
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Acceptance Form or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Bestway International Holdings Limited, you should at once hand this Composite Document and the accompanying Acceptance Form to the purchaser(s) or transferee(s) or the licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Acceptance Form, the contents of which form part of the terms and conditions of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Acceptance Form, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Acceptance Form.

TAI HE FINANCIAL GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)


Bestway
BESTWAY INTERNATIONAL HOLDINGS LIMITED
百威國際控股有限公司
(incorporated in Bermuda with limited liability)
(Stock code: 718)

**COMPOSITE DOCUMENT RELATING TO
CONDITIONAL MANDATORY GENERAL CASH OFFER
BY OPTIMA CAPITAL LIMITED ON BEHALF OF
TAI HE FINANCIAL GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
BESTWAY INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED
TO BE ACQUIRED BY TAI HE FINANCIAL GROUP LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

**Financial Adviser to
Tai He Financial Group Limited**


Optima Capital Limited

**Independent Financial Adviser to
the Independent Board Committee**

Hercules
Hercules Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Optima Capital containing, among other things, details of the terms of the Offer is set out on pages 9 to 16 of this Composite Document. A letter from the Board is set out on pages 17 to 22 of this Composite Document.

A letter from the Independent Board Committee containing its recommendation in respect of the Offer to the Independent Shareholders is set out on pages 23 to 24 of this Composite Document. A letter from Hercules Capital containing its advice to the Independent Board Committee is set out on pages 25 to 43 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Acceptance Form. Acceptance of the Offer must be received by the Registrar, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event no later than 4:00 p.m. on Thursday, 29 March 2016 or such later time and/or the date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Acceptance Form to any jurisdiction outside Hong Kong should read the details in this regard as contained in the section headed "Important notices" in this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents which may be required, compliance with other necessary formalities or legal requirements, and the payment of any transfer or other taxes due in respect of such jurisdiction. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

The Composite Document will remain on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.irasia.com/listco/hk/bestway/index.htm> as long as the Offer remains open.

7 March 2016

* For identification purposes only

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and is subject to change. Any change to the timetable will be announced by the Offeror and the Company as and when appropriate.

2016

Despatch of this Composite Document and the Acceptance Form (Note 1)	Monday, 7 March
Offer opens for acceptance (Note 1)	Monday, 7 March
First Closing Date (Notes 1 and 2)	Tuesday, 29 March
Latest time and date for acceptance of the Offer (Notes 2 and 4)	4:00 p.m. on Tuesday, 29 March
Announcement of the results of the Offer as at the First Closing Date to be posted on the website of the Stock Exchange (Note 2)	by 7:00 p.m. on Tuesday, 29 March
Latest date of posting of remittances in respect of valid acceptances received on or before 4:00 p.m. on the First Closing Date (assuming the Offer becomes or is declared unconditional on the First Closing Date) (Notes 3 and 4)	Friday, 8 April
Latest time and date for acceptance of the Offer (assuming the Offer becomes or is declared unconditional on the First Closing Date) (Notes 4 and 5)	4:00 p.m. on Tuesday, 12 April
Announcement of the results of the Offer to be posted on the website of the Stock Exchange (Note 2)	by 7:00 p.m. on Tuesday, 12 April
Latest date of posting of remittances in respect of valid acceptances received before 4:00 p.m. on Tuesday, 12 April 2016 (Notes 3 and 5)	Thursday, 21 April
Latest time and date by which the Offer can become or be declared unconditional as to acceptances (Note 6)	7:00 p.m. on Friday, 6 May

EXPECTED TIMETABLE

Notes:

1. The Offer, which is conditional, is made on the date of posting of this Composite Document, and is capable of acceptance on and from Monday, 7 March 2016 until 4:00 p.m. on the First Closing Date, unless the Offeror revised or extended the Offer in accordance with the Takeovers Code. Subject to the condition of the Offer set out in the “Letter from Optima Capital”, acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed “6. Right of withdrawal” in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offer must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the Offer is 4:00 p.m. on Tuesday, 29 March 2016 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. An announcement will be issued on the website of the Stock Exchange by 7:00 p.m. on Tuesday, 29 March 2016, stating whether the Offer has been extended, revised or expired or has become or is declared unconditional. If the Offer becomes unconditional on the First Closing Date, an announcement in respect of the result of the Offer will be issued on the website of the Stock Exchange by 7:00 p.m. on Tuesday, 12 April 2016. In the event that the Offeror decides to extend the Offer and the announcement does not specify the next closing date, at least 14 days’ notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
3. Remittances in respect of the cash consideration (after deducting the seller’s ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be made to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within 7 Business Days following the later of the Unconditional Date and the date of the receipt of duly completed acceptances together with all the valid requisite documents by the Registrar from the Independent Shareholders accepting the Offer in accordance with the Takeovers Code.

An acceptor of the Offer shall be entitled to withdraw its/his/her acceptance after 21 days from the First Closing Date if the Offer has not by then become unconditional as to acceptances. However, this entitlement to withdraw shall only be exercisable until such time as the Offer becomes or is declared unconditional as to acceptances. For further details, please refer to Appendix I to this Composite Document.

4. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:
 - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer or the posting of remittances, as the case may be, will remain at 4:00 p.m. on the same Business Day; or
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer or the posting of remittances, as the case may be, will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve.
5. Assuming the Offer becomes or is declared unconditional in all respects on the First Closing Date, the Offer should remain open for acceptance for not less than 14 days thereafter in accordance with the Takeovers Code.
6. In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after posting of this Composite Document. Where a period laid down by the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day. Accordingly, unless the Offer has previously become or is declared unconditional as to acceptance, the Offer will lapse after 7:00 p.m. on Friday, 6 May 2016, unless extended with the consent of the Executive.

Save as mentioned above, if the latest time for the acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Shareholders by way of announcement(s) of any change in the expected timetable as soon as possible.

All references to times and dates in this Composite Document refer to Hong Kong local time and dates.

IMPORTANT NOTICES

NOTICE TO THE OVERSEAS SHAREHOLDERS

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions. Overseas Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements and, where necessary, seek independent legal advice. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities or legal requirements, and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. The Offeror, the Company, Optima Capital, Hercules Capital, the Registrar, their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see the paragraph headed “Tax Implication” in the “Letter from Optima Capital”.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws.

DEFINITIONS

In this Composite Document, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings. Also, where terms are defined and used in only one section of this Composite Document, those defined terms are not included in the table below:

“Acceptance Form”	the acceptance form in respect of the Offer accompanying this Composite Document
“Acquisition”	the acquisition of the Sale Shares by the Offeror from the Vendors pursuant to the Agreements
“Acquisition Completion”	completion of the Acquisition
“acting in concert”	has the same meaning ascribed thereto under the Takeovers Code
“Agreements”	the respective sale and purchase agreements dated 4 February 2016 entered into between the Offeror and each of the Vendors in relation to, amongst other things, the Acquisition
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	British Virgin Islands
“Company”	Bestway International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 718)
“Composite Document”	the composite offer and response document jointly issued by the Offeror and the Company to the Shareholders in connection with the Offer in compliance with the Takeovers Code
“Condition”	the condition to the Offer as set out under the paragraph headed “Condition to the Offer” in the “Letter from Optima Capital” in this Composite Document
“Director(s)”	director(s) of the Company from time to time

DEFINITIONS

“Easy Winning”	Easy Winning International Limited (怡峰國際有限公司), a company incorporated under the laws of Hong Kong
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time or any delegate of the Executive Director
“Facility”	a loan facility of up to HK\$340,000,000 provided by HTI to the Offeror, which is secured by (i) 250,180,000 Shares initially held by the Offeror; (ii) the Sale Shares; and (iii) the Shares to be acquired by the Offeror under the Offer
“First Closing Date”	the first closing date of the Offer which is 21 days after the date on which this Composite Document is posted
“FS Acquisition”	acquisition of the FS Target Companies under the agreement entered into between Best Future Investment Limited (a wholly-owned subsidiary of the Company) and Hui Kai Holdings Limited on 18 January 2016
“FS Target Companies”	Hui Kai Futures, Hui Kai Asset Management and Easy Winning
“Group”	the Company and its subsidiaries
“Group Facility”	an unsecured and revolving loan facility of up to HK\$1,000 million granted by the Offeror to the Group with a term of 18 calendar months from the date on which each drawdown is made at an interest rate of 4.5% per annum
“Group Facility Agreement”	the agreement dated 3 March 2016 entered into between the Company and the Offeror in respect of the Group Facility
“Hercules Capital” or “Independent Financial Adviser”	Hercules Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee in relation to the Offer
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HTI”	Haitong International Securities Company Limited, a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities

DEFINITIONS

“Hui Kai Asset Management”	Hui Kai Asset Management Limited (匯凱資產管理有限公司), a company incorporated under the laws of Hong Kong
“Hui Kai Futures”	Hui Kai Futures Limited (滙凱期貨有限公司), a company incorporated under the laws of Hong Kong
“Hui Kai Securities”	Hui Kai Securities Limited (滙凱證券有限公司), a company incorporated under the laws of Hong Kong
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors who have no direct or indirect interest in the Offer, established for the purpose of advising the Independent Shareholders in respect of the Offer
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Joint Announcement”	the joint announcement issued by the Offeror and the Company dated 15 February 2016 in relation to, among other things, the Agreements and the Offer
“Last Trading Day”	4 February 2016, being the last trading day immediately prior to the suspension of trading in the Shares pending the release of the Joint Announcement
“Latest Practicable Date”	4 March 2016, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chua”	Mr. Chua Hwa Por, an executive Director, the Chairman of the Board and the sole beneficial owner and sole director of the Offeror
“Mr. Hu”	Mr. Hu Yebi, an executive Director
“Mr. Sang”	Mr. Sang Kangqiao, one of the Vendors and the legal representative and director of a PRC non-wholly-owned subsidiary of the Company
“Offer”	the conditional mandatory general cash offer made by Optima Capital on behalf of the Offeror to acquire all the Offer Shares on the terms and conditions set out in this Composite Document and in compliance with the Takeovers Code

DEFINITIONS

“Offer Closing Date”	the date on which the Offer closes
“Offer Period”	the period commencing from 15 February 2016, being the date of the Joint Announcement, and ending on the Offer Closing Date
“Offer Price”	HK\$0.66 for each Offer Share payable by the Offeror to the Independent Shareholders accepting the Offer
“Offer Share(s)”	all the Shares in issue, other than those already owned by or agreed to be acquired by the Offeror and parties acting in concert with it
“Offeror”	Tai He Financial Group Limited, a company incorporated in the Cayman Islands with limited liability, the sole shareholder of which is Mr. Chua
“Optima Capital”	Optima Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror
“Overseas Shareholders”	Independent Shareholder(s) whose addresses as shown on the register of members of the Company are outside Hong Kong
“Power Ace”	Power Ace Investment Limited, one of the Vendors and a company incorporated in the BVI with limited liability owned as to 50% by Mr. Hu and 50% by his spouse
“PRC”	the People’s Republic of China, which for the purposes of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Registrar”	Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, the branch registrar of the Company in Hong Kong
“Relevant Period”	the period commencing from 15 August 2015, being the date falling six months preceding the date of the Joint Announcement, up to and including the Latest Practicable Date
“Sale Shares”	a total of 231,500,000 Shares acquired by the Offeror from the Vendors pursuant to the terms and conditions of the Agreements
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary shares of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stamp Duty Ordinance”	the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Ultra Bio-Chem”	Ultra Bio-Chem Technology Limited, one of the Vendors and a company incorporated in the BVI with limited liability which is wholly-owned by Mr. Hu
“Unconditional Date”	the date on which the Offer has become or is declared unconditional in all respects
“Vendors”	collectively, Power Ace, Ultra Bio-Chem and Mr. Sang
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	per cent

LETTER FROM OPTIMA CAPITAL



Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

7 March 2016

To the Independent Shareholders,

Dear Sir or Madam,

**CONDITIONAL MANDATORY GENERAL CASH OFFER BY
OPTIMA CAPITAL LIMITED ON BEHALF OF
TAI HE FINANCIAL GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
BESTWAY INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
TAI HE FINANCIAL GROUP LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

1. INTRODUCTION

Reference is made to the Joint Announcement. On 4 February 2016 (after trading hours of the Stock Exchange), the Offeror and each of the Vendors had entered into the Agreements respectively pursuant to which the Offeror had agreed to acquire 100,000,000 Shares from Power Ace at the consideration of HK\$66,000,000 (equivalent to HK\$0.66 per Share), 40,000,000 Shares from Ultra Bio-Chem at the consideration of HK\$26,400,000 (equivalent to HK\$0.66 per Share) and 91,500,000 Shares from Mr. Sang at the consideration of HK\$60,390,000 (equivalent to HK\$0.66 per Share), respectively.

The Sale Shares represent approximately 15.42% of the entire issued share capital of the Company. Completion of the acquisition of 91,500,000 Shares from Mr. Sang took place on 11 February 2016. Completion of the acquisition of 100,000,000 Shares from Power Ace and 40,000,000 Shares from Ultra Bio-Chem took place on 15 February 2016.

Immediately before the Acquisition Completion, the Offeror and parties acting in concert with it were interested in 250,180,000 Shares, representing approximately 16.67% of the entire issued share capital of the Company. Upon the Acquisition Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in 481,680,000 Shares, representing 32.09% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a conditional mandatory general cash Offer for all the Offer Shares. Hence, we, Optima Capital, on behalf of the Offeror, are making the Offer.

This letter forms part of this Composite Document and sets out, among other things, the principal terms of the Offer, the information on the Offeror and its intentions in relation to the Company. Further details of the Offer are also set out in Appendix I to this Composite Document and in the accompanying Acceptance Form. Your attention is also drawn to information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from Hercules Capital” and the appendices set out in this Composite Document before reaching a decision as to whether or not to accept the Offer.

LETTER FROM OPTIMA CAPITAL

2. THE OFFER

Principal terms of the Offer

We, Optima Capital, the financial adviser to the Offeror, is making the Offer for all the Offer Shares on behalf of the Offeror in compliance with the Takeovers Code on the following basis.

For each Offer Share accepted under the Offer HK\$0.66 in cash

The Offer extends to all Offer Shares. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them on the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made.

The procedure for acceptance and further details of the Offer are set out in Appendix I to this Composite Document and the accompanying Acceptance Form.

The Offer Price

The Offer Price of HK\$0.66 per Offer Share equals the consideration per Sale Share under the Agreements and:

- (i) represents a discount of approximately 20.48% to the closing price of HK\$0.83 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) represents a discount of approximately 1.49% to the closing price of HK\$0.67 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) represents a discount of approximately 3.23% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of HK\$0.682 per Share;
- (iv) represents a discount of approximately 7.95% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of HK\$0.717 per Share;
- (v) represents a premium of approximately 2.71% over the adjusted consolidated net asset value per Share as at 30 September 2015 of approximately HK\$0.642 (which was calculated by dividing (i) the sum of the unaudited consolidated net asset value of the Group as at 30 September 2015 of approximately HK\$799.6 million and the net proceeds of HK\$164.32 million raised from the subscription of new shares under general mandate completed on 30 November 2015; by (ii) 1,501,092,436 Shares in issue as at the Latest Practicable Date); and
- (vi) is same as to the subscription price of HK\$0.66 per Share paid by the Offeror for the subscription of 250,180,000 Shares on 30 November 2015 (details of which are set out in the announcements of the Company dated 12 November 2015 and 30 November 2015).

LETTER FROM OPTIMA CAPITAL

Highest and lowest Share price

The highest and the lowest closing price of the Shares as quoted on the Stock Exchange on the trading days during the Relevant Period were HK\$0.99 per Share on 19 August 2015 and 20 August 2015 and HK\$0.67 on 3 February 2016 and 4 February 2016, respectively.

Value of the Offer

As at the Latest Practicable Date, the Company (i) had 1,501,092,436 Shares in issue; (ii) did not have any outstanding options, derivatives, warrants or other securities which may confer to the holder(s) thereof any right to subscribe for, convert or exchange into Shares; and (iii) had not entered into any agreement for the issue of any Shares or options, warrants, derivatives or other securities which may confer to the holder(s) thereof any right to subscribe for, convert or exchange into Shares.

Assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to the Offer Closing Date and based on the Offer Price of HK\$0.66 per Offer Share, the entire issued share capital of the Company is valued at HK\$990,721,008. Excluding the 481,680,000 Shares held by the Offeror and parties acting in concert with it, a total of 1,019,412,436 Shares will be subject to the Offer. Accordingly, the Offer is valued at HK\$672,812,208 based on the Offer Price of HK\$0.66 per Offer Share.

Financial resources available to the Offeror

The Offeror intends to finance and satisfy the maximum cash consideration payable under the Offer of approximately HK\$672,812,208 by a loan facility of up to HK\$340,000,000 provided by HTI, which is secured by (i) 250,180,000 Shares initially held by the Offeror; (ii) the Sale Shares; and (iii) the Shares to be acquired by the Offeror under the Offer, and its own internal resources. The payment of interest on, repayment of, or security for any liability (contingent or otherwise) for, the Facility will not depend to any extent on the business of the Group.

Optima Capital, being the financial adviser to the Offeror, is satisfied that there are sufficient financial resources available to the Offeror to satisfy the amount of funds required for full acceptance of the Offer.

Condition to the Offer

The Offer is conditional on the number of Shares in respect of acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such other time as the Offeror may, subject to the Takeovers Code, decide), together with Shares already owned by the Offeror and parties acting in concert with it and acquired or agreed to be acquired before or during the Offer, resulting in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company in accordance with the Takeovers Code.

LETTER FROM OPTIMA CAPITAL

Close of the Offer

The Offeror will issue an announcement in relation to the revision, extension or lapse of the Offer or the fulfilment of the Condition in accordance with the Takeovers Code and the Listing Rules. The latest time on which the Offeror can declare the Offer unconditional as to acceptance is 7:00 p.m. on the 60th day after the posting of this Composite Document (or such later date to which the Executive may consent).

Warning: The Offer is conditional. If the total number of Shares in respect of the valid acceptances, which the Offeror have received at or before 4:00 p.m. on the First Closing Date (or such other time as the Offeror may, subject to the Takeovers Code, decide) under the Offer together with the Shares acquired before or during the Offer, does not result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company, the Offer will not become unconditional.

3. GENERAL MATTERS RELATING TO THE OFFER

Effect of accepting the Offer

The Offer is conditional. Subject to the Offer becoming unconditional, the Offer is made on the basis that acceptance of the Offer by any person will constitute a warranty by such person or persons to the Offeror that the Shares acquired under the Offer are sold by such person or persons free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights attaching thereto on the date on which the Offer is made or subsequently becoming attached to them, including the right to receive all dividends (whether final or interim) and other distributions, if any, declared, made or paid on or after the date on which the Offer is made.

The Offer will be made in compliance with the Takeovers Code which is administered by the Executive.

Stamp duty

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer amounting to 0.1% of the consideration payable in respect of the acceptance of the Offer by the Independent Shareholders, or if it is considered substantially below the market value of the Offer Shares, the market value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance, will be deducted from the cash amount payable to the Independent Shareholders who accept the Offer.

The Offeror will arrange for payment of the seller's ad valorem stamp duty so deducted on behalf of the Independent Shareholders who accept the Offer and will pay its own buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfers of the Offer Shares to the Stamp Duty Office in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

LETTER FROM OPTIMA CAPITAL

Payment

Subject to the Offer having become, or has been declared, unconditional in all respects, settlement of the consideration in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) Business Days of the date on which the relevant documents of title are received by the Offeror or its agent acting on its behalf to render each such acceptance complete and valid, or the Unconditional Date, whichever is later.

Return of documents

If the Offer does not become, or is not declared, unconditional in all respects within the time permitted by the Takeovers Code, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the branch registrar of the Company in Hong Kong will be returned to the Independent Shareholders who have accepted the Offer by ordinary post at the Independent Shareholders' own risk as soon as possible but in any event within ten (10) days after the Offer has lapsed.

Tax Implication

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror and parties acting in concert with it, the Company, Optima Capital, Hercules Capital, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Overseas Shareholders

The Offeror intends to make the Offer available to all Independent Shareholders including the Overseas Shareholders. The availability of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should observe any applicable legal requirements and, where necessary, seek independent legal advice.

In the event that the receipt of the Composite Document by the Overseas Shareholders is prohibited by any applicable laws and regulations or may only be effected upon compliance with conditions or requirements in such overseas jurisdictions that would be unduly burdensome, the Composite Document, subject to the Executive's consent, will not be despatched to the Overseas Shareholders. The Offeror will apply for any waiver as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any arrangements for the Overseas Shareholders to collect the Composite Document will be set forth in a further announcement.

LETTER FROM OPTIMA CAPITAL

It is the sole responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

Any acceptance by any Overseas Shareholders of the Offer will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Offeror that all applicable local laws and requirements have been complied with. Overseas Shareholders who are in doubt as to the action they should take should consult their stockbrokers, licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers. The Offeror will comply with the requirements of the Takeovers Code in respect of the Overseas Shareholders.

Acceptance and Settlement

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Acceptance Form.

4. INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in Cayman Islands with limited liability. The sole beneficial owner and the sole director of the Offeror is Mr. Chua. On 30 November 2015, the Offeror subscribed for a total of 250,180,000 Shares at HK\$0.66 per Share, and thus became a substantial shareholder (as defined in the Listing Rules) of the Company holding approximately 16.67% of the total issued share capital of the Company, details of which were set out in the announcements of the Company dated 12 November 2015 and 30 November 2015.

On 19 January 2016, Mr. Chua was appointed as an executive Director and the Chairman of the Board. Mr. Chua has over nine years of experience in the areas of equity investments, trading of liquefied petroleum gas (LPG) and chemical products and trade financing. Mr. Chua is the founder and the president of Huacheng International Resources Pte Ltd (華宸國際能源有限公司*), a private company established in Singapore in 2006, which is the trading arm of Mr. Chua in LPG and chemical products.

5. INTENTION OF THE OFFEROR IN RELATION TO THE COMPANY

As detailed in the “Letter from the Board”, the Group is principally engaged in trading of medical equipment and commodities, and mining of tungsten in Mongolia, and will embark on financial services and money lending business in Hong Kong, subject to the completion of the FS Acquisition, details of which are set out in the “Letter from the Board” in this Composite Document and announcements of the Company dated 30 December 2015 and 18 January 2016. The commodities traded by the Group are mainly in nickel and copper. The Board expects that the scale of commodity trading will increase.

* For identification purpose only

LETTER FROM OPTIMA CAPITAL

The Offeror intends to continue the existing principal businesses of the Group and the proposed businesses as aforesaid. Despite the high volatility and tight liquidity currently experienced by the capital market, the Offeror considers that the recent market consolidation may present good opportunities for the development of the Group's business. Leveraging on Mr. Chua's experience in equity investments and trade finance, the Offeror will explore the possible business opportunities in the areas of money lending and distressed asset investments in Hong Kong and the PRC. Subject to further investigation into the business opportunities in the related areas, the Offeror will present suitable propositions to the Company in due course. In the meantime, in order to enable the Company to capture good opportunities that may arise in future, the Offeror will consider providing, or procure financial institutions to provide, necessary finance to the Group in the interim, such that the Group would be in a position to expand its business with critical mass. On 3 March 2016, the Offeror has granted the Group Facility of up to HK\$1,000 million to the Group mainly for the working capital requirement for commodities trading business. In the event the Company identifies any suitable opportunity in the areas of money lending or distressed asset investment or other investment, part of the Group Facility, in any event not more than HK\$400 million in total, may be drawn for funding acquisitions or operations in related areas. Upon close of the Offer, the Offeror will conduct a detailed review of the operations of the Group and formulate business strategies for the Group's long term development.

Notwithstanding the above, as at the date of the Latest Practicable Date, no investment or business opportunity had been identified nor had the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group, and the Offeror had no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

6. PROPOSED CHANGE OF BOARD COMPOSITION

The Board is currently made up of six Directors, comprising three executive Directors, being Mr. Chua Hwa Por, Mr. Hu Yebi, and Dr. Liu Hua, and three independent non-executive Directors, being Mr. Mao Kangfu, Dr. Gao Bin and Ms. Liu Yan.

The Offeror may nominate directors to the Board for appointment after the close of the Offer. As at the Latest Practicable Date, the Offeror had not decided on the future composition of the Board. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made by the Company as and when appropriate.

7. MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- that there are insufficient Shares in public hands to maintain an orderly market;

the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

LETTER FROM OPTIMA CAPITAL

The Offeror intends the Company to remain listed on Main Board of the Stock Exchange after close of the Offer. The sole director of the Offeror and the new Directors to be appointed to the Board (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float will exist in the Shares after the close of the Offer.

The Offeror does not intend to exercise its right which may be available to it to compulsory acquire the remaining Shares after the close of the Offer.

8. GENERAL INFORMATION

This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as which would have been disclosed if this Composite Document had been prepared in accordance with the laws of the jurisdictions outside Hong Kong.

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

Attention of the Overseas Shareholders is drawn to the section headed “Important Notice” contained in this Composite Document and the paragraph headed “7. Overseas Shareholders” in Appendix I to this Composite Document.

All documents and remittances to be sent to the Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Shareholders at their respective addresses as they appear in the register of the members of the Company or in the case of joint Shareholders, to such Shareholder whose name appears first in the register of members of the Company. The Offeror and parties acting in concert with it, the Company, Optima Capital, Hercules Capital, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other parties involved in the Offer will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

9. ADDITIONAL INFORMATION ABOUT THE OFFER

Your attention is drawn to the additional information set out in the appendices to this Composite Document and the Acceptance Form, which form part of this Composite Document. You are reminded to carefully read the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from Hercules Capital” and other information about the Group, which are set out in this Composite Document before reaching a decision as to whether or not to accept the Offer.

Yours faithfully,
For and on behalf of
Optima Capital Limited
Benny Ng
Senior Director

LETTER FROM THE BOARD



BESTWAY INTERNATIONAL HOLDINGS LIMITED

百威國際控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 718)

Executive Directors:

Mr. Chua Hwa Por (*Chairman*)

Mr. Hu Yebi

Dr. Liu Hua

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Independent non-executive Directors:

Mr. Mao Kangfu

Dr. Gao Bin

Ms. Liu Yan

*Principal Place of Business
in Hong Kong:*

Room 1206-1209

Three Pacific Place

1 Queen's Road East

Wan Chai,

Hong Kong

7 March 2016

To the Independent Shareholders,

Dear Sir or Madam,

**CONDITIONAL MANDATORY GENERAL CASH OFFER BY
OPTIMA CAPITAL LIMITED ON BEHALF OF
TAI HE FINANCIAL GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
BESTWAY INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
TAI HE FINANCIAL GROUP LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

1. INTRODUCTION

Reference is made to the Joint Announcement made jointly by the Company and the Offeror in relation to, among other matter, the Agreements and the Offer. Terms used in this letter shall have the same meanings as those defined in this Composite Document unless the context otherwise requires.

* *For identification purposes only*

LETTER FROM THE BOARD

On 4 February 2016 (after trading hours of the Stock Exchange), the Offeror and each of the Vendors (namely, Mr. Sang, Power Ace, and Ultra Bio-Chem) had entered into the Agreements respectively pursuant to which the Offeror had agreed to acquire an aggregate of 231,500,000 Shares from the Vendors for an aggregate consideration of HK\$152,790,000 (equivalent to HK\$0.66 per Share).

The Sale Shares represented approximately 15.42% of the entire issued share capital of the Company as at the date of the Agreements and the Latest Practicable Date.

Completion of the acquisition of 91,500,000 Shares from Mr. Sang for a consideration of HK\$60,390,000 (equivalent to HK\$0.66 per Share) took place on 11 February 2016. Completion of the acquisition of 100,000,000 Shares from Power Ace and 40,000,000 Shares from Ultra Bio-Chem for a consideration of HK\$66,000,000 (equivalent to HK\$0.66 per Share) and HK\$26,400,000 (equivalent to HK\$0.66 per Share) respectively took place on 15 February 2016.

Immediately before the Acquisition Completion, the Offeror and parties acting in concert with it were interested in 250,180,000 Shares, representing approximately 16.67% of the entire issued share capital of the Company. Upon the Acquisition Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in 481,680,000 Shares, representing 32.09% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a conditional mandatory general cash Offer for all the Offer Shares. Optima Capital, on behalf of the Offeror, is making the Offer.

The Independent Board Committee, comprising all three independent non-executive Directors, namely Mr. Mao Kangfu, Dr. Gao Bin and Ms. Liu Yan, who have no direct or indirect interest in the Offer, has been established to advise the Independent Shareholders in respect of the Offer.

On 16 February 2016, Hercules Capital was appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Offer, and in particular as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Group, the Offeror and the Offer as well as setting out the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the terms of the Offer and as to acceptance of the Offer, and the letter from Hercules Capital containing its advice and recommendation to the Independent Board Committee in respect of the terms of the Offer and as to acceptance of the Offer.

LETTER FROM THE BOARD

2. CONDITIONAL MANDATORY GENERAL OFFER

As at the Latest Practicable Date, there were 1,501,092,436 Shares in issue, and there were no outstanding warrants, options, derivatives or securities convertible into Shares and the Company has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company.

Principal Terms of the Offer

As mentioned in the “Letter from Optima Capital” on pages 9 to 16 of this Composite Document, Optima Capital is making the Offer for and on behalf of the Offeror to all the Independent Shareholders for all the issued Shares (other than those Shares already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it) in compliance with Rule 26.1 of the Takeovers Code on the following basis:

For each Offer Share accepted under the Offer HK\$0.66 in cash

The Offer extends to all Offer Shares. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them on the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made.

Further details of the Offer, including terms and procedures for acceptance and settlement of the Offer, are contained in the “Letter from Optima Capital” as set out on pages 9 to 16 of, and Appendix I to, this Composite Document and the accompanying Acceptance Form.

3. INFORMATION ON THE GROUP

The Group is principally engaged in trading of medical equipment and commodities, and mining of tungsten in Mongolia.

The Group had carried out general trading since 2013, with a trading portfolio of wine, tea, computer parts, and cotton yarn. In the second half of 2014, the Group shifted its focus to trading of medical equipment. In December 2015, the Group further extended its trading portfolio to commodities. The commodities currently traded by the Group are in nickel and copper. For the first two months of commodities trading, the total amount of commodities trading transacted by the Group amounted to approximately HK\$940 million. Further information on the commencement of the commodity trading business of the Group was set out in the announcement of the Company dated 29 January 2016.

The Group currently holds four mining licenses in tungsten mines. In September 2015, the Group entered into a memorandum with an experienced mining explorer from Inner Mongolia (the “Contractor”) with a view to engagement of the Contractor to develop and exploit one of its Mongolian tungsten mines. The Group will continue to negotiate with the Contractor on the terms of the engagement. Subject to the conclusion of this proposed contracting arrangement, it is expected that the exploitation of one of the mines may commence not later than the end of June 2016.

LETTER FROM THE BOARD

The Group has also decided to enter into the financial services industry. It is now in the process of acquiring the FS Target Companies principally engaged in Type 2 (dealing in futures) and Type 9 (asset management) regulated activities under the SFO, as well as money lending business, and a right to further acquire a company principally engaged in Type 1 (dealing securities) regulated activity within 12 months from the earlier of date of the completion of the aforesaid acquisition, or 1 July 2016. The FS Acquisition is conditional on, among other things, written approval or consent to be granted by the SFC for the change of substantial shareholder of the Target Companies. Further information on the FS Acquisition was set out in the announcements of the Company dated 30 December 2015 and 18 January 2016.

On 3 March 2016, the Group has secured the Group Facility of up to HK\$1,000 million from the Offeror mainly for the working capital requirement for the commodity trading business that may arise along with the growth of the business. In the event the Company identifies any suitable opportunity in the areas of money lending or distressed assets investment or other investment, part of the Group Facility, in any event not exceeding \$400 million in total, may be drawn down for funding acquisitions or operations in related areas. Notwithstanding this, as at the Latest Practicable Date, the Company had not identified any such business opportunity. Details of the Group Facility were set out in the announcement of the Company dated 3 March 2016.

Set out below is a summary of the audited consolidated financial information of the Group for the financial years ended 31 March 2014 and 2015 and unaudited financial information of the Group for the six months ended 30 September 2015.

	Six months ended 30 September 2015	Year ended 31 March 2015	Year ended 31 March 2014
<i>(HK\$'000)</i>	(Unaudited)	(Audited)	(Audited)
Turnover	9,830	7,632	2,255
Gross Profit	4,145	3,084	193
Loss before taxation	(3,468)	(74,746)	(6,894)
Loss after taxation	<u>(3,477)</u>	<u>(58,267)</u>	<u>(6,894)</u>
	As at 30 September 2015	As at 31 March 2015	As at 31 March 2014
<i>(HK\$'000)</i>	(Unaudited)	(Audited)	(Audited)
Net asset value	<u>799,600</u>	<u>625,813</u>	<u>596,952</u>

The Group's turnover for the financial year ended 31 March 2014 was generated from its general trading activities with relatively low profit margin. For the financial year ended 31 March 2015, the turnover and gross profit margin of the Group increased significantly due to the shift of focus to trading of medical equipment. Despite the improvement in the turnover and gross profit margin of the trading business for this period, the Group recorded a significant loss attributable to Shareholders of HK\$58,267,000. Such loss was mainly attributable to the loss on the net amount of impairment of the mining rights of HK\$49,458,000, after setting off of the related tax credit. For the six-month interim period ended 30 September 2015, the turnover of the Group further increased to approximately HK\$9.8 million. While the Group had sustained a gross profit of approximately HK\$4 million during the period, it had nevertheless recorded a loss attributable to the Shareholders of HK\$3.5 million having accounted for the administrative and selling expenses of HK\$7.7 million for the same period.

LETTER FROM THE BOARD

Further details of the Group are set out in Appendices II and III to this Composite Document.

4. INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information on the Offeror” in the “Letter from Optima Capital” in, and Appendix IV to, this Composite Document.

5. INTENTION OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the sections headed “Information on the Offeror” and “Intention of the Offeror in relation to the Company” in the “Letter from Optima Capital” in this Composite Document. The Board is pleased with the Offeror’s intention in respect of the Group and the employees of the Group and is willing to co-operate with the Offeror in the interests of the Group and the Shareholders as a whole.

6. PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

Your attention is also drawn to the section headed “Proposed change of Board Composition” in the “Letter from Optima Capital” in this Composite Document. Any change to the Board composition will be made in compliance with the Takeovers Code and the Listing Rules and will be announced accordingly.

7. MAINTAINING THE LISTING STATUS OF THE COMPANY

It is stated in the “Letter from Optima Capital” in this Composite Document that the Offeror intends to maintain the listing status of the Company on the Stock Exchange following the close of the Offer.

In the event that the public float of the Company falls below 25% following the close of the Offer, the sole director of the Offeror will undertake to the Stock Exchange that they would take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible following the close of the Offer to ensure that sufficient public float exists for the Shares.

The Stock Exchange stated that if, at the closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or**
 - (b) there are insufficient Shares in public hands to maintain an orderly market,**
- it would consider exercising its discretion to suspend dealings in the Shares.**

LETTER FROM THE BOARD

8. RECOMMENDATION

Your attention is drawn to (i) the “Letter from the Independent Board Committee” in this Composite Document, which sets out its recommendation to the Independent Shareholders as to whether the terms of the Offer are, or are not, fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance thereof; and (ii) the “Letter from Hercules Capital” in this Composite Document, which sets out its advice and recommendation to the Independent Board Committee as to whether the terms of the Offer are, or are not, fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance thereof, and the principal factors considered by it in arriving at its advice and recommendation.

The Independent Shareholders are urged to read those letters carefully before taking any action in respect of the Offer.

9. ADDITIONAL INFORMATION

You are advised to read this Composite Document together with the accompanying Acceptance Form in respect of the acceptance and settlement procedures of the Offer. Your attention is also drawn to the additional information contained in the appendices to this Composite Document.

In considering what action to take in connection with the Offer, you should also consider your own tax positions, if any, and in case of any doubt, consult your professional advisers.

Yours faithfully,
By order of the Board
Bestway International Holdings Limited
Dr. Liu Hua
Acting Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offer.



BESTWAY INTERNATIONAL HOLDINGS LIMITED **百威國際控股有限公司***

(incorporated in Bermuda with limited liability)

(Stock code: 718)

7 March 2016

To the Independent Shareholders,

Dear Sir or Madam,

**CONDITIONAL MANDATORY GENERAL CASH OFFER BY
OPTIMA CAPITAL LIMITED ON BEHALF OF
TAI HE FINANCIAL GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
BESTWAY INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
TAI HE FINANCIAL GROUP LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to the composite offer and response document dated 7 March 2016 jointly issued by the Offeror and the Company (the “**Composite Document**”) of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Composite Document, unless the context requires otherwise.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offer and to make a recommendation to you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance thereof.

Hercules Capital has been appointed as the independent financial adviser to advise us in respect of the terms of the Offer and as to acceptance thereof. Details of its advice and the principal factors considered by it in arriving at its advice and recommendation are set out in the “Letter from Hercules Capital” in the Composite Document.

* *For identification purposes only*

LETTER FROM HERCULES CAPITAL

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee regarding its advice on the Offer prepared for the purpose of incorporation into this Composite Document.

Hercules **Hercules Capital Limited**

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

7 March 2016

To the Independent Board Committee

Dear Sirs,

**CONDITIONAL MANDATORY GENERAL CASH OFFER BY
OPTIMA CAPITAL LIMITED
ON BEHALF OF TAI HE FINANCIAL GROUP LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
BESTWAY INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY
TAI HE FINANCIAL GROUP LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our engagement as an independent financial adviser to advise the Independent Board Committee with respect to the Offer, details of which are set out in the Letter from Optima Capital and the Letter from the Board contained in the Composite Document dated 7 March 2016 to the Shareholders, of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined elsewhere in the Composite Document unless the context requires otherwise.

On 4 February 2016 (after trading hours of the Stock Exchange), the Offeror and each of the Vendors (namely, Mr. Sang, Power Ace and Ultra Bio-Chem) entered into the Agreements respectively, pursuant to which the Offeror agreed to acquire, and the Vendors agreed to sell, an aggregate of 231,500,000 Shares for a total consideration of HK\$152,790,000 (equivalent to HK\$0.66 per Share), of which 91,500,000 Shares were acquired from Mr. Sang at the consideration of HK\$60,390,000 (equivalent to HK\$0.66 per Share), 100,000,000 Shares were acquired from Power Ace at the consideration of HK\$66,000,000 (equivalent to HK\$0.66 per Share) and 40,000,000 Shares were acquired from Ultra Bio-Chem at the consideration of HK\$26,400,000 (equivalent to HK\$0.66 per Share). The Sale Shares represent approximately 15.42% of the entire issued share capital of the Company as at the date of the Agreements.

LETTER FROM HERCULES CAPITAL

Immediately before the Acquisition Completion, the Offeror and parties acting in concert with it were interested in 250,180,000 Shares, representing approximately 16.67% of the entire issued share capital of the Company. Upon the completion of the acquisition of 91,500,000 Shares from Mr. Sang, which took place on 11 February 2016, and completion of the acquisitions of 100,000,000 Shares and 40,000,000 Shares from Power Ace and Ultra Bio-Chem respectively, which took place on 15 February 2016, the Offeror and parties acting in concert with it were interested in 481,680,000 Shares, representing approximately 32.09% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a conditional mandatory general cash offer for all the Offer Shares. Optima Capital is making the Offer for all the Offer Shares on behalf of the Offeror.

An Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Mao Kangfu, Dr. Gao Bin and Ms. Liu Yan, who have no direct or indirect interests in the Offer, has been established to advise the Independent Shareholders in respect of the Offer. We, Hercules Capital Limited, have been appointed, with the approval of the Independent Board Committee, to advise the Independent Board Committee as to whether the Offer is fair and reasonable so far as the Independent Shareholders are concerned and whether the Independent Shareholders should accept the Offer.

We are not associated with the Company, the Offeror, the Vendors or their respective associates and do not have any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Company, the Offeror or the Vendors or their respective associates.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Directors, management of the Company and the Offeror and have assumed that such information and statements, and representations made to us or referred to in the Composite Document are true, accurate and complete in all material respects as of the Latest Practicable Date. Should there be any material change in such information, statements or representations after the Latest Practicable Date (up to the end of the Offer Period), the Shareholders would be notified of such changes as soon as possible. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Offeror and parties acting in concert with it and the Offeror's intention regarding the Group), and confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than opinions expressed by the Offeror, the sole director of the Offeror, their associates and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other material facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading. The sole director of the Offeror also has accepted full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Group), and confirmed, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the Composite Document (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other material facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

LETTER FROM HERCULES CAPITAL

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Composite Document and to provide a reasonable basis for our recommendation. We have no reasons to suspect that any material information has been withheld by the Directors, management of the Company or the Offeror, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group and the related subject of, and parties to, the Agreements. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change this opinion and the Shareholders will be notified of any material change as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

We have not considered the tax implications on the Independent Shareholders arising from acceptances or non-acceptances of the Offer as these depend on their individual circumstances. It is emphasized that we will not accept responsibility for any tax effect on, or liability of, any person resulting from his or her acceptance or non-acceptance of the Offer. Independent Shareholders who are in any doubt as to their tax position, or who are subject to overseas tax or Hong Kong taxation on securities dealings, should consult their own professional advisers without delay.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Offer, we have considered the following principal factors and reasons:

1. Background to, and principal terms, of the Offer

On 4 February 2016, the Offeror and each of the Vendors (namely Mr. Sang, Power Ace and Ultra Bio-Chem) entered into the Agreements respectively, pursuant to which the Offeror agreed to acquire, and the Vendors agreed to sell, an aggregate of 231,500,000 Shares for a total consideration of HK\$152,790,000 (equivalent to HK\$0.66 per Share). The Sale Shares represent approximately 15.42% of the entire issued share capital of the Company as at the date of the Agreements.

Immediately before the Acquisition Completion, the Offeror and parties acting in concert with it were interested in 250,180,000 Shares, representing approximately 16.67% of the entire issued share capital of the Company. Upon the completion of the acquisition of 91,500,000 Shares from Mr. Sang on 11 February 2016 and completion of the acquisitions of 100,000,000 Shares and 40,000,000 Shares from Power Ace and Ultra Bio-Chem respectively on 15 February 2016, the Offeror and parties acting in concert with it were interested in 481,680,000 Shares, representing approximately 32.09% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a conditional mandatory general cash offer for all the Offer Shares. Accordingly, Optima Capital is making the Offer, which is conditional on the number of Shares in respect of acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such other time as the Offeror may, subject to the Takeovers Code, decide), together with the Shares already owned by the Offeror and parties acting in concert with it and acquired or agreed to

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be acquired before or during the Offer, resulting in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company in accordance with the Takeovers Code, on behalf of the Offeror on the following basis:

For each Offer Share accepted under the Offer HK\$0.66 in cash

The Offer Price of HK\$0.66 per Offer Share equals to the consideration per Sale Share under the Agreements. The Offer extends to all Offer Shares. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them on the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made.

As at the Latest Practicable Date, the Company had 1,501,092,436 Shares in issue. The Company did not have any outstanding options, derivatives, warrants or other securities which may confer to the holder(s) thereof any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date. The Company has not entered into any agreement for the issue of any Shares or options, warrants, derivatives or other securities which may confer to the holder(s) thereof any right to subscribe for, convert or exchange into Shares.

Assuming there are no changes in the total number of issued Shares from the Latest Practicable Date up to the Offer Closing Date and based on the Offer Price of HK\$0.66 per Offer Share, the entire issued share capital of the Company is valued at HK\$990,721,008. Excluding the 481,680,000 Shares held by the Offeror and parties acting in concert with it, a total of 1,019,412,436 Shares will be subject to the Offer. Accordingly, the Offer is valued at HK\$672,812,208 based on the Offer Price of HK\$0.66 per Offer Share.

Further details of the terms and conditions of the Offer, including the procedures for acceptance, are set out in the Letter from Optima Capital contained in, and Appendix I to, the Composite Document.

2. Information on the Group

The Company is a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in trading of medical equipment and commodities and mining of tungsten in Mongolia. It had carried out general trading of wine, tea, computer parts and cotton yarn since 2013. In the second half of 2014, the Group shifted its focus to trading of medical equipment. In December 2015, the Group further extended its trading portfolio to commodities, which mainly comprise nickel and copper. As at the Latest Practicable Date, the Group held four mining licenses in tungsten mines. The financial information of the

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Group for the two years ended 31 March 2015 and six months ended 30 September 2015 and 30 September 2014, extracted from the annual report and the interim report of the Company, is summarized as follows:

Table 1: Consolidated financial information of the Group

	For the six months ended		For the year ended	
	30 September		31 March	
	2015	2014	2015	2014
	(unaudited)	(unaudited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	9,830	460	7,632	2,255
Loss before income tax	(3,468)	(3,131)	(74,746)	(6,894)
Loss for the period/year attributable to owners of the Company	<u>(3,408)</u>	<u>(3,047)</u>	<u>(58,027)</u>	<u>(6,894)</u>
			As at	As at
			30 September	31 March
			2015	2015
			(unaudited)	(audited)
			HK\$'000	HK\$'000
Non-current assets			671,813	671,745
Current assets			277,402	103,309
Current liabilities			2,186	1,812
Non-current liabilities			147,429	147,429
Net assets attributable to owners of the Company			<u>796,784</u>	<u>622,928</u>

The revenue of the Group, which was generated solely from the trading business, amounted to approximately HK\$7.6 million for the year ended 31 March 2015, representing an increase of approximately 238.4% as compared to the previous year. The gross profit margin of the Group also increased sharply from approximately 8.6% for the year ended 31 March 2014 to approximately 40.4% for the year ended 31 March 2015. Such increases were mainly attributable to the shift of focus of the trading business from wine, tea, computer parts and cotton yarn to medical equipment, which has a higher profit margin as compared to other products traded by the Group previously, in the second half of 2014. Despite a higher gross profit, the increased administrative expenses and other operating expenses, including impairment loss on mining rights which amounted to approximately HK\$65.9 million, led to a loss before income tax of approximately HK\$74.7 million for the year ended 31 March 2015, representing more than 10 times of the loss before income tax of approximately HK\$6.9 million for the previous year. With income tax credit of approximately HK\$16.5 million recorded during the year ended 31 March 2015, the Group's loss attributable to owners of the Company increased from approximately HK\$6.9 million for the year ended 31 March 2014 to approximately HK\$58.0 million for the year ended 31 March 2015.

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For the six months ended 30 September 2015, the revenue of the Group amounted to approximately HK\$9.8 million, representing over 21 times of the revenue of the previous corresponding period. The gross profit also increased from approximately HK\$1,000 for the six months ended 30 September 2014 to approximately HK\$4.1 million for the six months ended 30 September 2015. Such increases were mainly contributed to the commencement of trading business in medical equipment in October 2014. Despite the increase in revenue and gross profit of the Group, the loss before income tax for the six months ended 30 September 2015 increased to approximately HK\$3.5 million, representing an increase of approximately 10.8% as compared to the last corresponding period, as a result of the increases in selling and distribution expenses and administrative expenses in an aggregate amount of approximately HK\$4.6 million. The loss of the Group attributable to owners of the Company amounted to approximately HK\$3.4 million for the six months ended 30 September 2015, representing an increase of approximately 11.8% as compared with the prior corresponding period.

As at 30 September 2015, the non-current assets of the Group amounted to approximately HK\$671.8 million, which mainly comprised the mining rights in Mongolia, while the current assets of the Group amounted to approximately HK\$277.4 million, which comprised trade receivables of approximately HK\$3.1 million, financial instruments held for trading of approximately HK\$15.7 million, inventories of approximately HK\$1.6 million, deposits, prepayments and other receivables of approximately HK\$1.3 million and cash and cash equivalents of approximately HK\$255.6 million. The current liabilities of the Group, which were trade and other payables, and the non-current liabilities of the Group, which were deferred tax liabilities, amounted to approximately HK\$2.2 million and HK\$147.4 million respectively as at 30 September 2015. As at 30 September 2015, net current assets and net assets attributable to owners of the Company amounted to approximately HK\$275.2 million and HK\$796.8 million respectively. The increase in net assets attributable to owners of the Company from approximately HK\$622.9 million as at 31 March 2015 to approximately HK\$796.8 million as at 30 September 2015 was mainly attributable to the completion of the placing of 205,000,000 Shares at HK\$0.88 per Share in July 2015 with net proceeds of approximately HK\$177.7 million.

The Group currently holds four mining licenses in tungsten mines in Mongolia. As mentioned in the interim report of the Company, the Group entered into a memorandum of understanding with a contractor from Inner Mongolia in September 2015 for conducting the development and exploitation of one of the tungsten mines. The Company expects that the exploitation of the mine will commence by the end of June 2016, subject to a formal engagement to be agreed by the parties. As at the Latest Practicable Date, the Group and the contractor were still in the process of negotiation and no formal engagements have been confirmed yet.

In November 2015, the Company entered into a subscription agreement to allot and issue 250,180,000 new Shares to the Offeror with net proceeds of approximately HK\$164.32 million, of which HK\$160 million was intended to be used for the development of the businesses of brokerage, asset management and corporate finance while the remaining balance of HK\$4 million was intended to be used for general working capital of the trading business of medical device and equipment. The subscription was completed on 30 November 2015. On 29 January 2016, the Company announced that the net proceeds of HK\$160 million planned for the development of the businesses of brokerage, asset management and corporate finance would be reallocated as to approximately HK\$56 million for the FS Acquisition, HK\$4 million as working capital for the operation of Easy Winning and HK\$100 million for working capital of commodity trading business.

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In December 2015, the Group started to carry out commodity trading on a trial basis with a view to observe the potential of the commodity trading business. In view of the satisfactory performance of the commodity trading business, the Board subsequently decided to engage in the commodity trading business on a continuous basis. Further details for the development of commodity trading business are disclosed in the announcement of the Company dated 29 January 2016.

On 18 January 2016, the Group entered into an agreement to acquire (i) the FS Target Companies, which are principally engaged in Type 2 (dealing in futures) and Type 9 (asset management) regulated activities under the SFO and money lending business, for an aggregate maximum consideration of HK\$56 million; and (ii) an option to acquire a company principally engaged in Type 1 (dealing in securities) regulated activity under the SFO within 12 months from the earlier of the date of completion or 1 July 2016 for a maximum consideration of HK\$120 million. As at the Latest Practicable Date, the FS Acquisition had not been completed yet. According to the management of the Company, none of the conditions precedent of the FS Acquisition had been fulfilled or waived (as the case may be) as at the Latest Practicable Date and it is expected that the FS Acquisition would be completed by 30 July 2016. Details of the FS Acquisition are set out in the announcement of the Company dated 18 January 2016.

On 3 March 2016, the Offeror granted to the Group the Group Facility of up to HK\$1,000 million mainly for the working capital requirement for commodities trading business that may arise along with the growth of the business. In the event the Company identifies any suitable opportunity in the areas of money lending or distressed asset investment or other investment, part of the Group Facility, in any event not more than HK\$400 million in total, may be drawn for financing acquisitions or operations in related areas. As at the Latest Practicable Date, the Company had not identified any such business opportunity. Given that (i) the Group Facility is mainly for the working capital requirement for commodities trading business, which has only commenced for a short period of time and thus we have no sufficient track records for assessing the Group's performance in this business sector; and (ii) the Company had not identified any business opportunity in the areas of money lending or distressed asset investment or other investment as at the Latest Practicable Date, we are unable to ascertain the impact of the Group Facility on the Group's prospect in the near future and consider that the grant of the Group Facility to the Group will not affect our view on whether to accept the Offer. Details of the Group Facility are disclosed in the announcement of the Company dated 3 March 2016.

3. Future Prospect

As set out in the Letter from the Board, the Group is principally engaged in trading of medical equipment and commodities and mining of tungsten in Mongolia, and will embark on the financial services and money lending business in Hong Kong, subject to the completion of the FS Acquisition.

Medical equipment trading business in the PRC

According to the latest statistics released by the National Bureau of Statistics of the PRC, the preliminary gross domestic product (GDP) of the PRC for 2015 was approximately RMB67,670.8 billion, representing an increase of approximately 6.9% as compared to last year, and the national per capita disposable income was approximately RMB16,367.2 for the nine months ended 30 September 2015, representing an increase of approximately 9.2% as compared to the previous corresponding period. The statistics also show that the consumer price index for health

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care and personal products had increased from 100 in December 2014 to 102.5 in December 2015 and the population of elderly aged 65 and above had increased from approximately 8.9% in 2010 to approximately 10.1% in 2014. All the abovementioned statistics seem to support the growth of the healthcare industry in the PRC. However, we noted from the OECD Interim Economic Outlook released by the Organisation for Economic Co-operation and Development, an international organization with 34 country members, in February 2016 that the economic growth of the PRC has slowed down recently as the economy rebalances from manufacturing to services and it is challenging for the PRC Government to manage the rebalancing process together with the financial risks. It is expected that the GDP of the PRC for 2016 and 2017 would be 6.5% and 6.2% respectively.

Despite the historical data supported that the demand of healthcare services in the PRC is positive owing to the continuous economic growth, the increasing living standard and awareness of healthcare and the increasing aging population in the PRC, we do not expect a strong growth in the medical equipment trading industry in the PRC in the forthcoming year as the slowing down of the economic growth in the PRC might, to certain extent, bring negative impacts on the healthcare industry in the PRC.

Commodity trading business

We understand from the management of the Company that the commodities traded by the Group mainly involve metals. With reference to the latest “Commodity Market Monthly” dated 11 February 2016 issued by International Monetary Fund (“IMF”), an organization governed by, and accountable to, 188 countries to ensure the stability of the international monetary system and other macroeconomic and financial sector issues that bear on global stability, the metal prices continued to fall amid slowing Chinese economy and ample supply. Metal prices in general decreased by approximately 26.1% in January 2016 as compared to the prices in January 2015 and recorded a downward movement for a fourth consecutive month, driven, in part, by a slump in oil prices, no real recoveries in the PRC’s demand and over-capacity worldwide. According to the data released by IMF, the average prices of eight major metals, including copper, aluminum, iron ore, tin, nickel, zinc, lead and uranium, moved in a range of -43.0% to 9.8% in 2015 as compared to 2014 and it is expected that the prices of these metals would decrease in a compound annual rate in the range of -4.4% to -23.7% from 2015 to 2017.

Financial service business in Hong Kong

According to Hong Kong Monthly Digest of Statistics January 2016 issued by Census and Statistics Department of Hong Kong, the business receipts indices of financial markets and asset management sector under financing industry (excluding banking industry) was 100.3, 101.3, 110.3, 123.9, 156.7 and 122.1 for the year 2012, 2013, and 2014, the first quarter of 2015, the second quarter of 2015 and the third quarter of 2015 respectively. According to “Third Quarter Economic Report 2015” issued by the Government of Hong Kong in November 2015, the growth rate of real GDP in Hong Kong for 2014, the first quarter of 2015, the second quarter of 2015 and the third quarter of 2015 was 2.5%, 2.4%, 2.8% and 2.3% respectively. The government of Hong Kong also released its latest economic forecasts in November 2015 stating that the growth rate of real GDP in Hong Kong for 2015 was projected to be 2.4% and the forecasts by private sector analysts mostly range from 2.0% to 2.6% with an average growth rate of 2.3%.

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The latest information released by Hong Kong Exchanges and Clearing Limited revealed that the number of listed companies in Hong Kong had increased from 1,763 in January 2015 to 1,873 in January 2016. In 2015, the average daily turnover and the average number of trades per trading day in the securities market amounted to approximately HK\$105.6 billion and approximately 1.4 million respectively, representing a respective increase of approximately 52.1% and 35.6% as compared to the previous year. The equity funds raised in the securities market in 2015 increased by approximately 17.6% from approximately HK\$942.7 billion in 2014 to approximately HK\$1,109.0 billion in 2015. Meanwhile, the average daily turnover of futures and options increased from 576,676 contracts in 2014 to 768,520 contracts in 2015, representing an increase of approximately 33.3%. In January 2016, the average daily turnover of futures and options further increased to 941,648 contracts, representing an increase of approximately 22.2% as compared to the same period last year. However, the average daily turnover in the securities market decreased to approximately HK\$82.2 billion in January 2016, representing a decrease of approximately 15.6% as compared to the last corresponding period. The average number of trades per trading day in the securities market also decreased to approximately 1.3 million in January 2016 although maintained at a level similar to January 2015. The equity funds raised in the securities market in January 2016 amounted to approximately HK\$15.2 million, representing a reduction of approximately 55.7% as compared to the prior corresponding period.

With reference to “Fund Management Activities Survey 2014” issued by the SFC in July 2015, asset management business recorded an annual increase of approximately 11.9% in total assets under management to HK\$12,770 billion in 2014, of which HK\$11,309 billion was managed by licensed corporations.

Having considered that (i) the economic environment in the PRC and Hong Kong and the outlook of the industries which the Group is engaged in are unfavourable; (ii) the Group was loss-making for the past five financial years and the losses for the year attributable to owners of the Company fluctuated up and down year from year in the amount of approximately HK\$204.7 million, HK\$4.9 million, HK\$9.0 million, HK\$6.8 million and HK\$58.0 million for the year ended 31 March 2011, 2012, 2013, 2014 and 2015 respectively, which indicated that the performance of the Group was unstable; (iii) the Group has commenced its commodity trading business for only a short period and thus no sufficient track records to assess the performance of the Group in such business; and (iv) the FS Acquisition has yet to complete as at the Latest Practicable Date and the Group has no prior experiences in conducting financial service and money lending businesses, we are of the view that it is uncertain as to whether the Group will be able to achieve any significant improvement in its profitability in the near future.

4. Offer Price

The Offer Price of HK\$0.66 per Offer Share is the same as the consideration per Sale Share under the Agreements and the subscription price paid by the Offeror for the subscription of 250,180,000 Shares on 30 November 2015 (details of which are set out in the announcements of the Company dated 12 November 2015 and 30 November 2015) and represents:

- (i) a discount of approximately 1.49% to the closing price of HK\$0.67 per Share as quoted on the Stock Exchange on the Last Trading Day;

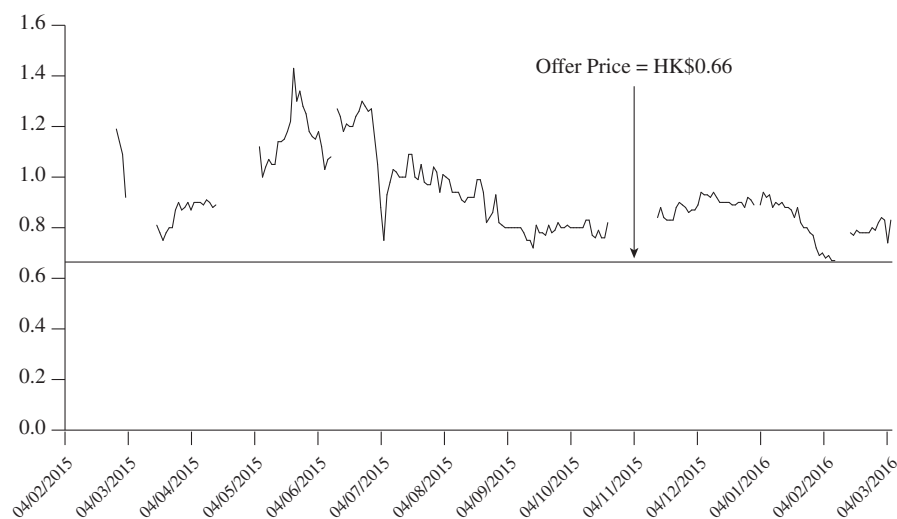
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- (ii) a discount of approximately 3.23% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of HK\$0.682 per Share;
- (iii) a discount of approximately 7.95% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of HK\$0.717 per Share;
- (iv) a discount of approximately 20.48% to the closing price of HK\$0.83 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 2.71% over the adjusted consolidated net asset value per Share as at 30 September 2015 of approximately HK\$0.642, which was calculated by dividing (i) the sum of the unaudited consolidated net asset value of the Group as at 30 September 2015 of approximately HK\$799.6 million and the net proceeds of HK\$164.32 million raised from the subscription of new Shares under general mandate completed on 30 November 2015; by (ii) 1,501,092,436 Shares in issue as at the Latest Practicable Date.

a. Historical trading price of the Shares

In order to assess the fairness and reasonableness of the Offer Price, we have reviewed the movements in trading price of the Shares during the period from 4 February 2015, being twelve months immediately preceding the Last Trading Day, to the Latest Practicable Date (the “Review Period”). We consider that a period of twelve months is adequate to illustrate the recent price movements of the Shares for conducting a reasonable comparison between the closing price of the Shares and the Offer Price. The closing prices of the Shares during the Review Period are depicted in Chart 1 below:

Chart 1: Closing prices of the Shares during the Review Period



Source: the website of the Stock Exchange

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As illustrated in Chart 1, the Shares were traded above the Offer Price throughout the Review Period with an average closing price of approximately HK\$0.92 and the highest and lowest closing prices of HK\$1.43 and HK\$0.67 respectively.

The trading of the Shares was halted during the period from 4 February 2015 to 27 February 2015 pending the release of an announcement in relation to the placing of new Shares (the “Placing”) and subscription of new Shares (the “Subscription”). Subsequent to the publication of the announcement on 27 February 2015, the closing price of the Shares increased from HK\$1.15 on 30 January 2015, being the last trading day immediately prior to the trading halt, to HK\$1.19 on 2 March 2015. After that, the trading price of the Shares decreased to HK\$0.92 on 5 March 2015. The trading of the Shares was halted on 6 March 2015 and resumed on 19 March 2015 at a closing price of HK\$0.81 following the release of the announcement of the Company dated 18 March 2015 in which it was announced that the major shareholder of the subscriber requesting the subscriber to suspend all steps taken or to be taken with regard to the Subscription. The closing price of the Shares further dropped to HK\$0.75 on 23 March 2015 and then rebounded to HK\$0.90 on 30 March 2015.

Since then, the closing price of the Shares fluctuated in the range from HK\$0.87 to HK\$0.91 until the trading halt of the Shares commenced on 21 April 2015. On 8 May 2015, the Company published an announcement in relation to the possible termination of the Placing and the Subscription. The trading price of the Shares closed at HK\$1.12 on 11 May 2015 and skyrocketed to HK\$1.43, being the highest closing price of the Shares during the Review Period, on 27 May 2015. Subsequently, the closing price of the Shares decreased gradually to HK\$1.08 on 12 June 2015. On 15 June 2015, the trading of the Shares was halted and an announcement relating to placing of new Shares was published on the same day. The closing price of the Shares increased to HK\$1.27 on 16 June 2015 after resumption of trading of the Shares. The trading price of the Shares then decreased to HK\$0.75, the short-term lowest price of the Shares, on 8 July 2015 and then rallied to HK\$1.09 on 20 July 2015. Since then, the closing price of the Shares decreased gradually to HK\$0.82 on 22 October 2015.

The trading of the Shares was halted during the period from 23 October 2015 to 12 November 2015 pending the release of the announcement of the Company dated 12 November 2015 regarding the subscription of new Shares. There were no significant movements in the closing price of the Shares after the resumption of trading of the Shares and the closing price of the Shares fluctuated between HK\$0.83 and HK\$0.94 during the period from 13 November 2015 to 29 December 2015. On 30 December 2015, the trading of the Shares was halted and an announcement in relation to a very substantial acquisition was published by the Company on the same day. The closing price of the Shares remained the same at HK\$0.89 on 31 December 2015, being the date for resumption of trading of the Shares, as compared to the closing price of the last trading day immediately before the trading halt of the Shares and then picked up a bit to HK\$0.94 on 4 January 2016. Since then, the closing price of the Shares showed a down-trend and it decreased to HK\$0.67 on the Last Trading Day. The trading of Shares was halted from 5 February 2016 to 15 February 2016 pending the release of the Joint Announcement. After the trading resumption of the Shares, the closing price of the Shares increased from HK\$0.67 on the Last Trading Day to HK\$0.78 on 16 February 2016. We understand from the management of the Company that, save for the Offer, the Company did not aware of any reason for the increase in share price after the Last Trading Day. The closing price of the Shares then fluctuated between HK\$0.74 and HK\$0.84 and the trading price of the Shares closed at HK\$0.83 on the Latest Practicable Date.

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The Independent Shareholders should note that although the trading prices of the Shares were above the Offer Price throughout the Review Period. However, there are no guarantees that the trading price of the Shares will sustain at a level higher than the Offer Price during and after the Offer Period.

We have also reviewed the movement of the Hang Seng Index (“HSI”) during the Review Period and noted that the HSI increased from 24,679.76 on 4 February 2015, being the first day of the Review Period, to 28,442.75, being the highest level during the Review Period, on 28 April 2015 and then dropped to 20,176.70 as at the Latest Practicable Date.

b. Historical trading volume of the Shares

We have also reviewed the historical trading volume of the Shares during the Review Period. The average daily trading volume of the Shares and the percentages of average daily trading volume of the Shares as compared to the total number of issued Shares and the Shares held by the public during the Review Period are shown in Table 2 below:

Table 2: Historical average daily trading volume of the Shares

Month	Number of trading days	Average daily trading volume ^(Note 1)	% of average daily trading volume to the total number of issued Shares ^(Note 2)	% of average daily trading volume to the total number of Shares in public hands ^(Note 3)
2015				
February ^(Note 4)	0	N/A	N/A	N/A
March ^(Note 5)	13	1,879,769	0.1252%	0.1941%
April ^(Note 6)	11	930,289	0.0620%	0.0960%
May ^(Note 6)	14	8,991,503	0.5990%	0.9283%
June ^(Note 7)	21	3,552,500	0.2367%	0.3668%
July	22	1,359,014	0.0905%	0.1403%
August	21	616,583	0.0411%	0.0637%
September	20	142,750	0.0095%	0.0147%
October ^(Note 8)	14	83,429	0.0056%	0.0086%
November ^(Note 8)	12	2,164,958	0.1442%	0.2235%
December ^(Note 9)	21	1,689,757	0.1126%	0.1745%
2016				
January	20	1,248,415	0.0832%	0.1289%
February ^(Note 10)	14	722,965	0.0482%	0.0746%
March ^(Note 11)	4	1,477,500	0.0984%	0.1525%

Source: the website of the Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the relevant month/period which excludes any trading day on which trading of Shares on the Stock Exchange was halted for the whole trading day.

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2. Calculated based on 1,501,092,436 Shares in issue as at the Latest Practicable Date.
3. Calculated based on 968,587,436 Shares held in public hands as at the Latest Practicable Date.
4. Represents trading volume for the period from 4 February 2015 to 27 February 2015, during which the trading of Shares was halted.
5. Trading of Shares was halted from 5 March 2015 to 18 March 2015.
6. Trading of Shares was halted from 21 April 2015 to 8 May 2015.
7. Trading of Shares was halted on 15 June 2015.
8. Trading of Shares was halted from 23 October 2015 to 12 November 2015.
9. Trading of Shares was halted on 30 December 2015.
10. Trading of Shares was halted from 5 February 2016 to 15 February 2016.
11. Represents trading volume for the period from 1 March 2015 to the Latest Practicable Date.

Table 2 demonstrates that during the Review Period, the average daily trading volume of the Shares was in the range of approximately 0.0056% to approximately 0.5990% of the total number of issued Shares as at the Latest Practicable Date and approximately 0.0086% to approximately 0.9283% of the total number of the Shares held in public hands as at the Latest Practicable Date. The above statistics show that the liquidity of the Shares was relatively low during the Review Period.

Given the thin trading volume of the Shares in the Review Period, a sufficiently active market may not exist to enable the Independent Shareholders to sell the Shares in bulk quantity without exerting a downward pressure on the price of the Shares in the short term. Therefore, we anticipate that the Independent Shareholders may have difficulties in selling a significant number of Shares in the open market within a short period of time if the same trading pattern of the Shares persists during and after the Offer Period, and consider that the Independent Shareholders should accept the Offer if they wish to realize their investments in a large number of Shares within a short period of time.

c. Comparison with market comparables

To further evaluate the fairness and reasonableness of the Offer Price, we have also considered the commonly adopted comparison approaches in evaluation of a company, namely price-to-earnings approach, dividends approach and net assets approach. However, given that the Company recorded net loss for the two years ended 31 March 2015 and the Company had not declared any dividend to the Shareholders for the two years ended 31 March 2015, we consider that the price-to-earnings approach and the dividends approach are not applicable for assessing the value of the Group and thus only the net assets approach with price-to-book ratio (the “PBR”) is adopted in assessing the value of the Group. The PBR is a ratio used to compare a stock’s value to its book value. The higher the PBR, the higher price the stock is valued relative to its asset value.

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Based on the adjusted net asset value of the Group attributable to the owners of the Company of approximately HK\$961.1 million, which was calculated based on the unaudited net asset value of the Group attributable to the owners of the Company as at 30 September 2015 of approximately HK\$796.8 million and adjusted by the net proceeds from the subscription of Shares completed in November 2015 of approximately HK\$164.3 million, and 1,501,092,436 Shares in issue as at the Latest Practicable Date, the net asset value per Share amounted to approximately HK\$0.64. Accordingly, the PBR of the Group implied by the Offer Price of HK\$0.66 is approximately 1.03 times.

The Group is principally engaged in trading of medical equipment and commodities and mining of tungsten in Mongolia. As such, we have searched for comparable companies which are listed on the Main Board or Growth Enterprises Market of the Stock Exchange and principally engaged in the same businesses as the Group for comparison purpose. However, no sufficient comparable companies that exactly match the businesses of the Group were identified.

Given that the mining rights of the Group's tungsten mines accounted for over 60% of the total assets of the Group and the type of assets, instead of revenue source, is more relevant as a criterion for selection of comparables for comparison of PBR, we consider that it is relevant and appropriate to compare the implied PBR of the Group with companies whose assets mainly comprise mining rights for comparison purpose. Therefore, we have compared the PBR of the Group implied by the Offer Price with those of other comparable companies, which (a) are currently listed on the Main Board or Growth Enterprises Market of the Stock Exchange; (b) principally engaged in the business of mining of non-ferrous metal (excluding precious metals) and have mining rights and/or exploration and evaluation assets accounted for over 30% of their total assets, which is comparable to the asset composition of the Group; (c) shares have not been suspended in trading for more than 3 months preceding the Latest Practicable Date; and (d) have a market capitalization in the range of nil to HK\$2,491.8 million, which represents 100% below and above the market capitalization of the Company respectively, as at the Latest Practicable Date. The range of market capitalization of the Comparables was set at such values so as to ensure that the sample size is large enough for a meaningful comparison while only those companies with size comparable to the Company are included for comparison purpose. Based on the abovementioned criteria, we have identified six comparable companies (the "Comparables") as valuation benchmarks and we consider such Comparables are fair and representative samples for comparison purpose and represent an exhaustive list of relevant comparable companies based on the said criteria and is sufficient for assessing the fairness and reasonableness of the Offer Price. Set out in Table 3 below is a comparison of the PBR of the Group as implied by the Offer Price and the Comparables as at the Latest Practicable Date.

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Table 3: PBRs of the Comparables and the Group

Company Name (Stock code)	Principal Business Activities	Value of mining rights and/or exploration and evaluation assets to total assets	Market Capitalization HK\$ million	PBR (Note) times
L'sea Resources International Holdings Limited (195)	Investment holding, provision of corporate management services, and metal tin mining and sales of tin concentrates	31.2%	1,205.6	4.11
North Mining Shares Company Limited (433)	Exploitation and exploration, trading of mineral resources, property leasing operations and property management operations	32.9%	1,791.2	0.46
China Dynamics (Holdings) Limited (476)	Investment holding, trading of metals and mineral, development of new energy business and processing of raw ores and mineral resources	76.7%	926.5	0.28
Yue Da Mining Holdings Limited (629)	Exploration, mining and processing of zinc, lead, iron and gold	50.5%	303.1	0.57
Huili Resources (Group) Limited (1303)	Mining, ore processing and sales of nickel, copper, lead and zinc metal products in the PRC	33.3%	1,830.0	4.43
Jinchuan Group International Resources Limited (2362)	Trading of mineral and metal products and metal mining activities, primarily copper and cobalt production	39.4%	1,522.8	0.24
Minimum				0.24
Maximum				4.43
Average				1.68
Median				0.52
The Company (718)	Investment holding and trading of goods, mining business	60.3%	1,245.9	1.03

Source: the website of the Stock Exchange

Note: The PBR is calculated based on the market capitalization of the respective Comparables as at the Latest Practicable Date divided by the latest published net asset attributable to the owners of the respective Comparables as extracted from their respective latest published annual or interim reports.

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As shown in Table 3, the PBRs of the Comparables ranged from approximately 0.24 times to 4.43 times, with an average of approximately 1.68 times and a median of approximately 0.52 times. The implied PBR of the Group of approximately 1.03 times falls within the range of the PBRs of the Comparables and is higher than the median PBR of the Comparables, although lower than the average PBR of the Comparables. As such, we consider that the Offer Price is fair and reasonable based on the comparison approach.

We understand that the Comparables are not engaged in exactly the same business as the Group and they may not be entirely comparable to the Group in terms of market capitalization, geographical spread of activities, scale of operations, asset base, cash position, debt structure, minority interest, risk profile, track record, composition of their business activities, future prospect and other relevant criteria. All these factors may affect the valuation of a company as indicated by the varied range of result in our comparison. Therefore, the above comparison with the Comparables has its own limitation and in forming our opinion, we have considered the results of the above comparison together with all other factors stated in this letter as a whole.

d. Valuation by income approach

We have also considered assessing the value of the Group by income approach. However, given that valuations using income approach involve various subjective assumptions and parameters in preparing the profit forecast and discounted cash flow such as growth rate beyond the forecast period for calculation of the terminal value, discount rate and revenue and expenses projections, which may largely affect the value of the subject, we consider that it is inappropriate to use income approach to assess the value of the Group.

e. Conclusion

Based on the above analysis and taking into consideration that (i) the Offer Price is the same as the consideration per Sale Share under the Agreements and represents a premium of approximately 2.71% over the adjusted consolidated net asset value of the Group attributable to the Shareholders of HK\$0.64 per Share; (ii) although the Offer Price was lower than the closing price of the Shares throughout the Review Period, it is uncertain whether the trading price of the Shares could be sustained at a level higher than the Offer Price during and after the Offer Period as (a) the closing price of the Shares demonstrated a decreasing trend since 2016 and up to the Last Trading Day; (b) the trading price of the Shares closed at a price only around 1.5% over the Offer Price on the Last Trading Day; (c) the surge in trading price after the Last Trading Day is likely to be attributable to the market speculation on the change in control of the Company given there were no fundamental changes in the trading and financial positions of the Group; (d) the HSI was on a decreasing trend during the Review Period and the Hong Kong stock market is volatile amid lingering economic uncertainty; and (e) the financial performance and prospect of the Group are uncertain given its continuous loss-making track record, short operating history of the commodity trading business, being the core business of the Group at the moment, gloomy outlook of the mining industry and lack of experience in the proposed new businesses of financial services and money lending; (iii) the liquidity of the Shares during the Review Period was thin and it is uncertain whether the liquidity of the Shares could be improved to allow the Independent Shareholders to dispose of their holding in the Shares in the market without exerting downward pressure on the price of the Shares; and (iv) the implied PBR of the Group falls within the range of the

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PBRs of the Comparables and is higher than the median PBR of the Comparables, we consider that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

The Independent Shareholders who wish to realize their investments in the Group are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period.

5. Information of the Offeror and its intention regarding the Group

The Offeror is a company incorporated in Cayman Islands with limited liability and its sole beneficial owner and sole director is Mr. Chua. On 30 November 2015, the Offeror subscribed for a total of 250,180,000 Shares at HK\$0.66 per Share and thus became a substantial Shareholder (as defined in the Listing Rules) holding approximately 16.67% of the total issued share capital of the Company before the Acquisition Completion. On 19 January 2016, Mr. Chua was appointed as an executive Director and Chairman of the Board. Mr. Chua has over nine years of experience in the areas of equity investments, trading of liquefied petroleum gas and chemical products and trade financing. Mr. Chua is the founder and the president of Huacheng International Resources Pte Ltd. (華宸國際能源有限公司*), a private company established in Singapore in 2006, which is the trading arm of Mr. Chua in liquefied petroleum gas and chemical products. Subsequent to the Acquisition Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it held 481,680,000 Shares, representing approximately 32.09% of the entire issued share capital of the Company.

As set out in the Letter from Optima Capital, the Offeror intends to continue the existing principal businesses of the Group, which comprises trading of medical equipments and commodities and mining of tungsten in Mongolia, and the proposed new businesses of financial services and money lending in Hong Kong, subject to the completion of the FS Acquisition. Despite the high volatility and tight liquidity currently experienced by the capital market, the Offeror considers that the recent market consolidation may present good opportunities for the development of the Group's business. Leveraging on Mr. Chua's experience in equity investments and trade finance, the Offeror will explore the possible business opportunities in the area of money lending and distressed asset investments in Hong Kong and the PRC. Subject to further investigation into the business opportunities in the related areas, the Offeror will present suitable propositions to the Company in due course. Meanwhile, in order to enable the Company to capture good opportunities that may arise in future, the Offeror will consider providing, or procure financial institutions to provide, necessary finance to the Group in the interim, such that the Group would be in a position to expand its business with critical mass. On 3 March 2016, the Offeror granted to the Group the Group Facility of up to HK\$1,000 million mainly for the working capital requirement for commodities trading. In the event the Company identifies any suitable opportunity in the areas of money lending or distressed asset investment or other investment, part of the Group Facility, in any event not more than HK\$400 million in total, may be drawn for financing acquisitions or operations in related areas. As at the Latest Practicable Date, the Company had not identified any such business opportunity. Upon close of the Offer, the Offeror will conduct a detailed review of the operations of the Group and formulate business strategies for the Group's long term development. However, no investments or business opportunities had been identified nor had the Offeror entered into any agreement, arrangement, understanding or negotiation in relation to the injection of any asset or business into the Group as of the Latest Practicable Date. The Offeror has no intentions to discontinue the employment of the employees of the Group or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

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As disclosed in the Letter from Optima Capital, the Offeror intends to keep the Company maintaining its listing status on the Main Board of the Stock Exchange after close of the Offer and the sole director of the Offeror will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float will exist in the Shares after the close of the Offer. The Offeror does not intend to exercise its right which may be available to it to compulsorily acquire the remaining Shares after the close of the Offer.

The Board currently comprises six Directors, including three executive Directors, namely Mr. Chua, Mr. Hu and Dr. Liu Hua, and three independent non-executive Directors, namely Mr. Mao Kangfu, Dr. Gao Bin and Ms. Liu Yan. The Offeror intends to nominate directors to the Board for appointment with effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code. As at the Latest Practicable Date, the Offeror had not decided on the future composition of the Board.

Given that (i) the Offeror intends to continue the existing principal businesses of the Group and the proposed new businesses, subject to the completion of the FS Acquisition; (ii) neither concrete investments or business opportunities had been identified by the Offeror nor any agreement, arrangement, understanding or negotiation in relation to the injection of any asset or business into the Group had been entered into by the Offeror as of the Latest Practicable Date; (iii) the Offeror intends to maintain the listing status of the Company on the Main Board of the Stock Exchange after the close of the Offer; and (iv) the Offeror has no intentions to terminate any employment of the employees of the Group or to dispose of or re-deploy the assets of the Group other than those in the ordinary course of business of the Group, we do not expect that there would be any material change in the Group's business in the near future.

RECOMMENDATION

Having considered the principal factors and reasons stated above, in particular (i) the Offer Price is the same as the consideration per Sale Share paid by the Offeror under the Agreements; (ii) the Offer Price represents a premium over the adjusted consolidated net asset value of the Group attributable to the Shareholders per Share; (iii) the implied PBR of the Group falls within the range of the PBRs of the Comparables and is higher than the median PBR of the Comparables; (iv) although the Offer Price was lower than the closing price of the Shares throughout the Review Period, it is uncertain whether the trading price of the Shares could be sustained at a level higher than the Offer Price during and after the Offer Period; (v) the liquidity of the Shares during the Review Period was thin and it is uncertain whether the liquidity of the Shares could be improved to allow the Independent Shareholders to dispose of their holdings in the Shares in the market without exerting downward pressure on the price of the Shares; (vi) the future prospects of the Group remain uncertain in view of the unstable and continuous loss-making track record of the Group, short operating history of the commodity trading business, being the core business of the Group at the moment, gloomy outlook of the mining industry and lack of experience of the Group in the proposed new businesses of financial services and money lending; and (vii) the Hong Kong stock market is volatile amid lingering economic uncertainty, we are of the view that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. As such, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

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However, Independent Shareholders should note that the Shares have been trading above the Offer Price lately. Therefore, opportunities may exist for Independent Shareholders to sell their Shares in the open market above the Offer Price and thus the Independent Shareholders are reminded that they should carefully and closely monitor the market price and the liquidity of the Shares before the end of the Offer Period and consider selling their Shares in the open market rather than accepting the Offer if the net proceeds from the market sale of their Shares after deducting all transaction costs are more than the net amount to be received under the Offer. Those Independent Shareholders who wish to retain some or all of their investments in the Shares and/or are confident in the future prospects of the Group or otherwise are reminded to closely monitor the development of the Group and any announcement of the Company in this regard.

Independent Shareholders are also strongly advised that the decision to realise or hold their investments in the Shares is subject to individual circumstances and investment objectives.

The procedures for acceptance of the Offer is set out in Appendix I to the Composite Document and the accompanying Form of Acceptance despatched to the Shareholders on 7 March 2016. The latest time for acceptance of the Offer (unless extended by the Offeror) is 4:00 p.m. on Tuesday, 29 March 2016. Independent Shareholders are urged to act according to the timetable if they wish to accept the Offer.

Yours faithfully,
For and on behalf of
Hercules Capital Limited

Louis Koo
Managing Director

Amilia Tsang
Director

Notes:

1. Mr. Louis Koo is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activities and has over 20 years of experience in investment banking and corporate finance.
2. Ms. Amilia Tsang is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activities and has over 15 years of experience in corporate finance, investment and corporate management.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the accompanying Acceptance Form in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Offer.

- (i) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer in respect of your Shares, you must send the Acceptance Form duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, marked "Bestway International Holdings Limited – Offer" on the envelope, in any event not later than 4:00 p.m., on the First Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.
- (ii) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares, you must either:
 - a. lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver in an envelope marked "Bestway International Holdings Limited – Offer" the duly completed and signed Acceptance Form together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - b. arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked "Bestway International Holdings Limited – Offer" the duly completed and signed Acceptance Form together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar; or

- c. if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC to accept the Offer on your behalf on or before the deadline set out by HKSCC. In order to meet the deadline set by HKSCC, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/ custodian bank as required by them; or
 - d. if your Shares have been lodged with your investor participant stock account with CCASS, authorise your instruction via the CCASS phone system or CCASS internet system no later than the deadline set out by HKSCC.
- (iii) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Acceptance Form and deliver it in an envelope marked “Bestway International Holdings Limited – Offer” to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an authority to the Offeror and/or Optima Capital or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Acceptance Form.
- (iv) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares is/are not readily available or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Acceptance Form and deliver it in an envelope marked “Bestway International Holdings Limited – Offer” to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (v) Acceptance of the Offer will be treated as valid only if the duly completed and signed Acceptance Form is received by the Registrar by no later than 4:00 p.m. on the First Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code), and the Registrar has recorded that the Acceptance Form and any relevant documents required, under paragraph (vi) below have been so received.
- (vi) Acceptance of the Offer may not be counted as valid unless the Acceptance Form is duly completed and signed and is:
 - a. accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
 - b. from a Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph under this paragraph (vi)); or
 - c. certified by the Registrar or the Stock Exchange.

If the Acceptance Form is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

- (vii) No acknowledgement of receipt of any Acceptance Form, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (viii) If the Offer does not become, or is not declared, unconditional in all respects within the time permitted by the Takeovers Code, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar will be returned to the Shareholders who have accepted the Offer by ordinary post at the Shareholders' own risk as soon as possible but in any event within 10 days after the Offer has lapsed.

2. SETTLEMENT

- (i) If you accept the Offer, settlement of the consideration, less seller's ad valorem stamp duty, will be made by cheque as soon as possible, but in any event within seven (7) Business Days following the later of the date of receipt of a complete and valid acceptance of the Offer and the Unconditional Date. Each cheque will be despatched by ordinary post to the address specified on the relevant Shareholder's Acceptance Form at his/her/its own risk.
- (ii) No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest cent.

3. ACCEPTANCE PERIOD AND REVISIONS

- (i) The Offer is made on 7 March 2016, namely the date of despatch of this Composite Document, and is capable of acceptance on and from this date until 4:00 p.m. on the First Closing Date.
- (ii) Unless the Offer has previously been revised or extended with the consent of the Executive and in accordance with the Takeovers Code, to be valid, the Acceptance Form must be received by the Registrar by 4:00 p.m. on the First Closing Date in accordance with the instructions printed on the Acceptance Form. The Offer is conditional upon the Offeror having received valid acceptances in respect of the Shares which, together with the Shares already acquired by the Offeror and party acting in concert with it before or during the Offer Period, will result in the Offeror and any party acting in concert with any of them holding more than 50% of the Shares. Pursuant to the Takeovers Code, where the Offer becomes or is declared unconditional, the Offer will remain open for acceptance for not less than 14 days thereafter. The Offeror will make an announcement as and when the Offer becomes or is declared unconditional.
- (iii) If the Offer is extended, the announcement of such extension will state the next closing date or if the Offer is unconditional as to acceptances, the announcement will contain a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given to the Independent Shareholders before the Offer is closed. If, in the course of the Offer, the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document(s) are posted and shall not close earlier than the First Closing Date.
- (iv) If the First Closing Date is extended, any references in this Composite Document and the Acceptance Form to the First Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

4. ANNOUNCEMENT

- (i) By 6:00 p.m. on the First Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry or unconditionality of the Offer. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the First Closing Date stating whether the Offer has been revised or extended, has expired or has become or been declared unconditional.

The announcement will state the total number of Shares:

- a. for which acceptances of the Offer have been received;
- b. held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period; and
- c. acquired by the Offeror or parties acting in concert with it during the Offer Period.

The announcement will also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or parties acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on-lent or sold.

The announcement will also specify the percentages of the issued share capital of the Company, and the percentages of voting rights, represented by these numbers.

In computing the total number of Shares represented by acceptances, only valid acceptances that are complete, in good order and fulfil the acceptance conditions set out in this Appendix I, and which have been received by the Registrar no later than 4:00 p.m. on the First Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

- (ii) As required under the Takeovers Code, all announcements in relation to the Offer will be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

5. NOMINEE REGISTRATION

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. In order for beneficial owners of Shares, whose investments are registered in the names of nominees, to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their nominees.

6. RIGHT OF WITHDRAWAL

The Offer is conditional upon fulfilment of the condition set out in the “Letter from Optima Capital” in this Composite Document. Acceptance of the Offer tendered by Independent Shareholders, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the following paragraph or in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offer shall be entitled to withdraw his/her/its consent within 21 days from the First Closing Date if the Offer has not by then become unconditional as to acceptances. An acceptor of the Offer may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar.

Furthermore, in the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer as described under the paragraph headed “4. Announcement” above), the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

In such case, when the Independent Shareholder(s) withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any indemnity or indemnities provided in respect thereof) lodged with the Acceptance Form to the relevant Independent Shareholder(s) at their own risks.

Save as aforesaid, acceptances of the Offer shall be irrevocable and not capable of being withdrawn.

7. OVERSEAS SHAREHOLDERS

The Offer is available to all the Independent Shareholders, including the Overseas Shareholders. However, the Overseas Shareholders who wish to participate in the Offer are subject to, and may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection with the acceptance of the Offer (including obtaining any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdiction).

8. STAMP DUTY

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer amounting to 0.1% of the consideration payable in respect of relevant acceptances by the Independent Shareholders accepting the Offer, or if it is considered substantially lower than the market value, the market value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance, will be deducted from the cash amount payable to the Independent Shareholders who accept the Offer. The Offeror will then pay the buyer's ad valorem stamp duty so deducted on its own behalf. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Independent Shareholders and will pay to the Stamp Office the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance.

9. TAX IMPLICATIONS

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror and parties acting in concert with any of it, the Company, Optima Capital, Hercules Capital, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

10. GENERAL

- (i) All communications, notices, the Acceptance Form, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk. Such communications, notices, documents and remittances will be sent to Independent Shareholders at their addresses, specified on the relevant Acceptance Form. None of the Offeror and parties acting in concert with it, the Company, Optima Capital, Hercules Capital, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.
- (ii) The provisions set out in the Acceptance Form form part of the terms of the Offer.
- (iii) The accidental omission to despatch this Composite Document and/or Acceptance Form or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (iv) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (v) Due execution of the Acceptance Form will constitute an irrevocable authority to the Offeror and/or Optima Capital (or such person or persons as the Offeror and/or Optima Capital may direct) to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror (or such person or persons as it may direct) the Shares in respect of which such person has accepted the Offer.
- (vi) Acceptance of the Offer by Independent Shareholders will be deemed to constitute a warranty by such person(s) to the Offeror that such Shares acquired under the Offer are sold or tendered by Independent Shareholders free from all pledges, charges, claim, community or other marital property interest, liens, mortgages, lease, security interests, attachments, pre-emption rights, options restrictions, conditional sale agreement or other title retention agreement and any other encumbrances or similar third party rights or claims of any kind and together with all rights accruing or attaching thereto on the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends (whether final or interim) and other distributions, if any, declared, made or paid on or after the date on which the Offer is made.

- (vii) References to the Offer in this Composite Document and in the Acceptance Form shall include any extension and/or revision thereof.
- (viii) Any Independent Shareholders accepting the Offer will be responsible for payment of any other transfer or cancellation or other taxes or duties payable by them in any relevant jurisdiction.
- (ix) Save for the payment of stamp duty, settlement of the consideration to which any Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.
- (x) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares it has indicated in the Acceptance Form is the aggregate number of Shares for which such nominee has received authorisations from the beneficial owners to accept the Offer on their behalf.
- (xi) The English text of this Composite Document and the Acceptance Form shall prevail over the Chinese text for the purpose of interpretation.
- (xii) In making their decision, Independent Shareholders must rely on their own examination of the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Acceptance Form, shall not be construed as any legal or business advice on the part of the Offeror, the Company, Optima Capital, Hercules Capital, the Registrar or their respective professional advisers. Shareholders should consult their own professional advisers for professional advice.
- (xiii) This Composite Document has been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Offer in Hong Kong and the operating rules of the Stock Exchange.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2013, 2014 AND 2015 AND SIX MONTHS ENDED 30 SEPTEMBER 2015

The following financial information has been extracted from the audited accounts of the Group for each of the three years ended 31 March 2013, 2014 and 2015 and the unaudited accounts for the six months ended 30 September 2015:

	Year ended 31 March			Six months ended
	2015	2014	2013	30 September
	HK\$'000	HK\$'000	HK\$'000	2015
	(audited)	(audited)	(audited)	HK\$'000
				(unaudited)
Revenue	7,632	2,255	524	9,830
Loss before income tax	(74,746)	(6,894)	(8,957)	(3,468)
Income tax credit/(expense)	<u>16,479</u>	<u>—</u>	<u>—</u>	<u>(9)</u>
Loss for the year/period	<u>(58,267)</u>	<u>(6,894)</u>	<u>(8,957)</u>	<u>(3,477)</u>
Loss for the year attributable to:				
Owners of the Company	(58,027)	(6,894)	(8,957)	(3,408)
Non-controlling interests	<u>(240)</u>	<u>—</u>	<u>—</u>	<u>(69)</u>
	<u>(58,267)</u>	<u>(6,894)</u>	<u>(8,957)</u>	<u>(3,477)</u>
			(Restated)	
Loss per Share				
Basic and diluted (HK cents)	<u>(5.65)</u>	<u>(0.85)</u>	<u>(1.21)</u>	<u>(0.30)</u>
Dividend per Share	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

There were no items which are exceptional because of size, nature or incidence in respect of the consolidated financial statements of the Company during each of the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015.

The auditor of the Company has not issued any qualified opinion on the Group's financial statements for the three years ended 31 March 2013, 2014 and 2015, but had included the emphasis of matter in the financial report of the Group for the year ended 31 March 2013 as follows:–

- (i) the Group entered into a memorandum of understanding with a contractor pursuant to which the Group agreed to engage the contractor to conduct mining activities, including development and exploitation, of all of its Mongolian tungsten mines. The Group and the contractor will negotiate the relevant mining terms and consideration for incorporation into a formal cooperation agreement which, however, is not yet concluded and entered up to the reporting date;
- (ii) the carrying value of the mining rights of the Group was HK\$735,657,000 as at 31 March 2013, with impairment assessment using discounted cash flow method based on the existing exploitation plan. Should there be any reach an agreement on the relevant mining terms and consideration with the contractor, the value of the mining rights of the Group may possibly be affected; and
- (iii) as of 31 March 2013, the Group's current liabilities exceeded its current assets by approximately HK\$4,391,000. This condition indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Capitalised terms used in Section 2 of this Appendix below have the same meaning as defined in the related annual report of the Company.

2. FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2015

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 March 2015 as extracted from the annual report of the Company for the year ended 31 March 2015.

Consolidated Statement of Comprehensive Income For the year ended 31 March 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	7	7,632	2,255
Cost of sales		<u>(4,548)</u>	<u>(2,062)</u>
Gross profits		3,084	193
Other income	7	27	394
Selling and distribution expenses		(898)	–
Administrative expenses		(10,861)	(7,430)
Other operating expenses		<u>(66,098)</u>	<u>(51)</u>
Loss before income tax	8	(74,746)	(6,894)
Income tax credit	9	<u>16,479</u>	<u>–</u>
Loss for the year		(58,267)	(6,894)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
– Exchange difference on translation of financial statements of foreign operations		<u>3</u>	<u>(156)</u>
Total comprehensive income for the year		<u>(58,264)</u>	<u>(7,050)</u>
Loss for the year attributable to:			
Owners of the Company		(58,027)	(6,894)
Non-controlling interests		<u>(240)</u>	<u>–</u>
		<u>(58,267)</u>	<u>(6,894)</u>
Total comprehensive income attributable to:			
Owners of the Company		(58,024)	(7,050)
Non-controlling interests		<u>(240)</u>	<u>–</u>
		<u>(58,264)</u>	<u>(7,050)</u>
Loss per share	11		
Basic and diluted (<i>HK cents</i>)		<u>(5.65)</u>	<u>(0.85)</u>

Consolidated Statement of Financial Position*As at 31 March 2015*

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>13</i>	121	16
Mining rights	<i>14</i>	<u>671,624</u>	<u>737,561</u>
		671,745	737,577
Current assets			
Trade receivables	<i>16</i>	2,795	1,372
Inventories	<i>17</i>	1,277	615
Deposits, other receivables and prepayments	<i>18</i>	1,876	166
Cash and cash equivalents	<i>19</i>	<u>97,361</u>	<u>24,514</u>
		103,309	26,667
Current liabilities			
Trade payables	<i>20</i>	–	1,248
Accrued liabilities and other payables	<i>21</i>	<u>1,812</u>	<u>2,131</u>
		<u>1,812</u>	<u>3,379</u>
Net current assets		<u>101,497</u>	<u>23,288</u>
Total assets less current liabilities		<u>773,242</u>	<u>760,865</u>
Non-current liabilities			
Deferred tax liabilities	<i>22</i>	<u>147,429</u>	<u>163,913</u>
Net assets		<u><u>625,813</u></u>	<u><u>596,952</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>23</i>	52,296	44,796
Reserves	<i>24</i>	<u>570,632</u>	<u>552,156</u>
		622,928	596,952
Non-controlling interests		<u>2,885</u>	<u>–</u>
Total equity		<u><u>625,813</u></u>	<u><u>596,952</u></u>

Statement of Financial Position*As at 31 March 2015*

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>13</i>	47	7
Investments in subsidiaries	<i>15</i>	<u>–</u>	<u>–</u>
		47	7
Current assets			
Deposits, other receivables and prepayments	<i>18</i>	7	155
Amounts due from subsidiaries	<i>15</i>	545,464	759,427
Cash and cash equivalents	<i>19</i>	<u>82,991</u>	<u>22,233</u>
		628,462	781,815
Current liabilities			
Accrued liabilities and other payables	<i>21</i>	1,150	827
Amount due to a subsidiary	<i>15</i>	<u>–</u>	<u>1,051</u>
		<u>1,150</u>	<u>1,878</u>
Net current assets		<u>627,312</u>	<u>779,937</u>
Total assets less current liabilities		<u>627,359</u>	<u>779,944</u>
Net assets		<u>627,359</u>	<u>779,944</u>
EQUITY			
Share capital	<i>23</i>	52,296	44,796
Reserves	<i>24</i>	<u>575,063</u>	<u>735,148</u>
Total equity		<u>627,359</u>	<u>779,944</u>

Consolidated Statement of Changes in Equity

For the year ended 31 March 2015

	Equity attributable to the Company's owners					Total	Non-controlling interests	Total equity
	Share capital	Share premium*	Contributed surplus*	Exchange fluctuation reserve*	Accumulated losses*			
	HK\$'000	(note 24(a)) HK\$'000	(note 24(b)) HK\$'000	(note 24(c)) HK\$'000	(note 24(d)) HK\$'000			
At 1 April 2013	37,336	734,069	52,743	45	(254,304)	569,889	-	569,889
Loss for the year	-	-	-	-	(6,894)	(6,894)	-	(6,894)
Other comprehensive income								
- Exchange difference on translation of financial statements of foreign operations	-	-	-	(156)	-	(156)	-	(156)
Total comprehensive income for the year	-	-	-	(156)	(6,894)	(7,050)	-	(7,050)
Issue of shares (note 23(a))	7,460	26,653	-	-	-	34,113	-	34,113
At 31 March 2014 and 1 April 2014	44,796	760,722	52,743	(111)	(261,198)	596,952	-	596,952
Loss for the year	-	-	-	-	(58,027)	(58,027)	(240)	(58,267)
Other comprehensive income								
- Exchange difference on translation of financial statements of foreign operations	-	-	-	3	-	3	-	3
Total comprehensive income for the year	-	-	-	3	(58,027)	(58,024)	(240)	(58,264)
Issue of shares (note 23(c))	7,500	76,500	-	-	-	84,000	-	84,000
Capital contribution from non-controlling interest	-	-	-	-	-	-	3,125	3,125
At 31 March 2015	52,296	837,222	52,743	(108)	(319,225)	622,928	2,885	625,813

* The consolidated reserves of the Group of approximately HK\$570,632,000 (2014: HK\$552,156,000) as at 31 March 2015 as presented in the Group's consolidated statement of financial position comprised these reserve accounts.

Consolidated Statement of Cash Flows*For the year ended 31 March 2015*

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cash flows from operating activities		
Loss before income tax	(74,746)	(6,894)
Adjustments for:		
Interest income	(27)	–
Impairment loss on mining rights	65,937	–
Impairment loss on property, plant and equipment	–	44
Depreciation of property, plant and equipment	16	63
	<u> </u>	<u> </u>
Operating loss before working capital changes	(8,820)	(6,787)
Increase in inventories	(662)	(615)
Increase in trade receivables	(1,423)	(1,372)
(Increase)/Decrease in prepayments, other receivables and deposits	(1,710)	707
(Decrease)/Increase in trade payables	(1,248)	1,248
Decrease in accrued liabilities and other payables	(319)	(733)
	<u> </u>	<u> </u>
Cash used in operations	(14,182)	(7,552)
Interest income	27	–
Tax paid	(5)	–
	<u> </u>	<u> </u>
<i>Net cash used in operating activities</i>	<u>(14,160)</u>	<u>(7,552)</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(122)	(16)
	<u> </u>	<u> </u>
<i>Net cash used in investing activities</i>	<u>(122)</u>	<u>(16)</u>
Cash flows from financing activities		
Net proceeds from issue of shares	84,000	34,113
Increase in loans from shareholders	–	4,000
Repayment of loans from shareholders	–	(7,000)
Capital contribution from non-controlling interest	3,125	–
	<u> </u>	<u> </u>
<i>Net cash generated from financing activities</i>	<u>87,125</u>	<u>31,113</u>
Net increase in cash and cash equivalents	72,843	23,545
Effect of foreign exchange rate changes	4	525
Cash and cash equivalents at 1 April	<u>24,514</u>	<u>444</u>
Cash and cash equivalents at 31 March	<u><u>97,361</u></u>	<u><u>24,514</u></u>

Notes to the Financial Statements*31 March 2015***1. Corporate information**

Bestway International Holdings Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda on 18 August 1995. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at Suite 1018, 10th Floor, Central Tower, 28 Queen’s Road Central, Hong Kong. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “HKEx”) on 2 October 1995.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are set out in note 15 to the financial statements.

The financial statements for the year ended 31 March 2015 were approved and authorised for issue by the board of directors on 26 June 2015.

2. Applications of Hong Kong Financial Reporting Standards (“HKFRSs”)**(a) Adoption of new/revised HKFRSs – effective on 1 April 2014**

In the current year, the Company and its subsidiaries (the “Group”) has applied for the first time the following new and revised standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 April 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Liabilities
HK (IFRIC) – Int 21	Levies

Amendments to HKAS 32 – Offsetting Financial Assets and Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity “currently has a legally enforceable right to set off” and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

HK (IFRIC) – Int 21 – Levies

HK (IFRIC) – Int 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation has been applied retrospectively.

The adoption of HK (IFRIC) – Int 21 has no impact on these financial statements as the interpretation is consistent with the Group’s previous application of its accounting policies on provisions.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
HKFRS 9 (2014)	Financial Instruments ³
HKFRS 15	Revenue from Contracts with Customers ²

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

Information on new and amended HKFRSs that are expected to have impact on the Group is explained as follows. Other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's results and financial position upon application.

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of these new pronouncements. The directors so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

3. Basis of preparation**(a) Statement of compliance**

The financial statements on pages 46 to 104 have been prepared in accordance with HKFRSs which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the HKEx.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis. The measurement bases are fully described in the accounting policies below.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. The policies that have been consistently applied to all the years presented unless otherwise stated.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong Dollars ("HK\$"), which is the same as the functional currency of the Company.

4. Summary of significant accounting policies**(a) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of the disposal, as appropriate.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

(b) *Subsidiaries*

Subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other expenses such as repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Furniture, fixtures and office equipment and motor vehicles 3 to 5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Mining rights

Mining rights are carried at cost and are subject to amortisation upon commissioning of the mine for production. Mining rights are depleted on the unit-of-production basis over the total proven and probable reserves of the mine concerned. Mining rights are also subject for impairment testing whenever there are indications that the assets' carrying amount may not be recoverable (note (e)).

(e) Impairment of non-financial assets

Property, plant and equipment, mining rights and investments in subsidiaries are subject for impairment testing. These assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those of other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflow independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

An impairment loss is subsequently reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of impairment loss is recognised as income immediately.

(f) *Financial Instruments*

(i) *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. The financial assets of the Group are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) *Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Group classified its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, accrued liabilities and other payables and amount due to a subsidiary. They are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in profit or loss.

Gain or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(g) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises purchase cost and, where applicable, those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is calculated as the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(h) Revenue recognition

Revenue is recognised to the extent when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, net of allowances for returns, trade discounts and value-added tax. The following specific recognition criteria must also be met before revenue is recognised:

- Sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon dispatch of goods.
- Rental and management fee income is recognised as service rendered.
- Interest income is recognised on a time-proportion basis by reference to the principal outstanding and at the effective interest rate applicable.

(i) Income tax

Income tax for the year comprises current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to any items recognised directly in equity in which case the taxes are also recognised directly in equity.

(j) Foreign currencies

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation of monetary assets and liabilities are recognised in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated at the rate prevailing on the date of when fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK\$. Assets and liabilities have been translated into HK\$ at the closing rate at the end of reporting period. Income and expenses have been converted into the HK\$ at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in the other comprehensive income and accumulated separately in the translation reserve in equity.

(k) Employee benefits

Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(I) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

(m) Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee under operating lease

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(n) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and in banks and short-term deposits with original maturities of three months or less that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

(o) Segment reporting

For the purposes of assessing segment performance and allocating resources between segments, the directors assess segment profit or loss by gross profit/loss less selling expenses. The measurement policies used by the Group for reporting segment results under HKFRS 8 are the same as those accounting policies used in its financial statements prepared under HKFRSs. Segment assets/liabilities have not been disclosed as such amounts are not regularly provided to the directors for resources allocation.

The Group determines its operating segment based on the internal reports reviewed by the chief operating decision-maker in order to allocate resources and to assess segment performance.

All of the Group's activities are engaged in the business of trading of goods. On 31 December 2009, the Group completed its acquisitions of entire interest in mining companies established in the Mongolia and henceforth became engaged in the mining business. However, no active operation took place between the date of acquisition and the end of the reporting period. Therefore, the Group's chief operating decision-maker considers there to be only one operating segment under the requirements of HKFRS 8.

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Estimated impairment on mining rights*

Mining rights are assessed annually to determine for any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is the higher of the fair value less costs of disposal and value in use. These assessments require the use of estimates and assumptions such as long-term selling prices, discount rates, future capital requirements and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for the mining rights is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future operating plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its cash-generating units as being an individual mine site which is the lowest level for which cash flows are largely independent of those of other assets. Based on the directors' assessment, impairment loss approximately of HK\$49,453,000 (net of tax) has been provided on mining rights for the year (2014: Nil).

(ii) *Useful lives of mining rights*

The Group's management determines the estimated useful lives for its mining rights based on the proven and probable reserves. However, the mining rights were granted for terms of 30 years and renewable for another 20 years. The directors of the Company are of the opinion that the Group will be able to continuously renew the mining rights and the business license of the respective mining subsidiaries at minimal charges. Accordingly, the Group has used the proven and probable reserves as a basis of estimation for the useful lives of its mining rights.

Amortisation rates are determined based on estimated proven and probable mine reserve volume with reference to the independent technical assessment report. The estimates involve subjective judgements in developing such information and have taken into account the recent production and the technical information about each mine. The capitalised cost of mining rights are amortised using the units of production method. Any change to the estimated proven and probable mine reserves will affect the amortisation charge of those mining rights. Management will reassess the useful lives whenever the ability to renew the mining rights and business license is changed.

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management reassesses the estimations at the end of reporting period to ensure inventories are stated at the lower of cost and net realisable value.

(iv) Impairment of trade receivables

The Group's management assesses the collectability of trade receivables. This estimate is based on the credit worthiness and repayment history of the Group's customers and the current market condition. Management reassesses if there is any indication of the impairment loss at the end of reporting period.

6. Segment Information

The chief operating decision-makers have been identified as the Company's executive directors. Since no active operation took place between the date of acquisition and the end of the reporting period as to the Group's mining business. Therefore, the executive directors consider there to be only one operating segment (i.e. trading business) under the requirements of HKFRS 8.

Revenue of the Group was generated from trading business in the People's Republic of China (the "PRC") and Hong Kong. The geographical location of customers is determined based on the location at which the goods were delivered. The geographical location of the non-current assets is based on the physical and operating locations of the assets. The following table sets out information about the geographical location of the Group's revenue from external customers and its non-current assets.

	Turnover from external customers		Non-current assets	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The Republic of Mongolia (“Mongolia”)	–	–	671,624	737,563
The PRC	7,473	1,173	74	7
Hong Kong	<u>159</u>	<u>1,082</u>	<u>47</u>	<u>7</u>
	<u>7,632</u>	<u>2,255</u>	<u>671,745</u>	<u>737,577</u>

For the year ended 31 March 2015, approximately HK\$2,308,000 or 30.2% and HK\$2,427,000 or 31.8% of the Group's revenue were derived from Customer A and Customer B respectively in the trading business. For the year ended 31 March 2014, revenue from a single customer amounting to HK\$1,173,000 had accounted for over 10% of the Group's revenue.

7. Revenue and other income

Revenue of the Group, which is also the turnover of the Group, represents the net invoiced value of goods sold, net of allowances for returns, trade discounts and value-added tax. An analysis of the Group's revenue and other income is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue		
Sale of goods	<u>7,632</u>	<u>2,255</u>
Other income		
Interest income on bank deposits	27	–
Rental and management fee income	<u>–</u>	<u>394</u>
	<u>27</u>	<u>394</u>

8. Loss before income tax

Loss before income tax is arrived at after charging:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Auditor's remuneration	588	580
Cost of inventories recognised as expenses	4,548	2,062
Depreciation of property, plant and equipment	16	63
Impairment loss on mining rights (<i>note 14</i>)	65,937	–
Impairment loss on property, plant and equipment	–	44
Staff costs (excluding directors' emoluments)	2,080	883
Defined contribution costs	<u>62</u>	<u>38</u>
Total staff costs	<u>2,142</u>	<u>921</u>
Operating lease charges in respect of office premises	<u>1,094</u>	<u>706</u>

9. Income tax credit

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
PRC enterprise income tax		
– Current year	4	–
Hong Kong profits tax		
– Under provision in prior year	1	–
Deferred tax credit (<i>note 22</i>)	<u>(16,484)</u>	<u>–</u>
Total income tax credit	<u>(16,479)</u>	<u>–</u>

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the year (2014: Nil).

Enterprise Income Tax (“EIT”) arising from the PRC is calculated on the estimated assessable profits for the year according to the relevant laws and regulations in the PRC. The applicable tax rate for the EIT is 25%. No EIT was provided for the year ended 31 March 2014 as the Group had no assessable profit.

Subsidiaries incorporated in Mongolia are subject to Mongolian income tax which is calculated at the rate of 10% on the first 3 billion Mongolian Turgrik (“MNT”) of taxable income and 25% on the amount in excess thereof. No income tax was provided as these Mongolian subsidiaries have not derived any taxable income during the year ended 31 March 2015 (2014: Nil).

A reconciliation of the income tax credit and the accounting loss at applicable tax rates is presented below:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss before income tax	<u>(74,746)</u>	<u>(6,894)</u>
Tax calculated at the rates applicable to losses in the respective jurisdiction	(17,996)	(1,084)
Tax effect of non-deductible expenses	1,174	159
Tax effect of utilisation of tax loss not recognised	–	(6)
Tax effect of tax losses not recognised	342	947
Underprovision of tax expenses in prior year	1	–
Others	<u>–</u>	<u>(16)</u>
Income tax credit	<u>(16,479)</u>	<u>–</u>

10. Loss for the year attributable to owners of the company

Of the consolidated losses for the year attributable to owners of the Company of HK\$58,027,000 (2014: HK\$6,894,000), a loss of HK\$6,659,000 (2014: HK\$6,315,000) has been dealt with in the financial statements of the Company.

11. Loss per share

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of HK\$58,027,000 (2014: HK\$6,894,000) and the weighted average number of ordinary shares in issue during the year of 1,027,420,000 (2014: 814,159,000) ordinary shares.

Diluted loss per share for years ended 31 March 2015 and 2014 are the same as the basic losses per share as the Company has no dilutive potential ordinary shares outstanding during both years.

12. Emoluments for directors and senior management

(a) *Directors' emoluments*

	Fees HK\$'000	Salaries, allowances and benefits HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Year ended 31 March 2015				
<i>Executive directors:</i>				
Mr. Mung Kin Keung	60	–	–	60
Mr. Mung Bun Man, Alan	176	–	6	182
Mr. Hu Yebi ¹	–	165	3	168
Mr. Liu Xueheng ¹	–	165	3	168
Mr. Ha Wing Ho, Peter ²	17	–	–	17
<i>Non-executive directors:</i>				
Mr. Chee Man Sang, Eric	60	–	–	60
Mr. Tang Shu Pui, Simon	60	–	–	60
<i>Independent non-executive directors:</i>				
Mr. Chan Wai Man	60	–	–	60
Mr. Tsui Sai Ming, Steven	60	–	–	60
Mr. Ng Chun Chuen, David	60	–	–	60
	<u>553</u>	<u>330</u>	<u>12</u>	<u>895</u>

	Fees HK\$'000	Salaries, allowances and benefits HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Year ended 31 March 2014				
<i>Executive directors:</i>				
Mr. Ha Wing Ho, Peter	56	–	3	59
Mr. Mung Kin Keung	27	–	–	27
Mr. Mung Bun Man, Alan	27	–	–	27
Mr. Wu Jiang ³	131	–	5	136
Mr. Zhang Qianjin ⁴	26	–	–	26
Mr. Chim Kim Lun, Ricky ⁵	8	–	–	8
Mr. Law Fei Shing ⁶	39	–	2	41
<i>Non-executive directors:</i>				
Mr. Chee Man Sang, Eric	60	–	–	60
Mr. Tang Shu Pui, Simon	60	–	–	60
<i>Independent non-executive directors:</i>				
Mr. Chan Wai Man	54	–	–	54
Mr. Tsui Sai Ming, Steven	54	–	–	54
Mr. Ng Chun Chuen, David	49	–	–	49
Mr. Au Kwok Yee, Benjamin ⁶	8	–	–	8
Ms. Lau Siu Ngor ⁶	8	–	–	8
Mr. Lum Pak Sum ⁷	13	–	–	13
	<u>620</u>	<u>–</u>	<u>10</u>	<u>630</u>

Notes:

- 1 Mr. Hu Yebi and Mr. Liu Xueheng were appointed as the executive directors of the Company on 11 July 2014.
- 2 Mr. Ha Wing Ho, Peter resigned on 11 July 2014.
- 3 Mr. Wu Jiang resigned on 20 March 2014.
- 4 Mr. Zhang Qianjin resigned on 22 October 2013.
- 5 Mr. Chim Kim Lun, Ricky resigned on 23 April 2013.
- 6 Mr. Law Fei Shing, Mr. Au Kwok Yee, Benjamin and Ms. Lau Siu Ngor resigned on 10 May 2013.
- 7 Mr. Lum Pak Sum resigned on 31 May 2013.

(b) Five highest paid individuals

The emoluments of the five highest individuals in the Group for the year included one (2014: one) director whose emolument is reflected in the analysis presented above. The emoluments payable to the remaining four (2014: four) highest paid individuals are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Salaries, allowances and other benefits	1,179	672
Defined contribution costs	<u>48</u>	<u>27</u>
	<u><u>1,227</u></u>	<u><u>699</u></u>

The number of non-director individuals fell within the following emolument band:

	2015	2014
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>

The emoluments paid or payable to members of senior management were within in the following band:

	2015 <i>Number of individuals</i>	2014 <i>Number of individuals</i>
Nil to HK\$500,000	<u>10</u>	<u>15</u>

(c) No emolument was paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

13. Property, plant and equipment

	Group Furniture, fixtures, equipment and motor vehicles HK\$'000	Company Furniture, fixtures, and equipment HK\$'000
Cost		
At 1 April 2013	349	–
Additions	16	8
Impairment loss	(261)	–
Exchange realignment	<u>(73)</u>	<u>–</u>
At 31 March 2014 and 1 April 2014	31	8
Additions	122	50
Exchange realignment	<u>(2)</u>	<u>–</u>
At 31 March 2015	<u><u>151</u></u>	<u><u>58</u></u>
Accumulated depreciation		
At 1 April 2013	222	–
Charge for the year	63	1
Written off	(217)	–
Exchange realignment	<u>(53)</u>	<u>–</u>
At 31 March 2014 and 1 April 2014	15	1
Charge for the year	16	10
Exchange realignment	<u>(1)</u>	<u>–</u>
At 31 March 2015	<u><u>30</u></u>	<u><u>11</u></u>
Net carrying amount		
At 31 March 2015	<u><u>121</u></u>	<u><u>47</u></u>
At 31 March 2014	<u><u>16</u></u>	<u><u>7</u></u>

14. Mining rights

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening net carrying amount	737,561	735,657
Transfer from exploration and evaluation assets	–	1,904
Impairment loss	<u>(65,937)</u>	<u>–</u>
Closing net carrying amount	<u>671,624</u>	<u>737,561</u>

The mining rights represent the rights to conduct mining activities in the location of Nogoonnur Soum and Tsengel Soum of Bayan-Ulgii Aimag in Mongolia, and have legal lives of 16 to 21 years, expiring in July 2031, March 2033, December 2035 and July 2036, respectively. The mining licenses are issued by Mineral Resources and Petroleum Authority of Mongolia and may be extended for two successive additional periods of 20 years each. In the opinion of the directors, the application for extension is procedural and the Group should be able to renew its mining licenses at minimal charges, until all the proven and probable minerals have been mined. In 2013, the Group appointed a qualified mineral technical adviser to prepare a resource estimation and engaged a Mongolian professional firm to review and update the feasibility study report and the environmental impact assessment report on the above tungsten mines. No active mining operation of the Group has taken place yet.

In last financial year, in response to a letter issued by a Mongolian Province Governor which required the Group to make submission on the timing of commencement of mining operations or otherwise certain mining licenses might be revoked, the Group entered into a memorandum of understanding with China Metallurgical Geology Bureau of Shandong (the “Contractor”) on 22 May 2013, pursuant to which the Group agreed to engage the Contractor to conduct mining activities, including development and exploitation of all of its Mongolian tungsten mines. Subsequently on 2 October 2013, the Group engaged Mongolia Zhenyuan Company Limited (“Mongolia Zhenyuan”), an associated company of the Contractor, to conduct mining area geological survey, tunnel investigation and sample collection. However, the Group and Mongolia Zhenyuan is still in the process of negotiation of the relevant mining terms and consideration for incorporation into a formal and legally binding cooperation agreement which, however, is not yet concluded and entered into up to the reporting date. During the current year, the Group has further engaged a mining professional to prepare an updated feasibility study report for the tungsten mines. Based on the foregoing, the directors expect that the exploitation of the mines will take place no later than the end of 2017.

With reference to the opinion from the Group’s Mongolian legal advisers dated 26 June 2015, the directors are of the opinion that the Group is in compliance with all laws and governmental rules and regulations in Mongolia and the Group’s mining rights are still in effect and in good standing as at the reporting date.

At 31 March 2015, the directors re-assessed the recoverable amount of the cash generating unit that holds mining rights (the “Mining CGU”) by using fair value less costs of disposal, which is derived by using discounted cash flow analysis. The discount cash flow analysis has incorporated assumptions that a typical market participant would use in estimating the fair value of the Mining CGU. The discount cash flows analysis uses cash flow projection for a period of 3 to 7 years and the discount rates applied to the cash flow projection are 22.71%-24.63% (2014: 22.10%-24.31%). In determining the discount rates, the weighted average cost of capital was used, which is determined with reference to the industry capital structure of market comparables with mining projects, and have taken into account the specific risks encountered by the Mining CGU. Other key assumptions adopted include estimated selling price with nil growth rate, industry average gross margin, estimated mine reserve based on technical assessment reports and the expectation for market development. The fair value of the Mining CGU is a level 3 fair value measurement. There was no change to the valuation technique during the year.

With reference to the assessment, the directors are of the view that the recoverable amount of the Mining CGU is estimated to be HK\$524,195,000 and therefore an impairment loss of HK\$49,453,000 (net of tax) in respect of the Mining CGU was identified for the year ended 31 March 2015. The impairment loss is allocated to write down the carrying amount of the mining rights by HK\$65,937,000, together with a tax effect of HK\$16,484,000 credited to profit or loss. The impairment is primarily due to decline in the estimated selling price of tungsten concentrate products during the year.

15. Investments in subsidiaries

	Company	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments	<u>—</u>	<u>—</u>
Amounts due from subsidiaries	775,390	759,427
Less: Provision for impairment	<u>(229,926)</u>	<u>—</u>
	<u>545,464</u>	<u>759,427</u>
Amount due to a subsidiary	<u>—</u>	<u>(1,051)</u>

Amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

The Company has four directly held wholly-owned subsidiaries incorporated in the British Virgin Islands. Three of them have investment cost of US\$1 each and the remaining one was fully impaired in prior years.

Particulars of the subsidiaries as at 31 March 2015 are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Issued share/ paid- up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Bestway Group International Limited	British Virgin Islands/ Hong Kong	US\$1,100	100	-	Investment holding
Wide Flourish Investments Limited	British Virgin Islands	US\$1	100	-	Dormant
Tectron Pacific Limited	British Virgin Islands/ Hong Kong	US\$1	100	-	Investment holding
Best Future Investments Limited	British Virgin Islands	US\$1	100	-	Dormant
Best Shield Enterprises Limited	British Virgin Islands	US\$51	-	100	Dormant
Prolific Rich Limited	British Virgin Islands/ Mongolia	US\$1	-	100	Investment holding
Grand Shining Limited	British Virgin Islands/ Mongolia	US\$1	-	100	Investment holding
Giant Silver Limited	Hong Kong/The PRC	HK\$1	-	100	Investment holding and trading business
Happy Trip Limited	Hong Kong	HK\$1,200,002	-	100	Dormant
Happy Concord Limited	Hong Kong	HK\$1	-	100	Trading business
佳將科技(深圳)有限公司*	The PRC	HK\$10,000,000	-	100	Trading business
北京康橋通達有限公司#	The PRC	RMB10,000,000	-	75	Trading business
Kainarwolfram LLC	Mongolia	US\$100,000	-	100	Mining and exploitation of natural resources
Ikh Uuliin Erdenes LLC	Mongolia	US\$100,000	-	100	Mining and exploitation of natural resources

* The Company is incorporated in the PRC as a wholly-owned foreign enterprise.

The Company is incorporated in the PRC as a limited liability company.

The financial statements of the above subsidiaries were audited by BDO Limited, for the statutory purpose and/or for the purpose of the Group's consolidation.

16. Trade receivables

Ageing analysis of the Group's trade receivables as of the end of reporting period, based on invoice date, is as follows:

	Group	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 30 days	1,170	1,372
61-90 days	<u>1,625</u>	<u>–</u>
	<u><u>2,795</u></u>	<u><u>1,372</u></u>

Trade receivables are non-interest bearing. Normal credit period ranging from 30 to 90 days is allowed on sales of goods (2014: 60 to 90 days).

The Group's trade receivables are neither past due nor impaired and they are related to customers for whom there are no recent history of default.

17. Inventories

	Group	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Goods for resale	<u>1,277</u>	<u>615</u>

18. Deposits, other receivables and prepayments

	Group		Company	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Prepayments	1,739	155	7	155
Other receivables	137	9	–	–
Rental deposits	<u>–</u>	<u>2</u>	<u>–</u>	<u>–</u>
	<u><u>1,876</u></u>	<u><u>166</u></u>	<u><u>7</u></u>	<u><u>155</u></u>

19. Cash and cash equivalents***Group and Company***

Cash and cash equivalents of the Group and the Company represent the bank balances and cash. The bank deposits carry interest at the prevailing market interest rates.

As at 31 March 2015, the Group had bank balance and cash denominated in Renminbi (“RMB”) amounting to approximately HK\$14,130,000 (2014: Nil). RMB is not freely convertible into other currencies. The conversion of RMB into foreign currencies and remittance of RMB out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

20. Trade payables

Ageing analysis of the Group’s trade payables, based on invoice date, is as follows:

	Group	
	2015 <i>HK\$’000</i>	2014 <i>HK\$’000</i>
Within 30 days	<u>–</u>	<u>1,248</u>

Trade payables are non-interest bearing and normally settled on terms of 30 days.

21. Accrued liabilities and other payables

	Group		Company	
	2015 <i>HK\$’000</i>	2014 <i>HK\$’000</i>	2015 <i>HK\$’000</i>	2014 <i>HK\$’000</i>
Accrued liabilities	1,150	827	1,150	827
Other payables	<u>662</u>	<u>1,304</u>	<u>–</u>	<u>–</u>
	<u>1,812</u>	<u>2,131</u>	<u>1,150</u>	<u>827</u>

22. Deferred tax liabilities

Group

Details of the deferred tax liabilities recognised and movements thereon during the current and prior reporting periods are as follows:

	Fair value adjustment on mining rights <i>HK\$’000</i>
At 1 April 2013, 31 March 2014 and 1 April 2014	163,913
Credit to profit or loss	<u>(16,484)</u>
At 31 March 2015	<u>147,429</u>

Deferred taxation is calculated in full on temporary differences under the liability method using the principal tax rate of 25% (2014: 25%).

As at 31 March 2015, the Group had estimated unused tax losses arising in Hong Kong of approximately HK\$43,585,000 (2014: HK\$49,324,000) subject to the agreement of the Inland Revenue Department that are available for offset against future taxable profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The estimated tax losses can be carried forward indefinitely.

23. Share capital

Group and Company

	Number of shares '000	Amount HK\$'000
Ordinary shares		
<i>Authorised:</i>		
At 1 April 2013 at HK\$0.01 per share	172,833,333	1,728,333
Share consolidation (<i>note (b)</i>)	<u>(138,266,666)</u>	<u>—</u>
At 31 March 2014 and 2015 at HK\$0.05 per share	<u>34,566,667</u>	<u>1,728,333</u>
<i>Issued and fully paid:</i>		
At 1 April 2013 at HK\$0.01 per share	3,733,563	37,336
Issue of new shares at HK\$0.01 per share (<i>note (a)</i>)	746,000	7,460
Share consolidation (<i>note (b)</i>)	<u>(3,583,650)</u>	<u>—</u>
At 31 March 2014 at HK\$0.05 per share	895,913	44,796
Issue of new shares at HK\$0.05 per share (<i>note (c)</i>)	<u>150,000</u>	<u>7,500</u>
At 31 March 2015 at HK\$0.05 per share	<u>1,045,913</u>	<u>52,296</u>
	'000	HK\$'000
Preference shares		
<i>Authorised:</i>		
At 1 April 2013 at HK\$0.01 per share	27,166,667	271,666
Share consolidation (<i>note (b)</i>)	<u>(21,733,334)</u>	<u>—</u>
At 31 March 2014 and 2015 at HK\$0.05 per share	<u>5,433,333</u>	<u>271,666</u>
<i>Issued and fully paid:</i>		
At 1 April 2013 and 31 March 2014 and 2015	<u>—</u>	<u>—</u>

- (a) On 17 October 2013, the Company completed a placing of 746,000,000 new ordinary shares of the Company at HK\$0.047 per share. The net proceeds generated from the placing amounting to HK\$34,113,000 (net of share issue expense of HK\$949,000). The placing resulted in the increase in share capital of HK\$7,460,000 and share premium of HK\$26,653,000.

- (b) Pursuant to an ordinary resolution passed on 6 November 2013, a share consolidation was approved with effect from 7 November 2013 in which (i) every 5 of the existing issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company were consolidated into 1 consolidated share having a par value of HK\$0.05 per share; and (ii) every 5 of the existing unissued preference shares of HK\$0.01 each of the Company were consolidated into 1 consolidated share having a par value of HK\$0.05 per share (the “Share Consolidation”). Immediately after the Share Consolidation, the authorised ordinary share capital, issued and fully paid ordinary share capital and authorised preference shares of the Company comprised 34,566,667,000, 895,913,000 and 5,433,333,000 consolidated shares of HK\$0.05 each respectively.
- (c) On 15 May 2014, the Company completed the allotment and issue of 150,000,000 new ordinary shares at HK\$0.56 per share. The net proceeds derived from the subscription amounted to HK\$84,000,000 and resulted in the increase in share capital of HK\$7,500,000 and share premium of HK\$76,500,000. Details of the subscription were set out in the circular of the Company dated 15 April 2014 and the announcement of the Company dated 15 May 2014.

24. Reserves

Group

The amounts of the Group’s reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 50 of the financial statements.

Company

	Share premium <i>(note (a))</i> HK\$'000	Contributed surplus <i>(note (b))</i> HK\$'000	Accumulated losses <i>(note (d))</i> HK\$'000	Total HK\$'000
At 1 April 2013	734,069	159,393	(178,652)	714,810
Issue of shares <i>(note 23(a))</i>	26,653	–	–	26,653
Loss for the year	–	–	(6,315)	(6,315)
At 31 March 2014 and 1 April 2014	760,722	159,393	(184,967)	735,148
Issue of shares <i>(note 23(c))</i>	76,500	–	–	76,500
Loss for the year	–	–	(236,585)	(236,585)
At 31 March 2015	<u>837,222</u>	<u>159,393</u>	<u>(421,552)</u>	<u>575,063</u>

*Notes:**(a) Share premium*

Amount subscribed for share capital in excess of nominal value.

(b) Contributed surplus

The contributed surplus of the Group arose as a result of the Group reorganisation prior to its public listing on 2 October 1995 and represents the difference between the nominal value of the shares of the former holding company of the Group acquired pursuant to the Group reorganisation, over the nominal value of the shares of the Company issued in exchange therefore.

(c) Exchange fluctuation reserve

Gains/losses are arising on retranslating the net assets of foreign operations into presentation currency.

(d) Accumulated losses

Cumulative net gains and losses recognised in profit or loss.

25. Operating lease commitments

At the end of the reporting period, the Group had commitments for total future minimum lease payments under non-cancellable operating leases, which the Group is a lessee are as follows:

	Group		Company	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<u>239</u>	<u>274</u>	<u>180</u>	<u>270</u>

Operating lease payments represent rental payable by the Group for its office premises. The leases typically run for an initial period of 12 months (2014: 14 months). None of the leases include contingent rental.

26. Related party transactions

- (a) Save as disclosed elsewhere in the financial statements, the following transactions were carried out by the Group and the Company with related parties:

	<i>Notes</i>	2015	2014
		<i>HK\$'000</i>	<i>HK\$'000</i>
Rental expenses paid to a related company	<i>(i)</i>	340	150
Rental income and management fee received from a related company	<i>(ii)</i>	<u>–</u>	<u>394</u>

Notes:

- (i) Rental expenses paid to a related company, in which Mr. Mung Kin Keung and Mr. Mung Bun Man, Alan are common directors, were made according to the terms of the lease agreement.
- (ii) Rental and management fee income derived from a related company, in which Mr. Ha Wing Ho, Mr. Mung Kin Keung, Mr. Mung Bun Man, Alan and Mr. Chee Man Sang, Eric are the common executive directors, were made according to the terms of the lease agreement.
- (b) The compensation of key management personnel, who are also the directors of the Company, has been disclosed in note 12 to the financial statements.

27. Financial risk management and fair value measurements

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks included market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group does not have written risk management policies and guidelines. However, the directors meet periodically to analyse and formulate measures to manage the Group's exposure to the financial risk, including principally changes in interest rates and currency exchange rates.

Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed are described below.

(a) Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities recognised at the end of reporting periods are categorised as follows. See notes 4(f)(i) and 4(f)(iii) for explanations on how the category of financial instruments affects their subsequent measurement.

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets		
Loans and receivables:		
– Trade receivables	2,795	1,372
– Deposits and other receivables	137	11
Cash and cash equivalents	<u>97,361</u>	<u>24,514</u>
	<u>100,293</u>	<u>25,897</u>
Financial liabilities		
At amortised cost:		
– Trade payables	–	1,248
– Accrued liabilities and other payables	<u>1,812</u>	<u>2,131</u>
	<u>1,812</u>	<u>3,379</u>

	Company	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets		
Loans and receivables:		
– Amounts due from subsidiaries	545,464	759,427
Cash and cash equivalents	<u>82,991</u>	<u>22,233</u>
	<u>628,455</u>	<u>781,660</u>
Financial liabilities		
At amortised cost:		
– Amount due to a subsidiary	–	1,051
– Accrued liabilities and other payables	<u>1,150</u>	<u>827</u>
	<u>1,150</u>	<u>1,878</u>

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group has interest-bearing assets in relation to cash at banks and short-term bank deposits carried at effective interest rates with reference to the market. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rate risk for the Group's cash at banks is considered minimal.

The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

(c) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and cash and cash equivalents. The carrying amounts of these financial assets presented in the consolidated statement of financial position are net of impairment losses, if any. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not obtain collateral from other customers. Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 16.

The Group has deposited its cash with various banks. The credit risk on cash and bank balances is limited because most of the Group's bank deposits are deposited with major banks located in Hong Kong and the PRC.

The policies to manage credit risk have been followed by the Group since prior year are considered to have been effective.

(d) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates and invests in Hong Kong, the PRC and Mongolia with most of the transactions denominated and settled in HK\$, RMB and MNT respectively. No material foreign currency risk has been identified for the monetary assets and liabilities in Hong Kong, the PRC and Mongolia as they were largely denominated in a currency same as the functional currency of the Hong Kong, the PRC and Mongolian entities to which these transactions related. The Group has not entered into any derivative instrument to hedge the foreign exchange exposures, however, the management continuously monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

The policies to manage foreign current risk have been followed by the Group since prior year are considered to be effective.

(e) Liquidity risk

Liquidity risk relates to the risk that the Group will not able to meet its obligation associated with its financial liabilities. The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds from the realisation of its assets if required.

At the end of each reporting periods, the remaining contractual maturity of the Group's and the Company's financial liabilities which are based on undiscounted cash flows are summaries below:

	On demand or within 1 year HK\$'000	Group Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
31 March 2015			
Accrued liabilities and other payables	<u>1,812</u>	<u>1,812</u>	<u>1,812</u>
31 March 2014			
Trade payables	1,248	1,248	1,248
Accrued liabilities and other payables	<u>2,131</u>	<u>2,131</u>	<u>2,131</u>
	<u>3,379</u>	<u>3,379</u>	<u>3,379</u>

	On demand or within 1 year HK\$'000	Company Total contractual undiscounted cash flows HK\$'000	Carrying Amount HK\$'000
31 March 2015			
Accrued liabilities and other payables	<u>1,150</u>	<u>1,150</u>	<u>1,150</u>
31 March 2014			
Accrued liabilities and other payables	827	827	827
Amount due to a subsidiary	<u>1,051</u>	<u>1,051</u>	<u>1,051</u>
	<u>1,878</u>	<u>1,878</u>	<u>1,878</u>

(f) Fair value risk

The directors consider that the fair values of the Group's and the Company's financial assets and financial liabilities are not materially different from their carrying amounts because of the immediate and short term maturity of these financial instruments.

28. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders value. The Group's overall strategy remains unchanged from prior year. The directors actively review the capital structure on a continuing basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the new shares issues, the issue of new debts or the redemption of existing debts. The management regards total equity as capital. The amount of capital as at 31 March 2015 and 2014 amounted to approximately HK\$625,813,000 and HK\$596,952,000 respectively which the management considers as optimal having considered the projected capital expenditures and projected strategic investment opportunities.

29. Events after the reporting date

- (i) On 29 May 2015, the Company and a placing agent (the "Placing Agent") entered into a deed of termination ("2015 Placing Termination Deed") in respect of the placing agreement (the "Placing Agreement"), pursuant to which the Company has conditionally agreed to place through the Placing Agent up to 420,000,000 placing shares ("Placing Shares") at a price of HK\$0.56 per Placing Share, subject to adjustment. With effect of the 2015 Placing Termination Deed on 29 May 2015, it was agreed among the parties that the Placing Agreement would be irrevocably and unconditionally terminated in all respects by the mutual consent of the parties and would be of no further force.

On 29 May 2015, being the long stop date, the subscription agreement dated 3 February 2015 (the “Subscription Agreement”), pursuant to which a subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 880,000,000 shares (“Subscription Shares”) at an issue price of HK\$0.56 per Subscription Share, was lapsed due to the conditions to completion of the Subscription Agreement have not been fulfilled on the same date.

The directors consider that the termination of the Placing Agreement and the lapse of the Subscription Agreement has no material adverse impact on the existing business operation and financial position of the Group. Details of the termination and the lapse of the subscription were set out in the Company’s announcement on 31 May 2015.

- (ii) On 13 June 2015, the Company and another placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place a maximum of 205,000,000 placing shares to independent investors at a price of HK\$0.88 per share. The net proceeds are intended to be used as general working capital of the Group and for potential acquisition activities as identified by the Group from time to time, details of which have been set out in the Company’s announcement dated 15 June 2015.

3 INDEBTEDNESS

At the close of business on 31 December 2015, being the latest practicable date for ascertaining this indebtedness statement prior to the printing of this Composite Document, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptances credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

The Directors confirm that save as disclosed below, there had been no material changes in the financial or trading position or outlook of the Group since 31 March 2015, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to and including the Latest Practicable Date:

- (i) as disclosed in the announcement of the Company dated 31 May 2015, the placing of a maximum of 420,000,000 Shares at a price of HK\$0.56 per Share with intended net proceeds of approximately HK\$229.32 million was terminated pursuant to the deed of termination dated 29 May 2015 entered into between the Company and the placing agent. Meanwhile, the subscription agreement dated 3 February 2015 in relation to the allotment and issue of 880,000,000 Shares at a price of HK\$0.56 per Share with intended net proceeds of approximately HK\$491 million was lapsed on 29 May 2015, being the long stop date of the subscription agreement;

- (ii) as disclosed in the announcements of the Company dated 15 June 2015, 24 June 2015 and 6 July 2015, the Company completed a placing of 205,000,000 Shares at a price of HK\$0.88 per Share to not less than six independent investors on 6 July 2015 pursuant to the placing agreement dated 13 June 2015 and raised net proceeds of approximately HK\$177.6 million, which was intended to be applied towards potential acquisition activities as identified by the Group from time to time and the general working capital of the Group. On 29 January 2016, as the Company had not identified any potential acquisition targets, the Company announced that part of the proceeds of HK\$150 million, which was originally planned for potential acquisitions, would be reallocated as working capital for commodity trading business;
- (iii) as disclosed in the interim report of the Company for the six months ended 30 September 2015, the Company entered into a memorandum of understanding with a contractor from Inner Mongolia on 13 September 2015 for the development and exploitation of one of the Group's tungsten mines in Mongolia, which is expected to be commenced by end of June 2016, subject to a formal engagement to be agreed by the parties;
- (iv) as disclosed in the announcements of the Company dated 12 November 2015 and 30 November 2015, the Company completed the allotment and issue of 250,180,000 Shares to the Offeror at a price of HK\$0.66 per Share on 30 November 2015 pursuant to the subscription agreement dated 11 November 2015 and raised net proceeds of approximately HK\$164.32 million, of which HK\$160 million was intended to be used for the development of the businesses of brokerage, asset management and corporate finance while the remaining balance of HK\$4 million was intended to be used for general working capital for the existing trading business of medical device and equipment. On 29 January 2016, the Company announced that the net proceeds of HK\$160 million planned for the development of the businesses of brokerage, asset management and corporate finance would be reallocated as to approximately HK\$56 million for the FS Acquisition, HK\$4 million as working capital for the operation of Easy Winning and HK\$100 million for working capital of commodity trading business;
- (v) as disclosed in the announcement of the Company dated 18 January 2016, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement on 18 January 2016 to acquire (a) the entire equity interests in the FS Target Companies which are principally engaged in Type 2 (dealing in futures) and Type 9 (asset management) regulated activities under the SFO and money lending business for an aggregate maximum consideration of HK\$56 million; and (b) an option to acquire Hui Kai Holdings Limited, which is principally engaged in Type 1 (dealing in securities) regulated activity under the SFO, within 12 months from the earlier of the date of completion or 1 July 2016 for a maximum consideration of HK\$120 million. The FS Acquisition has not been completed yet as at the Latest Practicable Date;
- (vi) as disclosed in the announcement of the Company dated 29 January 2016, the Group commenced to carry out commodity trading business on a trial basis in December 2015. In light of the advantages of commodities trading, including short cycle, large volume, high marketability and better risk control, the Board decided to engage in commodity trading business on a continuous basis. The commodity trading business has brought to the Group changes in the composition of revenue, major customers and major suppliers; and

- (vii) as disclosed in the announcement of the Company dated 3 March 2016, the Company, as borrower, entered into the Group Facility Agreement with the Offeror, as lender, to obtain the Group Facility of up to HK\$1,000 million. It was the Group's intention that the Group Facility would be mainly for working capital requirement for the commodity trading business. In the event the Company identifies any suitable opportunity in the areas of money lending or distressed assets investment or other investment, part of the Group Facility, in any event not more than HK\$400 million in total, may be drawn down for funding acquisitions or operations in related areas. As at the Latest Practicable Date, the Company has not identified any such opportunities.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror and parties acting in concert with it and the Offeror's intention regarding the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

	<i>HK\$</i>
Authorised:	
Ordinary shares	
34,566,666,668 Shares of HK\$0.05 each	<u>1,728,333,333.40</u>
<i>Preference shares (the "Preference Share(s)")</i>	
5,433,333,332 Shares of HK\$0.05 each	<u>271,666,666.60</u>
Issued and fully paid:	
1,501,092,436 Shares	<u>75,054,621.80</u>

Each of the Shares in issue ranks *pari passu* in all respects with each other, including, in particular, as to rights in respect of capital, dividends and voting.

As at the Latest Practicable Date, the Company did not have any outstanding options, warrants or other conversion rights affecting the Shares.

The number of Shares in issue at 31 March 2015, being the date to which the latest audited financial statements of the Company were made up, was 1,045,912,436. A total of 455,180,000 Shares were issued since that date until the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

Interest in the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange:

(a) Interests and short positions in the Shares and its associated corporations

Long position

Name of directors	Capacity	Number of Shares	Percentage shareholding in the same class of securities as at the Latest Practicable Date
Mr. Chua (<i>Note 1</i>)	Interest in controlled corporation	481,680,000	32.09
Liu Hua (<i>Note 2</i>)	Beneficial owner	50,000,000	3.33
Mr. Sang (<i>Note 3</i>)	Beneficial owner	825,000	0.06

Notes:

- The Shares are held by the Offeror, the entire issued shares of which is owned by Mr. Chua.
- Dr. Liu Hua is an executive Director and the acting chief executive officer of the Company.
- Mr. Sang is the legal representative and director of a PRC non-wholly owned subsidiary of the Company.

(b) Interests and short positions in the underlying Shares and its associated corporations

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had interests or short positions in any underlying Shares or any of its associated corporations as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(c) Interests and short positions in the debentures of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had interests or short positions in the debentures of the Company and its associated corporations as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(d) Interests and short positions of substantial Shareholders in the Shares and underlying shares of the Company

As at the Latest Practicable Date, the following Shareholders (other than the Directors and chief executive of the Company whose interests and short positions in the Shares and underlying Shares are set out above) had interests or short positions in the shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of substantial shareholders	Capacity	Number of Shares (Note 1)	Percentage shareholding in the same class of securities as at the Latest Practicable Date
The Offeror (Note 1)	Beneficial owner	481,680,000	32.09
Skill Trade Investment Limited (Note 2)	Beneficial owner	85,333,333	5.68

Notes:

- The Shares are held by the Offeror, the entire issued shares of which is owned by Mr. Chua.
- Skill Trade Investments Limited is wholly-owned by Mr. Mung Bun Man, Alan (who was an executive director from 22 October 2013 to 30 June 2015).

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any interests or short positions in the Shares and underlying Shares which are required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

Interest in the Offeror

As at the Latest Practicable Date, Mr. Chua, an executive Director of the Company, is the sole beneficial owner and sole director of the Offeror.

Save as disclosed above, as at the Latest Practicable Date, none of the Company nor any of the Directors had any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

4. DEALINGS IN SECURITIES

- (i) As at the Latest Practicable Date, the Company was not interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Offeror, and had not dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Offeror during the Relevant Period.
- (ii) As at the Latest Practicable Date, save as disclosed in the paragraph headed “3. Disclosure of interests” in this Appendix, none of the Directors were interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company or the Offeror. Save for (a) the subscription of 250,180,000 new Shares by the Offeror (a company wholly-owned by Mr. Chua, the executive Director) at the subscription price of HK\$0.66 on 30 November 2015; (b) the acquisition of 50,000,000 Shares by Dr. Liu Hua, the acting chief executive officer of the Company, from Mr. Liu Xueheng, the former chief executive officer at a consideration of HK\$47,500,000 (equivalent to HK\$0.95 per Share) on 20 January 2016; (c) the disposal of 100,000,000 Shares by Power Ace (a company owned as to 50% by Mr. Hu, the executive Director, and as to 50% by his spouse) to the Offeror (a company wholly-owned by Mr. Chua, the executive Director) at a consideration of HK\$66,000,000 (equivalent to HK\$0.66 per Share) on 15 February 2016; (d) the disposal of 40,000,000 Shares by Ultra Bio-Chem (a company wholly-owned by Mr. Hu, the executive Director) to the Offeror (a company wholly-owned by Mr. Chua, the executive Director) at a consideration of HK\$26,400,000 (equivalent to HK\$0.66 per Share) on 15 February 2016; and (e) the acquisition of 91,500,000 Shares by the Offeror (a company wholly owned by Mr. Chua, the executive Director) from Mr. Sang at the consideration of HK\$60,390,000 (equivalent to HK\$0.66 per Share) on 11 February 2016, none of the Directors had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company or the Offeror during the Relevant Period.
- (iii) As at the Latest Practicable Date, none of the subsidiaries of the Company, the pension fund of the Company or its subsidiaries, or the adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, or had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period.
- (iv) As at the Latest Practicable Date and during the Relevant Period, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code.
- (v) As at the Latest Practicable Date, there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which were managed on a discretionary basis by fund managers connected with the Company, and none of them had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period.
- (vi) As at the Latest Practicable Date, none of the Directors had expressed his intention in respect of his own beneficial shareholdings in the Company, to accept the Offer, in whole or in part.
- (vii) As at the Latest Practicable Date, none of the Company or the Directors had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

5. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS

As at Latest Practicable Date, no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

As at the Latest Practicable Date, save for the Agreements, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.

As at the Latest Practicable Date, save for the Agreements, the Offeror had not entered into any material contract in which any Director has a material personal interest.

6. SERVICE CONTRACTS OF DIRECTORS

The Company has entered into letters of appointment with the following Directors within six months prior to 15 February 2016, being the date of commencement of the Offer Period, details of which are set out below.

Name of Director	Date of contract	Commencement date and expiry date of the contract	Amount of fixed remuneration payable under the contract (excluding arrangement for pension payments)
Dr. Gao Bin	20 November 2015	a term of one year commencing from 20 November 2015 which renewable automatically for successive term of one year each subject to termination by either party giving not less than three months' notice in writing to the other party	HK\$10,000 per month
Mr. Mao Kangfu	5 January 2016	a term of one year commencing from 5 January 2016 which renewable automatically for successive term of one year each subject to termination by either party giving not less than three months' notice in writing to the other party	HK\$25,000 per month
Dr. Liu Hua	8 January 2016	a term of one year commencing from 8 January 2016 which renewable automatically for successive term of one year each subject to termination by either party giving not less than three months' notice in writing to the other party	HK\$130,000 per month

Name of Director	Date of contract	Commencement date and expiry date of the contract	Amount of fixed remuneration payable under the contract (excluding arrangement for pension payments)
Mr. Chua	19 January 2016	a term of one year commencing from 19 January 2016 which renewable automatically for successive term of one year each subject to termination by either party giving not less than three months' notice in writing to the other party	HK\$250,000 per month

No variable remuneration is payable to the relevant Directors under the letters of appointment disclosed above.

Ms. Liu Yan, is appointed under a letter of appointment dated 18 June 2015 made with the Company. Ms. Liu Yan's appointment with the Company under the said letter of appointment is due to expire on 17 June 2016 which renewable automatically for successive term of one year commencing from 18 June 2016, subject to termination by either party giving not less than three months' notice in writing to other party. The amount of fixed remuneration payable under the said letter of appointment (excluding arrangement for pension payments) is HK\$10,000 per month. With effective from 1 January 2016, Ms. Liu Yan's fixed remuneration and Dr. Gao Bin's fixed remuneration (under his letter of appointment dated 20 November 2015 and disclosed above) have been adjusted from HK\$10,000 per month to HK\$25,000 per month. Save for the adjustment of the fixed remuneration, all other provisions of the respective letter of appointment of Ms. Liu Yan and Dr. Gao Bin remain in full force and effect. No other variable remuneration is payable to Ms. Liu Yan and Dr. Gao Bin under the respective letter of appointment.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which:

- (i) (including both continuous and fixed term contracts) has been entered into or amended within six months before the commencement of the Offer Period;
- (ii) are continuous contracts with a notice period of twelve months or more; or
- (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

None of the Directors had entered into any service contract or had an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation) as at the Latest Practicable Date.

7. MATERIAL CONTRACTS

The following contracts, not being a contract entered into in the ordinary course of business carried on or intended to be carried on by members of the Group, entered into by members of the Group after the date falling two years prior to 15 February 2016, being the date of commencement of the Offer Period, and up to the Latest Practicable Date which is or may be material.

- (i) the conditional placing agreement dated 14 September 2014 (as varied pursuant to a deed of variation dated 25 September 2014) entered into between the Company and Vision Finance International Company Limited (“**Vision Finance**”) in relation to the placing of a maximum of 150,000,000 new Shares (“**Placing Shares**”) together with unlisted Warrants to be issued by the Company on the basis of one warrant for every three Placing Shares placed by or on behalf of the placing agent;
- (ii) the conditional subscription agreement dated 14 September 2014 (as varied pursuant to a deed of variation dated 25 September 2014) entered into between the Company and Mr. Song Weiping in relation to the subscription for 825,000,000 new Shares and 275,000,000 unlisted Warrants to be issued by the Company on the basis of one warrant for every three new Shares;
- (iii) the deed of termination dated 3 February 2015 and entered into between the Company and Vision Finance in respect of the placing agreement dated 14 September 2014 (as varied pursuant to a deed of variation dated 25 September 2014);
- (iv) the deed of termination dated 3 February 2015 and entered into between Mr. Song Weiping and the Company in respect of the subscription agreement dated 14 September 2014 (as varied pursuant to a deed of variation dated 25 September 2014);
- (v) the conditional placing agreement dated 3 February 2015 entered into between the Company and Vision Finance in relation to the placing of a maximum of 420,000,000 new Shares;
- (vi) the conditional subscription agreement dated 3 February 2015 entered into between the Company and Fortune Sea International Investment Company Limited in relation to the subscription for 880,000,000 new Shares;
- (vii) the deed of termination dated 29 May 2015 entered into between the Company and Vision Finance in respect of termination of the placing agreement dated 3 February 2015;
- (viii) the conditional placing agreement dated 13 June 2015 entered into by the Company and Grand Cartel Securities Company Limited in relation to the placing of a maximum of 205,000,000 new Shares;
- (ix) the conditional placing agreement dated 22 October 2015 entered into between the Company and Vision Finance in relation to the placing of a maximum of 200,000,000 new Shares;
- (x) the two conditional subscription agreements respectively dated 22 October 2015 entered into between the Company and Mr. Zhu Yilong and between the Company and the Offeror in relation to the subscriptions for a total of 2,990,000,000 new Shares;

- (xi) the termination agreement dated 11 November 2015 entered into between the Company and Vision Finance in relation to the placing agreement dated 22 October 2015;
- (xii) the two termination agreements respectively dated 11 November 2015 entered into between the Company and Mr. Zhu Yilong and between the Company and the Offeror in relation to the termination of the subscription agreements dated 22 October 2015;
- (xiii) the conditional subscription agreement dated 11 November 2015 entered into between the Company and the Offeror in relation to the subscription for a total of 250,180,000 new Shares;
- (xiv) the agreement dated 29 December 2015 entered into between Best Future Investments Limited (a wholly-owned subsidiary of the Company) (“**Best Future**”) First Step Securities Limited and Mr. Lo Kwai Sang Dennis in relation to the proposed acquisition of Hui Kai Holdings Limited (the “**December Acquisition**”);
- (xv) the agreement dated 18 January 2016 entered into between Best Future, First Step Securities Limited and Mr. Lo Kwai Sang Dennis to terminate the December Acquisition;
- (xvi) the sale and purchase agreement dated 18 January 2016 entered into between Best Future and Hui Kai Holdings Limited in respect of the FS Acquisition;
- (xvii) the call option deed dated 18 January 2016 entered into between First Step Securities Limited, Mr. Lo Kwai Sang Dennis and Best Future in respect of the grant of the right to purchase the entire equity interest in Hui Kai Holdings Limited; and
- (xviii) the Group Facility Agreement.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

9. QUALIFICATION AND CONSENT OF EXPERT

The following are the qualification of the expert who has given its letter and advice which are contained in this Composite Document:

Name	Qualifications
Hercules Capital Limited	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee in relation to the Offer

Hercules Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter and references to its name, in the form and context in which they are included.

10. MISCELLANEOUS

- (i) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Its head office and principal place of business in Hong Kong is Room 1206-1209, Three Pacific Place, 1 Queen's Road East, Wan Chai, Hong Kong.
- (ii) The registered office of Hercules Capital is at Unit 1503 15/F Ruttonjee House, 11 Duddell Street, Central, Hong Kong.
- (iii) The English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese translation in the case of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Room 1206-1209, Three Pacific Place, 1 Queen's Road East, Wan Chai, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the website of the Company (<http://www.irasia.com/listco/hk/bestway/index.htm>) during the period from the date of this Composite Document up to and including the Offer Closing Date:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Group for the two financial years ended 31 March 2014 and 31 March 2015;
- (iii) the interim report of the Group for the six months ended 30 September 2015;
- (iv) the letters of appointment of the Directors as referred to under the paragraph headed "6. Service Contracts of Directors" in this appendix;
- (v) the material contracts referred to under the paragraph headed "7. Material Contracts" in this appendix;
- (vi) the letter dated 7 March 2016 from the Board as set out on pages 17 to 22 of this Composite Document;
- (vii) the letter dated 7 March 2016 from the Independent Board Committee to the Independent Shareholders as set out on pages 23 to 24 of this Composite Document;
- (viii) the letter dated 7 March 2016 from Hercules Capital to the Independent Board Committee as set out on pages 25 to 43 of this Composite Document;
- (ix) the letter of consent from Hercules Capital referred to under the paragraph headed "9. Qualification and Consent of Expert" in this appendix.

1. RESPONSIBILITY STATEMENT

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

2. MARKET PRICES

The table below shows the closing price of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price per Share HK\$
2015	
17 August	0.92
31 August	0.81
30 September	0.8
30 October	0.82
30 November	0.87
31 December	0.89
2016	
29 January	0.7
4 February (Last Trading Day)	0.67
29 February	0.82
4 March (Latest Practicable Date)	0.83

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.99 on 19 August 2015 and 20 August 2015 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.67 on 3 February 2016 and 4 February 2016.

3. DISCLOSURE OF INTERESTS

The Offeror confirms that, as at the Latest Practicable Date:

- (i) save for the 481,680,000 Shares held by the Offeror and parties acting in concert with it, none of the Offeror, its sole director or parties acting in concert with the Offeror owned, controlled or was interested in any Shares or convertible securities, warrants, options or derivatives in respect of any Shares;
- (ii) none of the Offeror and parties acting in concert with it had received any irrevocable commitment to accept or reject the Offer;

- (iii) none of the Offeror and parties acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person; and
- (iv) none of the Offeror or parties acting in concert with it had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

4. DEALINGS IN SECURITIES

Save for (i) 250,180,000 Shares subscribed by the Offeror at HK\$0.66 per Share on 30 November 2015; (ii) 100,000,000 Shares acquired by the Offeror from Power Ace at the consideration of HK\$66,000,000 (equivalent to HK\$0.66 per Share) on 15 February 2016; (iii) 40,000,000 Shares acquired by the Offeror from Ultra Bio-Chem at the consideration of HK\$26,400,000 (equivalent to HK\$0.66 per Share) on 15 February 2016; and (iv) 91,500,000 Shares acquired by the Offeror from Mr. Sang at the consideration of HK\$60,390,000 (equivalent to HK\$0.66 per Share) on 11 February 2016, none of the Offeror, parties acting in concert with the Offeror and persons identified in the paragraph headed “3. Disclosure of Interests” above in this appendix had dealt in any Shares or convertible securities, warrants, options or derivatives in respect of any Shares during the Relevant Period.

5. OTHER DISCLOSURES AS REQUIRED BY THE TAKEOVERS CODE

- (i) Save for the Facility, as at the Latest Practicable Date, the Offeror had no intention to enter into, nor had it entered into any agreement, arrangement or understanding, to transfer, charge or pledge the Shares acquired in pursuance to the Offer to any other persons.
- (ii) No benefit will be given to any Director as compensation for loss of office or otherwise in connection with the Offer.
- (iii) Save for the Agreements, as at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between any of the Offeror or parties acting in concert with it and any Director, recent Director, Shareholder or recent Shareholder which had any connection or was dependent upon the Offer.
- (iv) As at the Latest Practicable Date, there was no agreement or arrangement to which any of the Offeror is a party which related to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.
- (v) As at the Latest Practicable Date, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Offeror and parties acting in concert with it and any other person.

6. EXPERT AND CONSENT

The following is the qualification of the expert whose letter is contained in this Composite Document:

Name	Qualification
Optima Capital	a corporation licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror

Optima Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter, and the references to its name in the form and context in which it appears.

7. GENERAL

- (i) The registered office address of the Offeror is situated at Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands.
- (ii) The principal member of the parties acting in concert with the Offeror is Mr. Chua Hua Por, the sole director and sole beneficial owner of the Offeror whose correspondence address is Suite 1206-1209, Three Pacific Place, 1 Queen's Road East, Wanchai, Hong Kong.
- (iii) The registered office of Optima Capital is Suite 1501, 15th Floor, Jardine House, 1 Connaught Place, Hong Kong.
- (iv) The English text of this Composite Document and the Acceptance Form shall prevail over their respective Chinese texts, in case of any inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the Offeror's principal place of business in Hong Kong at Room 1206-1209, Three Pacific Place, 1 Queen's Road East, Wanchai, Hong Kong; (ii) on the website of the SFC (<http://www.sfc.hk>); (iii) on the website of the Company (<http://www.irasia.com/listco/hk/bestway/index.htm>) during the period from the date of the Composite Document up to and including the Offer Closing Date:

- (i) the memorandum and articles of association of the Offeror;
- (ii) the letter from Optima Capital, the text of which is set out on page 17 to 22 this Composite Document; and
- (iii) the written consent referred to under the paragraph headed "Expert and Consent" in this appendix.