



Chairman's Statement

On behalf of the Board of Directors, I hereby present to the shareholders the annual report of Bestway International Holdings Limited (the "Company"), and its subsidiary companies (together the "Group") for the year ended 31 March 2001.

Results

Turnover & Profits

The Group's consolidated turnover for the year ended 31 March 2001 was HK\$346.6 million, a decrease of about 33.7% when compared with last year's equivalent of HK\$523.1 million. Net loss attributable to shareholders was HK\$304.4 million (2000: loss of HK\$120.4 million). Loss per share was HK21.4 cents (2000: loss per share HK11.0 cents).

Dividends

The directors do not recommend the payment of any dividends in respect of the year.

Business Review

The Group's principal business activities were in the manufacturing of PVC sheets and PVC floor coverings in the PRC.

The net loss attributable to shareholders of HK\$304.4 million for the year under review was arrived at after making provisions for the permanent diminution in value of long term investments and a jointly-controlled entity in the PRC, a deficit on revaluation of leasehold land and buildings and provisions for doubtful debts.

During the year, the Group's businesses continued to be adversely affected by its financial liquidity problems resulting from its heavy bank debt burden and operating losses incurred by it in the current as well as the previous two years. Operating with limited working capital, the Group's core manufacturing operation at the Bestway factory in Dongguan operated at about two-thirds of its optimal capacity and therefore its gross profit margin was adversely affected. Production at the recently completed Bestfaith factory at Qiatou in Dongguan was also adversely affected.



Chairman's Statement (cont'd)

The Group continued to experience a contraction of its banking facilities during the year despite the raising of HK\$17.9 million through the placement of 129,600,000 shares at HK\$0.138 each.

As a result, during the year, it became evident that, to survive, the Group needed to go through a process of debt and financial restructuring (“Debt Restructuring”). Management proceeded to implement a series of action plans aimed at curtailing operating costs, disposing of the Group’s non-core fixed assets and investment properties and subcontracting loss-making factories while at the same time looking for new investors and negotiating with its leasing creditors and banks (“the Bank Creditors”) in respect of its debt. In February 2001, the Company appointed Horwath Capital Asia Limited (“Horwath”) as its financial adviser and has, in consultation with Horwath, submitted a debt restructuring proposal (“the Proposal”) in April for the consideration of its Bank Creditors. Negotiations with the Bank Creditors on the Proposal have now reached an advanced stage.

Prospect

While management will continue to maximise existing financial resources to improve sales and the utilisation of our two existing factories in Dongguan, the prospect of the Group continuing or expanding its existing businesses will be wholly dependent on the successful completion of the Debt Restructuring with the Group’s Bank Creditors. The Group’s operations should be able to return to normal and start expanding following completion of the Debt Restructuring. With the Bestfaith factory only becoming fully operational in January 2001, the production capacity of PVC sheets in our two factories in Dongguan has now increased to 50,000 metric tons per annum. Given restructured debt, sufficient working capital and a more stabilised economy in the United States of America, the Group does not foresee any difficulty in securing orders to fill the expanded capacity.



Chairman's Statement (cont'd)

Employees

As at 31 March 2001, the Group had approximately 770 full-time employees, of which 23 were based in Hong Kong and 747 were stationed in the PRC. The staff number and their respective duties for both of the years are set out in the following table:

	2001	2000
General Administration and Accounting	90	94
Sales & Marketing	58	64
Product design & production planning	26	30
Material procurement and quality control	46	50
Manufacturing and warehousing	550	750
	770	988

The Group remunerated its employees mainly based on the industry practice and individual's experience and performance. The Directors are actively reviewing staffing levels and remuneration package with a view to maintaining a cost-effective management structure.

Appreciation

Finally, I would like to thank my fellow directors, management team and staff for all their hard work, continued loyalty, efforts as well as dedication to the Group's affairs for the year. On behalf of the Board of Directors, I am pleased to express my sincere gratitude to the customers, suppliers and bankers for their patronage, support and confidence in the Group.

Tang Kuan Chien

Chairman

Hong Kong

14 September 2001