



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 2005.

DIVIDENDS

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

BUSINESS REVIEW

Review of Operations

The Group's principal business activities during the year under review were the manufacturing and trading of PVC films and PVC floor coverings. During the year, the Group disposed of and discontinued its business of manufacturing and trading of PVC floor coverings.

For the year ended 31 March 2005, the Group recorded a turnover of HK\$331.8 million representing an increase of approximately 16.99% compared with HK\$283.6 million in the previous year. Operating loss for the year was HK\$19.7 million representing a further deterioration as compared with HK\$0.7 million last year. Net loss from ordinary activities attributable to shareholders was HK\$27.1 million, compared with HK\$7.0 million last year. The Group's basic loss per share was HK0.81 cent (2004: HK0.24 cent).

The average gross profit margin for the year was 5.29% compared with 3.40% last year. The improved average gross profit margin was the result of the struggle of the management to shift part of the material costs to the customers, and tighten cost controls over factory overheads.

PVC Films

During the period under review, the Group's sales in PVC film was approximately HK\$292.0 million, compared with approximately HK\$240.7 million for the last year, an increase of about 21.29%. The average gross profit margin in PVC film sales for the year under review increase significantly to 6.68% compares with 4.4% in the corresponding period last year. The sales in PVC films for the period represented 88% (2004: 84.9%) of the total sales of the Group. The improved average gross margin in PVC film 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

The intense competition within the industry brought pressure on the gross profit margin and resulted in a negative gross profit margin of 4.93%. The sales and manufacturing of PVC floor coverings was done by our subsidiary in the name as Beijing William Shun Plastic Products Company Limited. It has not generating profits for the Group since incorporation. For the benefit of the Company, Board of directors had decided to dispose of it during the year. The Group reallocated its resources to focus on other profit-generating business operations of the Group thereafter.



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PROSPECTS

The Group endeavours to explore overseas markets and divert more resources in developing high value-added polymer products. In an attempt to alleviate the impact of oil price fluctuations, the Group implemented stringent and timely cost control measures in its purchase of raw materials. The Group is committed to deliver quality products to its customers so as to increase orders. The Group's idle assets and non-profitable products have been treated with due regard during the year.

On 22 April 2005, the Group issued 682,000,000 new shares to raise capital, part of the proceeds was utilized for the repayment of debts while the remaining portion was used as working capital. On 13 June 2005, the Group's substantial shareholders, Wealthguard Investment Limited wrote off the Group's debt in the amount of HK\$11,100,000. On 23 June 2005, Wealthguard Investment Limited exercised the Second Tranche Convertible Bonds. In light of the above, the Group's future financial position is set to improve.

The Group completed and successfully implemented its plans during recent years. I believe that the Group will have a promising prospect.

EMPLOYEES

As at 31 March 2005, the Group had approximately 327 full time managerial, administrative and manufacturing employees of which 13 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:

	2005	2004
General administration & accounting	44	42
Sales & marketing	13	30
Material procurement & quality control	53	51
Manufacturing & warehousing	217	294
	327	417

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 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, 25 July 2005