

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 2004.

TURNOVER & PROFITS

The Group's consolidated turnover for the year ended 31 March 2004 was HK\$283.6 million, a decrease of approximately 9.6% when compared with last year's equivalent of HK\$313.8 million. Net loss from ordinary activities attributable to shareholders was HK\$7.0 million (2003: net profit from ordinary activities attributable to shareholders of HK\$10.6 million). The basic loss per share was HK0.24 cents (2003: basic earnings per share of HK0.48 cents).

DIVIDENDS

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

BUSINESS REVIEW

For the year ended 31 March 2004, the Group recorded a turnover of HK\$283.6 million representing a decrease of approximately 9.6 % compared with HK\$313.8 million in the previous year. Net loss from ordinary activities attributable to shareholders was HK\$7.0 million, compared with a net profit from ordinary activities attributable to shareholders of HK\$10.6 million in last year. The Group's basic loss per share was HK0.24 cents (2003: basic earnings per share of HK0.48 cents).

PVC FILMS

The total tonnage of films shipments from the two facilities in Dongguan weakened during the year under review as sales in PVC films were plagued by the continuing softening demand particularly whilst the SARS reigned during the first quarter and a vigorous surge in the price of raw materials in the last five months of the financial year then ended. The combined volume of shipments of PVC films during the year was 33,298 metric tones, a drop of 9.0% when compared with shipments of 36,590 metric tons in 2003. The sales in PVC films represented 84.9% (2003: 84.8%) of the total sales of the Group. The drop in sales volume combined with a depressed gross profit margin resulting from the difficulty in fully transferring the high costs to sales were instrumental in the disappointing performance of the Group for the current year. The more encouraging development during the year was that of incremental orders from Japan and Europe.

PVC FLOOR COVERINGS

PVC floor coverings are manufactured and sold by our factory in Beijing to our customers in the PRC. Sales dropped 10.2% to HK\$42.8 million from HK\$47.7 million in 2003. The onslaught of SARS eclipsed shipments to northeastern China during the first four months of the financial year. The domestic PRC market has remained an intensively competitive playing field which saw further deterioration in operating loss.

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PROSPECTS

The Group will continue its efforts in developing new film products and to strengthen its overseas markets. More resources will be diverted towards promoting higher value-added post film-making processes, viz., embossing, printing and laminating. A vigorous program of austerity will continue in light of the tight liquidity. The Group will explore every avenue to improve its financial position in the immediate future. The US economy and that of the rest of the major markets are showing signs of stability and growth, cost of raw materials have been steady, barring unforeseen circumstances, the Group believes that business will improve in the rest of the coming year.

EMPLOYEES

As at 31 March 2004, the Group had approximately 417 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:

	2004	2003
General administration & accounting	42	42
Sales & marketing	30	30
Product design & production planning	25	25
Material procurement & quality control	51	52
Manufacturing & warehousing	269	271
	417	420

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 messings. Compensation policies are reviewed regularly and are designed to reward and motivate productivity and performance.

APPRECIATION

I would like to extend my gratitude to the members of the board of directors, our management team and staff for their loyalty and dedication during the past year. On behalf of the Board of Directors, I wish to convey our most sincere appreciation of the staunch support to our Group from all of our customers, suppliers and bankers during a difficult bygone operating year.

Tang Kuan Chien

Chairman

Hong Kong, 28 July 2004