

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 2003.

TURNOVER & PROFITS

The Group's consolidated turnover for the year ended 31 March 2003 was HK\$313.8 million, an increase of approximately 17.2% when compared with last year's equivalent of HK\$267.8 million. Net profit from ordinary activities attributable to shareholders was HK\$10.6 million (2002: net loss from ordinary activities attributable to shareholders of HK\$96.2 million). The basic earnings per share were HK0.48 cent (2002: basic loss per share of HK6.7 cents).

DIVIDENDS

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

BUSINESS REVIEW

The Group has returned to profit during the year and this was mainly attributable to a combination of (i) cost reductions and austerity measures; (ii) increased turnover; (iii) a gain arising on write off of bank indebtedness of HK\$18 million upon the completion by the Group of its debt restructuring with its bank creditors ("the Participating Banks") in Hong Kong on 19 September 2002 and (iv) a substantial reduction in finance costs subsequent to the debt restructuring.

PVC FILMS

Utilisation of the capacity of the Group's two facilities in Dongguan was improved as more aggressive efforts were diverted toward marketing and sales and strengthening the service level with all of the Group's customers. The combined volume of shipments of PVC films during the year under review rose more than 15% to 36,788 metric tons from 31,887 metric tons in 2002. Prices of primary raw materials, PVC resin and plasticizer, soared during the first quarter of 2002. With the tight liquidity then, the Group could not implement any strategic purchases during the start of the quarter when prices were at record low of 2002. The intervening U.S. West Coast port disruptions last year caused a surge in orders as shippers wanted to circumvent the effect of the strike but leaving a long stretch of void in the immediate post-strike period. The War against Iraq during the first quarter of 2003 pushed material prices to new heights. In summary, the enormous fluctuation in the cost of raw materials and the irregular incidence of orders were hurting gross margins despite an increase in sales volume for the year under review.

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PVC FLOOR COVERINGS

PVC floor coverings are manufactured and sold by our factory in Beijing to our customers in the PRC. The domestic PRC market although has remained intensively competitive, the gross margin for PVC floor covering products was slightly improved as a few more unprofitable products were progressively given up during the year.

PROSPECTS

The Group successfully completed the Debt Rescheduling and Restructuring Deed ("DRD") on 19 September 2002 with the Participating Banks. Although the Group has been receiving exceptional support from its vendors and customers, the satisfactory completion of the DRD has already strengthened their confidence as well as that of the Group's post-restructuring operating banks. The Group has already experienced an improvement in both the size of credit and terms of payment with our major vendors.

The Group has continued its mission in fortifying its core business through reaching out to a broader industrial user base of its PVC films within domestic PRC; increasing its marketing and development efforts in the PVC floor covering and matting products; enhancing of its product quality; and developing new film products to enable the Group to enter new markets and to achieve higher value added production. With the new and persistent marketing initiatives from the last quarter in 2002, the Group has successfully opened the Japanese market with shipment commencing February 2003. Active collaboration is underway with an important U.S. industrial group in developing PVC film based consumer products for the North American market. We expect that the new overseas market access will gradually engender significant growth potential.

In supporting its PRC industrial customers and the new overseas marketing initiatives, the Group has already embarked on a program to remodel its equipment such that in the immediate near term, the Group's production facilities could execute printing, embossing and lamination in-house. These higher value-added post-filmmaking abilities will lead to producing films for the automotive industry, waterproof underlay for civil works and the building industry, and a range of multi-purpose pressure sensitive decorative film program. In the medium term, as reported last year, the Group is determined to turn out new generation environmentally friendly polymer films.

Although business during the first quarter of the new financial year has been poorly hampered by a softening U.S. market and the onset of the SARS, we remain confident of its future performance.

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EMPLOYEES

As at 31 March 2003, the Group had approximately 420 full time managerial, administrative and manufacturing employees of which 20 were based in Hong Kong and the rest were stationed in the PRC. The staff number and their respective duties for both years are set out in the following table:

	2003	2002
General administration & accounting	42	40
Sales & marketing	30	28
Product design & production planning	25	24
Material procurement & quality control	52	50
Manufacturing & warehousing	271	261
	420	403

The Group affords competitive remuneration packages to its employees based on prevailing industry practice and provides to most of its employees in the PRC with rent-free quarters and messing. Compensation policies are reviewed regularly and are designed to reward and motivate productivity and performance.

APPRECIATION

I would like to thank my fellow directors, management team and staff for their dedicated contributions and loyalty during a year of many challenges, both financially and in the business fronts. On behalf of the Board of Directors, I wish to convey our most sincere gratitude to all of our customers, suppliers and bankers for their continuing support to and confidence in our Group.

Tang Kuan Chien
Chairman

Hong Kong, 9 July 2003