



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



INTERIM REPORT **2004**

The Board of Directors of Bestway International Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (hereinafter the "Group") for the six months ended 30 September 2004 together with the comparative figures for the corresponding period in 2003. The unaudited results have not been audited by the Company's auditors, but have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		For the six months	
		ended 30 September	
		2004	2003
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
TURNOVER	3	172,615	126,592
Cost of sales		(164,373)	(121,724)
Gross profit		8,242	4,868
Other income and revenue	3	265	318
Selling and distribution costs		(2,095)	(1,893)
Administrative expenses		(11,755)	(11,561)
LOSS FROM OPERATING ACTIVITIES	4	(5,343)	(8,268)
Gain on waiver of debt		–	15,915
Finance costs	5	(4,597)	(4,407)
(LOSS)/PROFIT BEFORE TAX		(9,940)	3,240
Tax	6	(105)	224
(LOSS)/PROFIT BEFORE MINORITY INTERESTS		(10,045)	3,464
Minority interests		150	44
NET (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS		(9,895)	3,508
(Loss)/Earnings per share			
– basic	7	(0.344 cent)	0.123 cent
– diluted	8	N/A	0.115 cent
Interim dividend per share		–	–

CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

	(Unaudited)	
	For the six months ended 30 September	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total deficiency in assets at 1 April	(36,041)	(30,507)
Net (loss)/profit for the period attributable to shareholders	(9,895)	3,508
Issue of shares, including share premium	13,440	–
Share issue expenses	(146)	–
Total deficiency in assets at 30 September	<u>(32,642)</u>	<u>(26,999)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 30 September 2004 <i>HK\$'000</i>	(Audited) As at 31 March 2004 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		131,614	140,434
Interests in jointly-controlled entities		15,272	15,272
Long term investments		3,150	3,150
Prepaid rental		5,299	6,410
		155,335	165,266
CURRENT ASSETS			
Inventories		26,531	24,314
Account and bills receivable	9	40,307	46,654
Due from a jointly-controlled entity		973	973
Prepayments, deposits and other receivables		11,887	11,894
Pledged deposits		3,440	3,438
Cash and bank balances		15,036	4,414
		98,174	91,687
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		69,399	36,903
Finance lease payables	10	1,074	1,220
Accounts and bills payable	11	32,164	36,131
Tax payable		9,987	11,005
Other payables and accruals		25,142	28,310
Due to a director		626	701
Due to joint venture partners		4,172	3,471
Provision		575	575
		143,139	118,316
NET CURRENT LIABILITIES		(44,965)	(26,629)
TOTAL ASSETS LESS CURRENT LIABILITIES		110,370	138,637
NON CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		39,865	70,934
Finance lease payables	10	898	1,345
Convertible bonds, secured	12	90,415	90,415
		131,178	162,694
MINORITY INTERESTS			
		11,834	11,984
		(32,642)	(36,041)
CAPITAL AND RESERVES			
Issued capital	13	34,112	28,512
Reserves	14	(66,754)	(64,553)
		(32,642)	(36,041)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited)	
	For the six months	
	ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(3,378)	(5,860)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(722)	(2,125)
NET CASH INFLOW FROM FINANCING ACTIVITIES	14,722	4,860
	<hr/>	<hr/>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	10,622	(3,125)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,414	8,300
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15,036	5,175
	<hr/>	<hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	15,036	5,175
	<hr/>	<hr/>
	15,036	5,175
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2004

1. Principal Accounting Policies

The unaudited condensed interim consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies used in the preparation of these financial statements are the same as those used in the Group's audited financial statements for the year ended 31 March 2004.

2. Segment Information

Segment information is presented by way of two segment formats; (i) on a primary segment reporting basis; by business segments and (ii) on a secondary segment reporting basis; by geographical segments.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the PVC films products segment engages in the manufacture and sale of PVC films;
- (b) the PVC floor coverings products segment engages in the manufacture and sale of PVC floor coverings; and
- (c) the corporate and others segment engages in investment holding; and also includes general corporate income and expense items.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

2. Segment Information (Continued)
(i) Business Segments

The following tables present revenue, profit/(loss) and expenditure information for the Group's business segments:

	(Unaudited)							
	PVC Films		PVC floor coverings		Corporate and others		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	148,741	108,765	23,874	17,827	-	-	172,615	126,592
Other revenue	-	-	75	21	188	292	263	313
Total revenue	148,741	108,765	23,949	17,848	188	292	172,878	126,905
Segment results	4,314	(659)	(4,535)	(2,218)	(5,124)	(5,396)	(5,345)	(8,273)
Interest income and unallocated revenue							2	5
Gain on waiver of debt							-	15,915
Finance costs							(4,597)	(4,407)
(Loss)/Profit before tax							(9,940)	3,240
Tax							(105)	224
(Loss)/Profit before minority interests							(10,045)	3,464
Minority interests							150	44
Net (loss)/profit from ordinary activities attributable to shareholders							(9,895)	3,508

(ii) Geographical Segments

Over 90% of the Group's revenue, results and assets are attributable to its operations in the PRC.

3. Turnover and Revenue

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, but excludes intra-group transactions.

An analysis of the group's turnover and revenue is as follows:-

	(Unaudited)	
	For the six months	
	ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Turnover		
Sale of goods:		
PVC films	148,741	108,765
PVC floor coverings	23,874	17,827
	<u>172,615</u>	<u>126,592</u>
Total		
Other revenue		
Interest income	2	5
Sub-contracting fee income	234	234
Others	29	79
	<u>265</u>	<u>318</u>
Total		

4. Loss from Operating Activities

The Group's loss from operating activities is arrived at after charging:

	(Unaudited)	
	For the six months	
	ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Cost of inventories sold	164,373	121,724
Depreciation	8,915	9,085
	<u>173,288</u>	<u>130,809</u>

5. Finance Costs

 Interest on bank loans, overdraft and other loans:
 Wholly repayable within five years

 Interest on bank loans:
 Wholly repayable after five years

Interest on secured convertible bonds

Interest on finance leases

(Unaudited)	
For the six months	
ended 30 September	
2004	2003
<i>HK\$'000</i>	<i>HK\$'000</i>
3,271	2,767
247	509
986	986
93	145
<u>4,597</u>	<u>4,407</u>

6. Tax

(Under)/Over provision in prior years

(Tax charge)/over-provided for the period

(Unaudited)	
For the six months	
ended 30 September	
2004	2003
<i>HK\$'000</i>	<i>HK\$'000</i>
(105)	224
<u>(105)</u>	<u>224</u>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period. Other subsidiaries of the Group operating in Mainland China have been loss-making since their incorporation and accordingly income tax has not been provided for the period ended 30 September 2004.

The Group has tax losses arising in Hong Kong of HK\$150,252,000 (2003: HK\$170,257,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

7. Basic Earnings per Share

The calculation of basic (loss)/earnings per share is based on the unaudited net loss attributable to shareholders for the period of HK\$9,895,000 (2003: Profit of HK\$3,508,000) and the weighted average of 2,878,740,983 (2003: 2,851,200,000) ordinary shares in issue during the period.

8. Diluted Earnings per Share

Diluted loss per share amount for the six months ended 30 September 2004 has not been calculated because the convertible bonds outstanding during the period had an anti-dilutive effect on the basic loss per share for the year.

9. Accounts and Bills Receivable

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period from 60 to 90 days. An aged analysis of the accounts and bills receivable at 30 September 2004, based on invoice date, is as follows:

	(Unaudited) As at 30 September 2004 HK\$'000	(Audited) As at 31 March 2004 HK\$'000
Within 30 days	19,652	24,102
Between 31 to 60 days	11,783	8,606
Between 61 to 90 days	7,637	5,412
Over 90 days	4,655	11,954
	<u>43,727</u>	<u>50,074</u>
Less: Provision for doubtful debts	(3,420)	(3,420)
	<u>40,307</u>	<u>46,654</u>

10. Finance Lease Payables

The total future minimum lease payments under finance leases at 30 September 2004 were as follows:

	(Unaudited) As at 30 September 2004 HK\$'000	(Audited) As at 31 March 2004 HK\$'000
Amounts payable:		
Within one year	1,372	1,372
In the second year	730	1,400
	<u>2,102</u>	<u>2,772</u>
Total minimum finance lease payments	2,102	2,772
Future finance charges	(130)	(207)
	<u>1,972</u>	<u>2,565</u>
Total net finance lease payables	1,972	2,565
Portion classified as current liabilities	(1,074)	(1,220)
	<u>898</u>	<u>1,345</u>
Long term portion	898	1,345

11. Accounts and Bills Payable

The aged analysis of the accounts and bills payable at 30 September 2004, based on invoice date, is as follows:

	(Unaudited) As at 30 September 2004 HK\$'000	(Audited) As at 31 March 2004 HK\$'000
Within 30 days	14,479	12,363
Between 31 to 60 days	4,138	5,715
Between 61 to 90 days	4,796	5,545
Over 90 days	8,751	12,508
	32,164	36,131

12. Convertible Bonds, Secured

	(Unaudited) As at 30 September 2004 HK\$'000	(Audited) As at 31 March 2004 HK\$'000
3% First Tranche Secured Convertible Bonds ("CB One")	40,000	40,000
1.5% Second Tranche Convertible Bonds ("CB Two")	50,415	50,415
	90,415	90,415

The CB One, maturing 7 years from 19 September 2002, bears interest at 3% per annum with conversion rights at a price of HK\$0.05 per share. The outstanding amounts of the CB One will be redeemed by the Company on the maturity date, if not previously redeemed, purchased and cancelled, or converted.

The CB Two, maturing 7 years from 19 September 2002, bears interest at 1.5% per annum with conversion rights at a price HK\$0.20 per share. The outstanding amounts of CB Two will be mandatorily converted into shares of HK\$0.01 each in the Company on the maturity date.

Both CB One and CB Two were secured by all the Group's assets by way of debentures executed in favour of the bond holders.

13. Share Capital
Authorised:

24,000,000,000 ordinary shares of HK\$0.01 each

(Unaudited)	(Audited)
As at	As at
30 September	31 March
2004	2004
HK\$'000	HK\$'000

240,000
240,000
Issued and fully paid:

 3,411,200,000 (31 March 2004: 2,851,200,000)
 ordinary shares of HK\$0.01 each

34,112
28,512

During the period, new shares of 560,000,000 issued at 0.024.

14. Reserves

	(Unaudited)							
	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Asset revaluation reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2004	146,585	52,743	4,581	7,470	188	(16,854)	(259,266)	(64,553)
Net Share issues	7,694	-	-	-	-	-	-	7,694
Net profit for the period ended 30 September 2004	-	-	-	-	-	-	(9,895)	(9,895)
At 30 September 2004	<u>154,279</u>	<u>52,743</u>	<u>4,581</u>	<u>7,470</u>	<u>188</u>	<u>(16,854)</u>	<u>(269,161)</u>	<u>(66,754)</u>
Reserves retained by: Company and subsidiaries	154,279	52,743	4,581	6,268	-	(16,683)	(270,590)	(69,402)
Jointly-controlled entities	-	-	-	1,202	188	(171)	1,429	2,648
At 30 September 2004	<u>154,279</u>	<u>52,743</u>	<u>4,581</u>	<u>7,470</u>	<u>188</u>	<u>(16,854)</u>	<u>(269,161)</u>	<u>(66,754)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Results

During the period, the Group recorded a consolidated turnover of HK\$172,615,000 (2003: HK\$126,592,000) which represented an increase in turnover of approximately 36.4% over that achieved for the corresponding period last year. The net loss attributable to shareholders was HK\$9,895,000, compared with the profit of HK\$3,508,000 incurred for the corresponding period last year. The Group's basic loss per share for the period was HK\$0.344 cent when compared with an earnings per share of HK\$0.123 cent for the corresponding period last year.

Business Review

The Group continues its principal business activities in the manufacture of PVC films and PVC floor coverings in the PRC.

PVC Films

During the period under review, the Group's sales in PVC film was approximately HK\$148,741,000, compared with approximately HK\$108,765,000 for the corresponding six months last year, an increase of about 36.7%. The average gross margin in PVC films sales for the six months under review increases significantly to 7.15% when compared with 4.2% in the corresponding period last year. The sales in PVC films for the period represented 86.1% (2003: 85.9%) of the total sales of the Group. The improved average gross margin in PVC films sales was due to tighten control on the costs of production and shift the costs to customers by uplifting the sales price.

PVC floor coverings

Sales of PVC floor coverings increase 33.9% to HK\$23,874,000, compared with HK\$17,827,000 for the corresponding period last year. The intense competition within the industry brought severe pressure on the gross profit margin and resulted in a negative gross margin of 10% compared with 6.17% for the corresponding period last year.

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.

The Group takes a more reserved outlook about the near term business environment and does recognize that the immediate priority should be taken to strengthen its liquidity and equity base. To this end, the Group will continue to try to identify sources of new working capital to enable the Group to complete its immediate business plans.

Financial Review

Debt Assignment Deed

The Board of directors has been informed by HSBC, being the coordinating agent of the Participating Banks under the Deed on 28 July 2004. The Bank Creditors and the Coordinating Agent entered into the Debt Assignment Deed with Wealthguard Investment Limited, the Bank Creditors agreed to sell to Wealthguard the Transferred Rights and Obligations comprising of Secured Term Loans HK\$36,000,000 and Secured Convertible Bonds HK\$90,415,000, except for the existing Short Term Secured Loan in which the principal amount of HK\$4,500,000 owed to HSBC, shall carry no interest and shall continue to be owing and remain payable by Bestway Group to HSBC and secured by the Secured Asset provided that HSBC shall have no recourse to Wealthguard or any member of the Bestway Group for repayment of the Short Term Secured Loan other than out of any proceeds of realization of the Secured Asset.

Liquidity and other Financial Resources

As at 30 September 2004, the Group's bank and other borrowings amounted to HK\$199,680,000 which is an increase of HK\$1,428,000 from its borrowings of HK\$198,252,000 at the year ended 31 March 2004.

Of the Group's total borrowings at 30 September 2004:

- (i) HK\$52,680,000 is at floating interest rates and HK\$147,000,000 is at fixed interest rates;
- (ii) 65.6% is denominated in Hong Kong Dollars and 26.9% denominated in Renminbi and 7.5% in United States Dollars.

As at 30 September 2004, the Group's deficiency in assets and net current liabilities were approximately \$32,642,000 (31 March 2004: HK\$36,041,000) and HK\$44,965,000 (31 March 2004: HK\$26,629,000) respectively.

Due to the capital deficiency position at both 31 March 2004 and 30 September 2004, the gearing ratio, calculated as a percentage of the Group's consolidated borrowings and finance lease payables to net worth, remained a meaningless figure.

On 22 September 2004, the Company has issued 560,000,000 new shares at HK\$0.024. The net proceeds were about HK\$13,440,000 and utilised HK\$4,800,000 for repayment of existing loan on 25 October 2004 and the remaining proceeds were placed on the short term interest bearing deposits with bank for the Group's future investments.

As at 30 September 2004, the Group had cash and bank balances with total amount of HK\$18,476,000 including bank deposits of HK\$3,440,000 were pledged for trust receipt loans and other short term trade financing facilities granted to the Group.

Charges on Group Assets

As at 30 September 2004, the Group's bank and other borrowings including the two tranches of Convertible Bonds and finance lease payables amounted to HK\$201,651,000.

In addition to all the then existing guarantees and securities as disclosed in Note 22 of the financial statements for the year ended 31 March 2004 which remain in full force and effect, the Group's assets except those belonged to a subsidiary company, Beijing William Shun Plastic Products Co., Ltd. were charged by way of debentures as security for all the restructured debts.

Exposure to Foreign Exchange Fluctuation

The Group's monetary assets and liabilities were principally denominated in Hong Kong Dollars, Renminbi and U.S. Dollars. In as much as the Hong Kong Dollar is pegged to the U.S. Dollar and that there has been minimal fluctuation in exchange rate between Hong Kong Dollars and the Renminbi, the Group's exposure to currency exchange risk was minimal.

Contingent Liabilities

The contingent liabilities of the Group have not changed materially from those disclosed in the annual report for the year ended 31 March 2004.

Employees

As at 30 September 2004, the Group had approximately 430 employees including full time managerial, administrative and manufacturing employees. The Group offers competitive remuneration packages to its employees based on prevailing and industry practice and provides 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.

INTERIM DIVIDEND

The directors have resolved not to pay an interim dividend for the six months ended 30 September 2004.

DIRECTORS' INTERESTS IN SHARES

Directors' interests and short positions in shares, underlying shares and debentures

At 30 September 2004, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Tang Kuan Chien	3,598,000	788,135,092 [#]	791,733,092	23.21
Yang Ting	8,000,000	1,052,073,520 ^{##}	1,060,073,520	31.07
Wong Nai Ping	5,182,000	–	5,182,000	0.15
Cheung Ming Leung	84,000,000	–	84,000,000	2.46
Hung Shean-l	6,000,000	–	6,000,000	0.17

* The corporate interest shares are held as to 265,965,000 by Bestway Development Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Tang Kuan Chien, and as to 522,170,092 shares by Best Online Limited, a company incorporated in the British Virgin Islands and wholly-owned by Ms. Wang Ya Chin, the spouse of Mr. Tang.

** Wealthguard Investment Limited, a company incorporated in the British Virgin Islands is deemed to have interest in 1,052,073,520 shares of the company, assuming that the two secured convertible bonds may be converted. Wealthguard is wholly-owned by Mr. Yang Ting.

In addition to the above, Mr. Tang Kuan Chien has non-beneficial personal equity interests in certain subsidiaries held in trust for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Directors' rights to acquire shares or debentures

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial shareholders

At 30 September 2004, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital
Ms. Wang Ya Chin	(a)	791,733,092	23.21
Best Online Limited	(b)	522,170,092	15.31
Bestway Development Limited	(b)	265,965,000	7.80
Wealthguard Investment Limited	(c)	1,052,073,520	30.84

Notes:

- (a) The interests of Ms. Wang Ya Chin include the 522,170,092 shares held by Best Online Limited, and the personal and corporate interests of Mr. Tang Kuan Chien as disclosed under the heading "Directors' interests and short positions in shares, underlying shares and debentures" above.
- (b) These interests are also included as a corporate interest of Mr. Tang Kuan Chien as disclosed under the heading "Directors' interests and short positions in shares, underlying shares and debentures" above.
- (c) These interests are also included as a corporate interest of Mr. Yang Ting as disclosed under the heading "Directors' interests and short positions in shares, underlying shares and debentures" above.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares, underlying shares or debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme for the employees and executive directors of the Company and its subsidiaries which was adopted at a special general meeting of the shareholders of the Company held on 13 September 1995 was terminated at the annual general meeting of the Company held on 19 August 2003. At the same annual general meeting, a new share option scheme was approved. No share option under the new share option scheme has been granted during the period under review.

PURCHASES, SALES OR REDEMPTION OF THE COMPANY'S LISTED SHARES

The Company or its subsidiaries have not purchased, sold or redeemed any shares of the Company during the six months ended 30 September 2004.

AUDIT COMMITTEE

The Company established an audit committee (the "Committee") on 1 April 1999. The Group's financial statements for the six months ended 30 September 2004 have been reviewed by the Committee, comprising independent non-executive directors, Mr. Hung Shean-I, Mr. Wong Nai Ping and Mr. Au Kwok Yee, Benjamin. The principal activities of the Committee include the review and supervision of the Group's financial reporting process and internal controls. On 30 September 2004, Mr. Au Kwok Yee, Benjamin was appointed as an independent non-executive director and member of the audit committee of the Company.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company had not been for any part of the accounting period under review in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules on the Stock Exchange, except that Mr. Hung Shean-I and Mr. Wong Nai Ping, the independent non-executive directors of the Company, are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best of Practice throughout the accounting period covered by the interim report, for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Committee comprises three independent non-executive directors and meets at least twice annually to perform its duties.

On behalf of the Board
Bestway International Holdings Limited
Tang Kuan Chien
Chairman

Hong Kong, 25 November 2004