <i>(Note 1)</i>	926,666,666	24.82%	926,666,666	7.90%	926,666,666	23.44%
Vendor	—	—	8,000,000,000	68.18%	219,811,783	5.56%
Subtotal	<u>926,666,666</u>	<u>24.82%</u>	<u>8,926,666,666</u>	<u>76.08%</u>	<u>1,146,478,449</u>	<u>29.00%</u>
Other Shareholders (including the public)	<u>2,806,895,514</u>	<u>75.18%</u>	<u>2,806,895,514</u>	<u>23.92%</u>	<u>2,806,895,514</u>	<u>71.00%</u>
Total	<u><u>3,733,562,180</u></u>	<u><u>100.00%</u></u>	<u><u>11,733,562,180</u></u>	<u><u>100.00%</u></u>	<u><u>3,953,373,963</u></u>	<u><u>100.00%</u></u>

Notes:

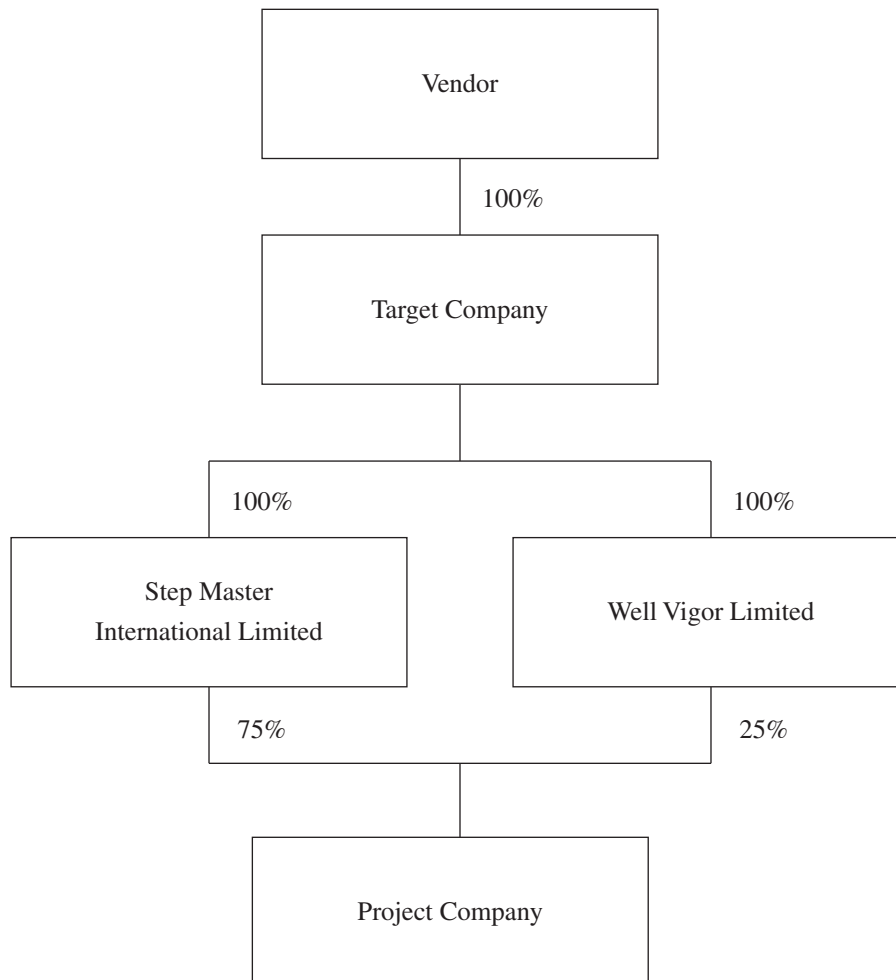
- Skill Trade Investments Limited is a company incorporated under the laws of the British Virgin Islands and wholly-owned by Mr. Alan Mung, the son of the Vendor. Skill Trade Investments Limited and Mr. Alan Mung are parties acting in concert with the Vendor.
- The approximate percentage shown is for illustrative purpose only. Under the terms of the Bonds, the Vendor shall not exercise the conversion rights attaching to the Bonds such that (i) it and parties acting in concert with him, taken together, will directly or indirectly, control or be interested in 29% or more of the entire issued Shares or such percentage as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer, whichever is lower, or (ii) the Company will be in breach of the minimum public float requirement under the Listing Rules.
- As the Vendor, together with Mr. Alan Mung, cannot control or be interested in 29% or more of the entire issued Shares, less Conversion Shares will be issued by the Company to the Vendor (assuming that the remaining Conversion Shares are not issued).

INFORMATION RELATING TO THE TARGET GROUP

Corporate structure

The Target Company is an investment holding company incorporated under the laws of the British Virgin Islands on 28 September 2009 and is wholly-owned by the Vendor. Based on the information provided by the Vendor, the Target Company does not have any asset other than its investment in Step Master International Limited and Well Vigor Limited, which in turn jointly own the Project Company. Step Master International Limited is an investment holding company incorporated under the laws of Hong Kong on 14 November 2003. Well Vigor Limited is an investment holding company incorporated under the laws of Hong Kong on 28 June 2007.

The corporate structure as at the date of this announcement and immediately before completion of the Acquisition is as follows:



The Target Company, through Step Master International Limited and Well Vigor Limited, beneficially owns the entire equity interest in the Project Company, a wholly-foreign owned enterprise established in Inner Mongolia, the PRC on 12 May 2006. The Project Company has a registered capital of RMB45,000,000 and is engaged in the business of exploitation and sale of mineral products (excluding mineral products under special control of the state). Based on its business licence, the scope of business of the Project Company is exploitation and sale of mineral resources (as approved by the laws, administrative regulations, decisions of State Council, without such prior approval exploitation or operation not permitted).

Mining Licence and Exploration Licence

According to the information provided by the Vendor, the Project Company currently holds the Mining Licence which covers an area of approximately 1.8 square kilometers in Inner Mongolia, the PRC and the Exploration Licence which covers an area of approximately 6.91 square kilometers (excluding the area covered by the Mining Licence). The mining operation is located in the north-central Inner Mongolia, about 240 kilometers north-northeast of Xilinhot, the nearest major population center and 700 kilometers north of Beijing, the PRC. The primary mineral of interest is iron ore. The current Mining Licence will be valid until 7 April 2013 and has an approved production output rate of 90,000 tonnes per annum. The Vendor has undertaken to the Purchaser that it shall be responsible for the related costs and expenses in renewing the Mining Licence before it expires in April 2013 for a further term (such term shall not be less than two (2) years from April 2013) and to render full assistance to the Purchaser in the renewal process. If the Project Company is unable to renew the Mining Licence for a further term, the Project Company would have lost the rights to conduct mining activities within the Target Mine. In this respect, the Vendor has further agreed that the conversion period for the Bonds shall only commence on the date of the new Mining Licence which has a renewed term of not less than two (2) years from April 2013. The current Exploration Licence will be valid until 9 September 2012. As one of the conditions precedent to completion of the Agreement, the Vendor is required to provide evidence to the Purchaser that the Exploration Licence has been renewed for a further term of not less than two (2) years from September 2012. In this respect, the Purchaser will not waive such condition and will not proceed to completion unless the Exploration Licence has been renewed.

Mineral resources – iron ore

The primary mineral of the Target Mine is iron ore. Based on the technical report dated 30 June 2011 prepared for the Target Company and provided by the Vendor, the technical adviser's calculated resource tonnage and grade for the known deposit utilising the geologic and sampling data was supplied by the Target Mine operation; and the results of the calculation are as follows (reported to the reporting standards of the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, i.e., JORC standards):

Reliability classification	In-place tonnes	Grade (% Fe)
Measured	1,849,000	50.8
Indicated	1,342,000	49.9
Subtotal	3,191,000	50.4
Inferred	2,453,000	49.8
Total resources	5,644,000	50.2

Operating status of the Target Mine

According to the technical report dated 30 June 2011 and the information provided by the Vendor, preliminary mining operations at the Target Mine began in July 2008, with pre-stripping efforts combined with ore stockpiling. The open pit operations at the Target Mine, however, only operated briefly in 2008 as winter conditions temporarily halted operations. Minimal tonnage was produced and the ore stockpiled was near the pit. Generally, in each year, the mining operations of the Target Mine are temporarily halted by the winter conditions from November to April of the following year and re-activate in May of the following year until early November when winter comes again.

The mining method being used to exploit the Target Mine iron deposit is an open pit operation employing truck and excavator as the primary equipment. The Project Company has employed a contracting professional mining company at the Target Mine which furnishes equipment and staffs appropriate to the operational needs of the Project Company. The equipment selection is predicated by the shallow depth of the deposit and the resulting relatively low up-front stripping requirement. No iron ore processing plant has been established in the Target Mine at this stage.

Although the equipment and staffs requirements for the mining operations are being provided by the contracting professional mining company engaged by the Project Company, the actual operation and management of the Target Mine has remained with the Project Company. The Project Company has set up an office in Hohhot, a city in north-central PRC and the capital of the Inner Mongolian Autonomous Region, and employed approximately 15 permanent staffs for its business operation and development. The manager of the Project Company is responsible for developing and maintaining the relationship with local government, estimating the production volume for the coming year, liaising with customers and negotiating and concluding the selling price of the deposits. The chief engineer of the Project Company is responsible for attending to the technical matters and monitoring the work done of the contracting professional mining company and arranging for the government explosive officer to oversee the explosive work to ensure compliance with the safety standards. The existing technical team of the Project Company comprises 1-2 technical professionals, all of whom are graduates from universities or technical institutes and possess at least 10 years of experience in the mining industry.

Typically, a mine would deliver ore to a processing plant, where concentration to a higher grade, more sellable product would be made. The Project Company, however, adopts a different process and sells unprocessed iron ore to speed up cash inflows and also to practise logistical arrangements. This process merely involves the scooping up of the iron ore and the transportation of the iron ore to the mine pit (mine mouth), and therefore, is fast and less capital-intensive. In this instance, present practice at the Target Mine is to sell iron ore directly to customers at the mine pit, where a cobbing separation circuit belonging to the primary buying party has been installed for a dry magnetic separation before final shipment. The iron ore produced at the Target Mine is sold as iron ore with payment based on the percentage of iron content of the truckloads. According to the Vendor, pricing of the sold iron ore is based on the product of the dry magnetic separation. Moreover, the Project Company has established a long term trading relationship with two to three customers since it started exploitation work in 2008. The customers are mainly located near the Target Mine in Inner Mongolia.

Based on the information provided by the Vendor, the present production scale is not in full capacity. If the selling price of iron ore increases, the Project Company will engage more contracting professional mining companies to exploit and obtain more iron deposit, and by then, the production volume may reach 90,000 tonnes per annum. For the historical figures,

- (a) the actual production volume of the Target Mine was approximately 60,000 tonnes in 2009, 90,000 tonnes in 2010, 15,000 tonnes in 2011 and 10,000 tonnes from May to June 2012; and
- (b) the average selling price of iron ore was approximately RMB182 per tonne in 2009, RMB229 per tonne in 2010 and RMB163 per tonne in 2011.

Further details regarding the Target Mine will be included in the technical report on the Target Mine as contained in the circular to be despatched to the shareholders of the Company. A valuation report on the value of the mining rights of the Target Mine will also be contained in the circular to be despatched to the shareholders of the Company.

Financial information of the Project Company

The audited net asset value of the Project Company was approximately RMB54,608,603 as at 31 December 2011. The audited net profit/(loss) attributable to the Project Company and the turnover for the three years ended 31 December 2011 in accordance with the PRC generally accepted accounting principles and practices were as follows:

	For the period from	For the year ended		
	1 January 2012 to 30 June 2012 (unaudited)	31 December 2011 (audited)	31 December 2010 (audited)	31 December 2009 (audited)
Turnover	Nil	RMB2,447,752	RMB20,656,144	RMB16,339,915
Net profit/(loss) before taxation	RMB(715,302)	RMB(4,508,862)	RMB12,359,586	RMB7,169,903
Net profit/(loss) after taxation	RMB(536,476)	RMB(3,381,647)	RMB9,269,690	RMB5,355,179

According to the information provided by the Vendor, the Project Company's turnover in 2011 was adversely affected by the high tension in Inner Mongolia between the Mongolian and the Han Chinese triggered by the death of an ethnic Mongolian who was killed by a Han Chinese coal truck driver in May 2011. The conflict has caused difficulties to the Project Company in purchasing explosive for its mining activities. After the conflict, heavy rainfall that led to severe flooding in many parts of Inner Mongolia in the following months has also adversely affected the mining operation of the Project Company. Due to the above, there was a significant decrease in the Project Company's turnover in 2011.

Despite the unsatisfactory financial performance of the Project Company in 2011, the Directors considered that the transaction contemplated under the Agreement is fair and reasonable as (a) the Project Company commenced business in 2008; (b) the Project Company generated a turnover of RMB16,339,915 in 2009, RMB20,656,144 in 2010 and RMB2,447,752 in 2011; and (c) the conflict and the heavy rainfall referred above were isolated events which the Directors believe are non-recurrent events.

Upon Completion (if so completed), the Project Company will become a wholly-owned subsidiary of the Company.

FUTURE BUSINESS PLAN

Target Mine

Pursuant to the current business plan, the Project Company has engaged a contracting professional mining company at the Target Mine for furnishing machinery and equipment as well as staffs appropriate to the operational needs of the Project Company. The Project Company has commenced business since 2008 and has generated profit in 2009 and 2010. It is expected that the Project Company will continue to have sufficient working capital for the mining operation. The Project Company will expand its mining operation by obtaining more equipment and staffs from the contracting professional mining company if more profit is generated. There is no significant capital expenditure and commitment for the Project Company, and there are no financial needs to meet the future operation of the Project Company.

Existing mining business

As disclosed in the Company annual report 2012, there was no active operation of the Group's mining business. In order to obtain a more reliable estimation for the development of the Mongolian tungsten resources, the Company has, in May 2012, engaged a qualified technical adviser for obtaining a resource estimation and to prepare a technical report on the tungsten mines based on international reporting standards, which is in line with the requirements under Chapter 18 of the Listing Rules. As soon as the Company has obtained the technical report, the Company will proceed with its fundraising exercise for raising additional funds for the development of the tungsten mining business.

LISTING RULES IMPLICATIONS

Given that the Percentage Ratios exceed 100%, the entering into of the Agreement constitutes a very substantial acquisition for the Company under the Listing Rules and will be subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Vendor is the father of Mr. Alan Mung, a substantial shareholder of the Company, who as at the date of this announcement, held 926,666,666 Shares, representing approximately 24.82% of the total issued share capital of the Company. The Vendor is therefore regarded as a Connected Person of the Company and the Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Agreement and the transactions contemplated thereunder are subject to approval by the Independent Shareholders at the SGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Mr. Alan Mung and his associates, no Shareholder is required to abstain from voting to approve the Agreement and the transactions contemplated thereunder at the SGM.

UPDATE ON PROGRESS OF THE ACQUISITION

Trading in the Shares was suspended at the request of the Company with effect from 9:00 a.m. on 20 August 2012. Immediately after the suspension of trading of the Shares, the announcement in relation to details of the Acquisition had been submitted to the Stock Exchange on 21 August 2012 in order to resume trading of the Shares as soon as practicable. Prior to the letter dated 16 October 2012 from the Stock Exchange (the “**Ruling**”), the Company had made a series of submissions regarding the Acquisition addressing, including but not limited to:

- (1) the financial information of the Target Group;
- (2) the details of the profit guarantee;
- (3) the business model of the Target Group;
- (4) the Mining Licence and Exploration Licence; and
- (5) Competent Person’s Report and valuation report.

According to the Ruling, the Acquisition was considered as an extreme case and was deemed as a reverse takeover under Rule 14.06(6) of the Listing Rules as concerns have been raised on, among others:

- (1) the Target Group’s business would form a very substantial part of the Group’s business upon completion of the Acquisition;
- (2) the Target Group’s inability to meet the profit requirements under Rule 8.05(1) of the Listing Rules; and
- (3) the Target Group’s inability to present a demonstrable path to profitability and therefore, unlikely be considered favourably under Rule 18.04 of the Listing Rules.

In order to address concerns of the Stock Exchange over the Acquisition as set out in the Ruling, the Company, with the assistance from its financial advisors, submitted a series of submissions regarding the Acquisition (the “**Subsequent Submissions**”) on 25 October, 6 November, 21 November, 4 December and 7 December 2012, with further information and views, including but not limited to the following:

- (1) The Acquisition did not hit the bright line test under Rules 14.06(6) of the Listing Rules. As the Acquisition does not result in a change in control, nor does it constitute an arrangement made by the person within 24 months of such person gaining control of the Company given that
 - (i) Mr. Alan Mung is already the single largest shareholder of the Company, holding approximately 24.82% of the entire issued share capital of the Company prior to the Acquisition;

- (ii) pursuant to the terms of the Agreement, the total shareholding of Vendor, Mr. Alan Mung and any party acting in concert with the Vendor will not exceed the Maximum Limit immediately upon or the completion of the Acquisition or anytime thereafter; and
- (iii) neither the Vendor nor the original shareholders of the Project Company will appoint or nominate any director to the Company.

Given that the Company's existing tungsten mine is still at the exploration stage and further capital expenditures and operating expenses will have to be funded, the revenue and profit ratio should not be viewed as meaningful indications on the impact of the Acquisition to the Company, otherwise they will produce anomalous results. Besides, reference is made to a summary of the consideration ratio and equity capital ratio indicated from the transactions of very substantial acquisitions disclosed on the website of the Stock Exchange in the period from 24 May 2012 to 25 October 2012, the consideration ratio and equity capital ratio of the Acquisition are within the normal range of those of the similar transactions. Most importantly, the asset ratio of the Acquisition, which the Board believes it is most meaningful and relevant to the Acquisition, is less than 100%. Therefore, the Board is of a clear view that the size of Acquisition should not be deemed as extreme.

- (2) the Company has engaged a Competent Person to update the Competent Person's Report under the Mining License and submitted the updated progress timetable in preparing the Competent Person's Report under the Mining License including the completion of additional drilling work in November 2012 and the following sample test to be carried out in December 2012 by a qualified laboratory. The Company believes that the Competent Person's Report which is to be disclosed and presented in the circular of the Acquisition would serve as a valid piece of information that can reveal how the Target Group will be able to demonstrate a path to profitability.

As such, the Company is of the view that the Subsequent Submissions provided up to date information relevant to the Ruling.

In addition, according to the 2011/2012 annual report and 2012 interim report of the Company, the revenue was HK\$1,384,000 and HK\$524,000 for the year ended 31 March 2012 and for the six months ended 30 September 2012 respectively. As at 30 September 2012, bank balance and cash of the Company was HK\$1,616,000 and loan from a shareholder (i.e., Mr. Alan Mung) was HK\$1,000,000. Having considered:

- (1) the financial liquidity and performance of the Company;
- (2) the inactive operations of the tungsten mines currently held by the Company; and
- (3) high concentration of asset portfolio over the tungsten mines,

the Directors are of the view that the Acquisition could improve the business and financial performance of the Company including but not limited to the profit guarantee provided by the Vendor, a connected person of Mr. Alan Mung, a substantial Shareholder. As such, the Directors consider that the purpose of the Acquisition is to supplement the Company's existing business, rather than the Target Company's intention to circumvent the profit requirement under Rule 8.05(1) of the Listing Rules.

Furthermore, the Board is of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole for the reasons set out below:

(1) Acquisition of operating mining companies can reduce the uncertainty in the exploration or exploitation stage

The Board does not wish to change the business strategy of the Company and this model is indeed very common and logical. Given the nature of the mining business is full of uncertainty, small mining companies may thus elect to grow by acquiring similar business which has commenced production (i.e., mining stage as opposed to exploration or exploitation stage) as it can reduce the uncertainty in the exploration or exploitation stage;

(2) Not all the mining acquisition targets on similar transactions have met the profit requirements under Rule 8.05 of the Listing Rules

With reference to some similar (though not identical) transactions identified by the Company for the period from 1 September 2012 to 30 November 2012 in relation to acquisition of iron ores or coal mines by mining companies listed on the Stock Exchange, not all the mining acquisition targets in those transactions have met the profit requirements under Rule 8.05(1) of the Listing Rules; and

(3) The Acquisition is a commercial decision which can only bring benefits to the Company

Entering into the Agreement is a commercial decision. The Board has done a great deal in studying the advantages and disadvantages of the Acquisition before entering into the Agreement and the Board is of the view that the terms of the Agreement are fair and reasonable and in the best interests of the Company and its Shareholders as a whole, taking into account of the benefits of the Acquisition, the details of which are set out below:

The Acquisition represents not only a new investment opportunity for the Company but also a normal operation expansion in the mining business

The Company is an investment holding company and its subsidiaries are principally engaged in the mining business. The Company has been actively exploring new investment opportunities with profitable prospects. The iron ore under the Mining Licence can be alloyed with tungsten to form heavy alloys which have been broadly used in industrial application or production for high quality metal products. The Directors are of the view that it is possible for tungsten and iron share the same clientele. As such, the Directors considered that the iron ore can supplement the existing assets of the Company, and provides synergistic effect, in terms of distribution channel, to the existing business of the tungsten mine once it commences production.

In addition, according to the 2012 interim report, the assets of the Company are highly concentrated on the tungsten mines, as the mining rights of which account for 99% of the existing total assets of the Company. The Acquisition thus represents an investment opportunity for the Company to expand its mineral resources holdings as well as to the speeding up of a turnaround in cash flow and profitability as the Target Group has commenced production.

Guaranteed profit by the Vendor

According to the terms and conditions contained in the Agreement, the Vendor has provided the net profit guarantee for the next three years immediately following the completion of the Acquisition. In the event that the above guaranteed net profit cannot be achieved, the Vendor will pay to the Company and/or the Purchaser in cash amount equal to the difference between the audited net profits and the guaranteed net profits on a dollar to dollar basis. The Board is of the view that the guaranteed profit represents an ensured future income to the Company and serves as a measure to protect the interests of the Shareholders.

Based on the abovementioned, the Board comes to the conclusions that:

- (i) the information provided in the Subsequent Submissions shall reflect that the Acquisition constitutes a very substantial acquisition and a connected transaction rather than a reverse takeover; and
- (ii) the Acquisition is in the interests of the Company and the Shareholders as a whole.

STATUS OF THE ACQUISITION

Following the Subsequent Submission, the Stock Exchange, however, reiterated its decision set out in the Ruling based on all the facts and circumstances provided by the Company. Pursuant to the Rule 14.54 of the Listing Rules, the Stock Exchange will treat the Company proposing a reverse takeover as if it were a new listing applicant. The enlarged group or the assets to be acquired must be able to meet the requirements of Rule 8.05 of the Listing Rules and the enlarged group must be able to meet all the other basic conditions set out in Chapter 8 of the Listing Rules. The Company is required to submit a new listing application according to Chapter 9 of the Listing Rules. However, pursuant to Rule 2B.06 of the Listing Rules, the Company has the right to have the Ruling reviewed by the Listing Committee.

Nevertheless, the Company has elected not to exercise such right as the Company believes that more comprehensive information in relation to the Target Group would enable the Stock Exchange to reassess the Acquisition once the updated Competent Person's Report is ready, with which, the Directors believe that a clear path to the profitability of the Target Group can be demonstrated. Therefore, in order to enable the Stock Exchange to reassess the Acquisition, the Company will use its best endeavors to provide more information in relation to the Acquisition, where available including but not limited to an update of Competent Person's Report, as soon as practicable which is expected to be no later than the end of February 2013. As at the date of this announcement, 540 samples collected from the 3 new drill holes have been delivered to an international recognized laboratory and the sample results are expected to be released in early January 2013.

In light of the different views between the Company and the Stock Exchange in relation to the Acquisition, the Company is still currently liaising with the Stock Exchange with the aim of pursuing the Acquisition as soon as practicable. The Company will continue to keep the Shareholders informed of the progress from time to time.

Shareholders and potential investors in the Company should be aware that the completion of the Acquisition is subject to the satisfaction (or waiver, where applicable) of various conditions and therefore the completion of the Acquisition may or may not take place. Shareholders and potential investors in the Company should exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

Trading in the Shares was suspended at the request of the Company with effect from 9:00 a.m. on 20 August 2012 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the trading in the Shares to resume from 9:00 a.m. on 8 January 2013 following the publication of this announcement.

DEFINITIONS

“Acquisition”	the sale and purchase of the Sale Share contemplated under the Agreement
“Agreement”	the share purchase agreement dated 17 August 2012 entered into between the Purchaser as purchaser, the Company as the Purchaser’s holding company and the Vendor as vendor for the acquisition of the Sale Share by the Purchaser at a consideration of HK\$320,000,000 which will be satisfied by the Company’s issue of the Bonds to the Vendor or its nominee(s) as supplemented by an agreement dated 30 August 2012 between the same parties
“associates”	has the meaning given to that term in the Listing Rules
“Board”	the board of Directors
“Bonds”	the zero coupon convertible bonds in registered form comprising a total principal amount of HK\$320,000,000, to be issued by the Company on the date of Completion (for the purpose of settlement of part of the consideration under the Agreement), which may be converted into Shares during the period commencing on the date of the new Mining Licence which has a renewed term of not less than two (2) years from April 2013 and ending on the Business Day immediately preceding the fifth (5th) anniversary of the date of issue of the Bonds (or tenth (10th) anniversary of the issue date, as the case may be)

“Business Day”	a day (other than a Saturday, Sunday or public holiday or a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m)
“Company”	Bestway International Holdings Limited, a company incorporated under the laws of Bermuda with limited liability and the shares of which are listed on the Stock Exchange (stock code: 718)
“Competent Person”	has the meaning given to it under the Listing Rules
“Competent Person’s Report”	has the meaning given to it under the Listing Rules
“Completion”	actual completion of the sale and purchase of the Sale Shares in accordance with the Agreement
“Connected Person(s)”	has the meaning given to that term in the Listing Rules
“connected transaction”	has the meaning given to it under the Listing Rules
“Conversion Shares”	those Shares to be converted upon conversion of the conversion rights attached to the Bonds at the conversion price of HK\$0.04 per Share (subject to adjustment)
“Director(s)”	director(s) of the Company
“Exploration Licence”	the exploration licence held by the Project Company with the right to conduct exploration work and activities for Mineral Resources over an area (excluding the area covered by the Mining Licence) covering 6.91 square kilometers as specified in the Exploration Licence
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than the Vendor and his respective associates and Mr. Alan Mung
“Last Trading Day”	16 August 2012, being the last trading day prior to the signing of the Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mineral Resources”	the mineral resources containing iron ore in the Target Mine

“Mining Licence”	the mining licence held by the Project Company covering 1.8 square kilometers with the right to conduct mining and exploitation work for the Mineral Resources over the Target Mine exclusively pursuant to the Mineral Laws of the PRC
“Mr. Alan Mung”	Mr. Mung Bun Man Alan, a substantial shareholder of the Company
“Percentage Ratios”	the “percentage ratios” as defined in rule 14.04(9) of the Listing Rules
“Project Company”	東烏珠穆沁上寶礦業有限公司 (in English, for identification purpose only, Dong Wu Zhu Mu Qin County Shang Bao Mining Co., Ltd.), a wholly-foreign owned enterprise established in Inner Mongolia, the PRC on 12 May 2006
“Purchaser”	Wide Flourish Investments Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
“PRC”	People’s Republic of China
“reverse takeover”	has the meaning given to it under the Listing Rules
“Sale Share”	one issued share of US\$1.00 each in the capital of the Target Company representing the entire issued share capital of the Target Company immediately before completion of the Acquisition, which are legally and beneficially owned by the Vendor
“SGM”	special general meeting of the Company to be convened to approve, inter alia, the Agreement and the transactions contemplated thereunder and the issue of the Bonds
“Share(s)”	ordinary share(s) of HK\$0.01 each in the existing issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Glory Base Development Limited, a company incorporated under the laws of the British Virgin Islands and the entire issued share capital of which is held by the Vendor as at the date of the Agreement
“Target Group”	the Target Company and its subsidiaries

“Target Mine”	the mine located at north-central Inner Mongolia, the PRC, about 240 kilometers north-northeast of Xilinhote and 700 kilometers north of Beijing, and the primary mineral of interest is iron ore
“very substantial acquisition(s)”	has the meaning given to it under the Listing Rules
“Vendor”	Mr. Mung Kin Keung, the vendor under the Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By order of the board
Bestway International Holdings Limited
Chim Kim Lun Ricky
Executive Director

Hong Kong, 7 January 2013

As at the date of this announcement, the executive Directors are Mr. Chim Kim Lun Ricky and Mr. Law Fei Shing; and independent non-executive Directors are Mr. Au Kwok Yee Benjamin, Ms. Lau Siu Ngor and Mr. Lum Pak Sum.