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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) DISCLOSEABLE TRANSACTION RELATING TO THE ACQUISITION OF DISTRESSED ASSETS; AND (II) STRATEGIC COOPERATION FRAMEWORK AGREEMENT

THE ACQUISITION

On 12 August 2016, the Purchaser, being an indirect wholly-owned subsidiary of the Company, successfully won the bid of the Distressed Assets by a public tender at the cash consideration of RMB170,350,000 (equivalent to approximately HK\$204,420,000). The Purchaser and the Auctioneer entered into the Auction Acknowledgement on the same day subsequent to the close of the tender.

The Distressed Assets consist of the rights to collect the 28 non-performing debts in an aggregate principal amount of RMB665,386,000 (equivalent to approximately HK\$798,463,000), which are secured by the Collaterals. The accrued interests of the non-performing debts amounted to approximately RMB38,127,000 (equivalent to approximately HK\$45,752,000) as at 10 May 2016.

The Collaterals include a list of land use rights and 43 residential, industrial and commercial properties located in Shaoxing, Zhejiang Province, the PRC which were pledged by the Debtors to the Original Creditor in securing the debts. All rights to the non-performing debts shall be passed by the Vendor to the Purchaser.

* *For identification purposes only*

LISTING RULES IMPLCATION

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirement under the Listing Rules.

THE COOPERATION AGREEMENT

On 12 August 2016, the Purchaser and the Vendor entered into the Cooperation Agreement which sets out the framework for the cooperation between the Group and the Vendor in terms of the sharing of market intelligence, bidding of distressed assets, mutual identification, valuation and due diligence results of target assets. The parties also target to acquire certain distressed asset with portfolio size reaching RMB500 million (equivalent to approximately HK\$600 million) by the end of 2016.

INTRODUCTION

The Board is pleased to announce that on 12 August 2016, the Purchaser, being an indirect wholly-owned subsidiary of the Company, successfully won the bid of the Distressed Assets by a public tender at the cash consideration of RMB170,350,000 (equivalent to approximately HK\$204,420,000). The Purchaser and the Auctioneer entered into the Auction Acknowledgement on the same day subsequent to the close of the tender. Set out below are the details of the Acquisition:

THE ACQUISITION

The Auction Acknowledgement

Date

12 August 2016

Parties

- (i) Purchaser: 西藏宏融資產管理有限公司 (Tibet Hong Rong Asset Management Co. Ltd.), an indirect wholly-owned subsidiary of the Company; and
- (ii) Auctioneer: Hangzhou Auction House Co., Ltd.

The Distressed Assets were listed for auction by the Vendor. To the best of the Directors' knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor, the Auctioneer and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Asset to be acquired

The Distressed Assets consist of the rights to collect the 28 non-performing debts in an aggregate principal amount of RMB665,386,000 (equivalent to approximately HK\$798,463,000) which are secured by the Collaterals. The accrued interests of the non-performing debts amounted to approximately RMB38,127,000 (equivalent to approximately HK\$45,752,000) as at 10 May 2016.

The Collaterals include a list of land use rights and 43 residential, industrial and commercial properties located in Shaoxing, Zhejiang Province, the PRC which were pledged by the Debtors to the Original Creditor in securing the debts. All rights to the non-performing debts shall be passed by the Vendor to the Purchaser.

The Original Creditor has initiated legal actions against the Debtors for the enforcement of the pledge of most of the Collaterals. The legal actions in respect of remaining Collaterals will be initiated by the Purchaser as soon as practicable. Should the legal actions succeed, the Collaterals shall be sold at the auction sale held by the court and the Purchaser will be entitled to the proceeds therefrom.

Based on the Group's internal assessment on the quality of the Collaterals, the recent market transactions of similar properties in similar location of the Collaterals, and the financial soundness of the Guarantors, the market value of the Collaterals and the collectable amount from the Guarantors are estimated to be approximately RMB229,000,000 (equivalent to approximately HK\$274,800,000), representing the total amount expected to be recovered by the Group from the Distressed Assets.

Pursuant to the Auction Acknowledgement, the Purchaser and the Vendor shall enter into an agreement in respect of the Acquisition within three business days after the date of the Auction Acknowledgement.

Consideration

The consideration for the Distressed Assets of RMB170,350,000 (equivalent to approximately HK\$204,420,000) is to be settled by way of cash. An auction deposit of RMB36,000,000 (equivalent to approximately HK\$43,200,000) was paid by the Purchaser to the Vendor on 29 July 2016, which shall be applied as part payment of the consideration. On the date of the Auction Acknowledgement, the Purchaser has further paid a sum of RMB50,000,000 (equivalent to approximately HK\$60,000,000) to the Vendor. The Purchaser may settle the remaining consideration of RMB80,000,000 (equivalent to HK\$96,000,000) within one year after the date of the Auction Acknowledgement and, in any event, RMB16,000,000 (equivalent to approximately HK\$19,200,000) of the remaining consideration shall be settled by the Purchaser within six months after the date of the Auction Acknowledgement. The remaining consideration shall bear an interest of 10.5% per annum.

The consideration represented the highest bidding price offered at the auction held by the Auctioneer for the Distressed Assets and was determined by the Company having regard to the market value of the Collaterals, the legal procedures required to enforce the pledge of the Collaterals and the amount expected to be recovered from the Guarantors based on their financial soundness.

It is expected that the Acquisition will be financed by the internal resources of the Company.

THE COOPERATION AGREEMENT

On 12 August 2016, the Purchaser and the Vendor entered into the Cooperation Agreement which sets out the framework for the cooperation between the Group and the Vendor in terms of the sharing of market intelligence, bidding of distressed assets, mutual identification, valuation and due diligence results of target assets. The parties also target to acquire certain distressed assets with portfolio size reaching RMB500 million (equivalent to HK\$600 million) by the end of 2016.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE COOPERATION AGREEMENT

The Group is principally engaged in (i) trading of medical equipment, commodities and securities; (ii) mining of tungsten in Mongolia; and (iii) distressed assets investment and management business.

The Group had commenced the business of distressed assets investment and management in April 2016 through the acquisitions of suitable distressed assets where residential, industrial, and commercial land and buildings were pledged as collaterals to the non-performing loans.

According to 2015 annual report of China Banking Regulatory Commission, as at 31 December 2015, the total market size of distressed assets in the PRC amounted to RMB1.96 trillion (approximately HK\$2.35 trillion), representing an increase of 37% compared to RMB1.43 trillion (approximately HK\$1.72 trillion) in 2014. The non-performing loan ratio to the gross loan of 2015 is 1.94%, representing an increase of 21% compared to 1.60% in 2014.

The Board considers that the prospect of distressed assets investment and management business is promising. The Acquisition represents a prime opportunity for the Group to further expand its distressed assets investment portfolio. The Directors consider that the terms of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

In addition, the Directors are of the view that the Cooperation Agreement provides an opportunity for the Group to leverage on the experience and expertise of its Vendor for its expansion of distressed assets investment and management business. The Board is of the view that the terms of the Cooperation Agreement are fair and reasonable and the entering into of the Cooperation Agreement is a furtherance of the principal business of the Group which is in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirement under the Listing Rules.

DEFINITION

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Acquisition”	the acquisition of the Distressed Assets by the Purchaser from the Vendor pursuant to the Auction Acknowledgement
“Auction Acknowledgement”	the auction acknowledgement dated 12 August 2016 entered into between the Purchaser and the Auctioneer confirming the successful bidding made by the Purchaser for the Distressed Assets
“Auctioneer”	Hangzhou Auction House Co., Ltd. (杭州市拍賣行有限公司)
“Board”	the board of Directors
“Collaterals”	a list of land use rights and 43 properties located in Shaoxing, Zhejiang Province, the PRC which were previously pledged by the Debtors to the Original Creditor in securing 28 debts
“Company”	Bestway International Holdings Limited, a company incorporated in Bermuda with limited liability, whose issued Shares are listed on the Main Board of the Stock Exchange (Stock code: 718)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Cooperation Agreement”	the strategic cooperation framework agreement dated 12 August 2016 entered into between the Vendor and the Purchaser
“Debtor(s)”	independent third parties who owe 28 debts to the Original Creditor and who have previously pledged the Collaterals to the Original Creditor in securing such debts
“Director(s)”	director(s) of the Company

“Distressed Asset”	the rights to collect the non-performing debts secured by the Collateral
“Group”	the Company and its subsidiaries
“Guarantors”	certain guarantors to the non-performing debts, which are independent of the Company and its connected persons
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Creditor”	a PRC bank
“PRC”	The People’s Republic of China, for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	西藏宏融資產管理有限公司 (Tibet Hong Rong Asset Management Co. Ltd.), an indirect wholly-owned subsidiary of the Company
“Share(s)”	ordinary shares of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Zheyue Asset Management Company Limited, a limited liability company established in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For ease of reference, sums in RMB and HK\$ herein is translated at the rate of RMB1.0 = HK\$1.2. This does not mean that RMB could be converted to HK\$, or vice versa, based on such exchange rate.

By order of the Board
Bestway International Holdings Limited
Dr. Meng Zhaoyi
Chairman

Hong Kong, 12 August 2016

As at the date of this announcement, the Board comprises Dr. Meng Zhaoyi, Dr. Liu Hua, Mr. Hu Yebi, Mr. Chen Weisong and Mr. Xu Ke as executive Directors, and Mr. Mao Kangfu, Dr. Gao Bin and Ms. Liu Yan as independent non-executive Directors.