



Bestway International Holdings Limited
百威國際控股有限公司



Interim Report **2005**

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 2005 together with the comparative figures for the corresponding period in 2004. 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	
		2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000
	Notes		
REVENUE	4		
Continuing operations		161,553	148,741
Discontinued operations		–	23,874
		<u>161,553</u>	<u>172,615</u>
Cost of sales		<u>(146,179)</u>	<u>(164,373)</u>
Gross profit		15,374	8,242
Other revenue	4	298	265
Gain on waiver of debt		11,100	0
Selling and distribution costs		(1,766)	(2,095)
Administrative expenses		(10,348)	(11,605)
Other net operating incomes		1,759	–
Finance costs	5	<u>(1,890)</u>	<u>(4,597)</u>
PROFIT/(LOSS) BEFORE TAX	6		
Continuing operations		14,527	(5,084)
Discontinued operations		–	(4,706)
		<u>14,527</u>	<u>(9,790)</u>
TAX	7		
Continuing operations		–	(105)
Discontinued operations		–	–
PROFIT/(LOSS) FOR THE PERIOD		<u>14,527</u>	<u>(9,895)</u>
ATTRIBUTABLE TO:			
Equity holders of the parent		14,584	(10,045)
Minority interests		(57)	150
		<u>14,527</u>	<u>(9,895)</u>
EARNINGS PER SHARE			
Earnings/(loss) per share – basic	8	<u>0.293 cent</u>	<u>(0.344 cent)</u>
– diluted	9	<u>N/A</u>	<u>N/A</u>
Interim dividend per share		–	–

CONDENSED CONSOLIDATED BALANCE SHEET

	(Unaudited) As at 30 September 2005	(Unaudited) As at 31 March 2005 (Restated)
Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Fixed assets		
Land	15,063	15,240
Property, plant and equipment	72,600	75,342
Interests in jointly-controlled entities	8,491	8,491
Available-for-sale investments	2,866	2,866
Prepaid rental	3,185	4,254
	102,205	106,193
CURRENT ASSETS		
Inventories	27,008	20,095
Accounts and bills receivable	39,303	39,937
Due from a jointly-controlled entity	973	973
Prepayments, deposits and other receivables	11,644	10,244
Pledged deposits	4,237	4,237
Cash and bank balances	10,004	13,336
	93,169	88,822
CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	33,021	25,079
Finance lease payables	–	1,355
Accounts and bills payables	28,151	19,224
Tax payables	8,694	8,694
Other payables and accruals	22,486	25,224
Due to director	197	460
Due to a related company	–	700
Loans from shareholders	–	14,920
Provision	575	575
	93,124	96,231
NET CURRENT ASSETS/(LIABILITIES)	45	(7,409)

		(Unaudited) As at 30 September 2005	(Unaudited) As at 31 March 2005 (Restated)
	<i>Notes</i>	HK\$'000	HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		102,250	98,784
NON CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		12,116	31,084
Loan from a shareholder		–	22,500
Convertible bonds, secured	13	–	40,221
		<u>12,116</u>	<u>93,805</u>
		<u>90,134</u>	<u>4,979</u>
 CAPITAL AND RESERVES			
Equity attributable to equity holders of the parent			
Issued capital	14	51,453	42,112
Other reserves	15	43,087	236,278
Retained losses	15	(8,894)	(277,842)
		<u>85,646</u>	<u>548</u>
Minority interests	15	4,488	4,431
		<u>90,134</u>	<u>4,979</u>

CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

	(Unaudited)	
	For the six months ended	
	30 September	
	2005	2004
	(Unaudited)	(Restated)
	HK\$'000	HK\$'000
Total equity at 1 April:		
As previously reported as equity	(9,646)	(36,041)
As previously reported separately as minority interests	4,431	11,984
	<hr/>	<hr/>
	(5,215)	(24,057)
Prior previously period and opening adjustments		
HKAS 32 – Convertible bonds	564	–
	<hr/>	<hr/>
As stated at 1 April	(4,651)	(24,057)
	<hr/>	<hr/>
Changes in equity during the period:		
Exchange differences on translating foreign operations	3,343	0
Conversion of Convertible Bonds	49,851	0
Issue of shares, including share premium, net	27,007	13,294
	<hr/>	<hr/>
Net income recognized directly in equity	80,201	13,294
Profit for the period	14,584	(10,045)
	<hr/>	<hr/>
Total equity at 30 September	90,134	(20,808)
	<hr/>	<hr/>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited)	
	For the six months ended	
	30 September	
	2005	2004
	HK\$'000	HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	9,903	(3,378)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(382)	(722)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	(12,853)	14,722
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(3,332)	10,622
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	13,336	4,414
CASH AND CASH EQUIVALENTS AT END OF PERIOD	10,004	15,036
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	10,004	15,036
	10,004	15,036

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2005

1. Accounting Policies

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies and methods used in the preparation of the condensed interim financial statements are consistent with those set out in the year ended 31 March 2005 annual financial statements, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRS”) and Hong Kong Accounting Standards (“HKAS”) (collectively “HKFRS”) that affect the Group and are adopted for the first time for the current period’s financial statements:

HKAS1	Presentation of Financial Statements
HKAS2	Inventories
HKAS7	Cash Flow Statements
HKAS8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS10	Events after the Balance Sheet Date
HKAS12	Income Taxes
HKAS16	Property, Plant and Equipment
HKAS17	Leases
HKAS18	Revenue
HKAS19	Employee Benefits
HKAS21	The Effects of Changes in Foreign Exchange Rates
HKAS23	Borrowing Costs
HKAS24	Related Party Disclosures
HKAS27	Consolidated and Separate Financial Statements
HKAS28	Investments in Associates
HKAS32	Financial Instruments: Disclosure and Presentation
HKAS33	Earnings per Share
HKAS36	Impairment of Assets
HKAS37	Provisions, Contingent Liabilities and Contingent Assets
HKAS38	Intangible Assets
HKAS39	Financial Instruments: Recognition and Measurement
HKAS40	Investment Property
HKFRS2	Share-based Payment
HKFRS3	Business Combinations
HK(SIC)-Int 21	Income Taxes-Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases-Determination of the Length of Lease Term in respect of Hong Kong Land Leases

1. Accounting Policies (Continued)

The adoption of the HKFRS has the following impacts on the Group's accounting policies:-

(a) *HKAS17 "leases"*

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and accumulated impairment losses.

With the adoption of HKAS 17 as from 1 April 2005, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be separately identified from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee.

The adoption of these HKASs has had no material impact on the interim financial statements.

(b) *Minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)*

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 January 2005, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet are presented in the consolidated balance sheet within equity, separately from the equity attributable to the shareholders of the Company, and minority interests in the results of the Group for the period are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between the minority interests and the shareholders of the Company.

The presentation of minority interests in the consolidated balance sheet, income statements and statement of change in equity for the comparative period has been restated accordingly.

(c) *HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets*

In prior periods, goodwill/negative goodwill arising on acquisitions prior to 1 January 2001 was eliminated against consolidated capital reserve in the year of acquisition and was not recognized in the income statement until disposal or impairment of the acquired business. Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review. Any impairment loss recognised for goodwill is not reversed in a subsequent period. Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognized immediately in the income statement.

1. Accounting Policies (Continued)

(c) *HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets (Continued)*

The transitional provision of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill and to derecognise the carrying amounts of negative goodwill (including that remaining in consolidated capital reserve) against retained earnings. Goodwill previously eliminated against consolidated capital reserve remains eliminated against consolidated capital reserve and is not recognized in the income statement when all or part of the business to which the goodwill relates is disposal of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes summarized in note 2 to the condensed consolidated statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

(d) *HKAS 32 and HKAS 39 – Financial Instruments*

Convertible notes

In prior periods, the Group's convertible bonds were stated in the balance sheet at face value. With effect from 1 April 2005, the adoption of HKAS 32 and 39, convertible bonds issued should be split into liability and equity components.

On the issue of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

The effects of the above changes are summarized in note 2 to the condensed consolidated statements. In accordance with HKAS 32, comparative amounts have been restated.

2. Summary of the Impact of Changes in Accounting Policies

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted retrospectively. The details of the prior period adjustments and opening adjustments are summarized as follows:

(a) Effect on opening balance of total equity at 1 April 2005

Effect of new policies (Increase/(decrease))	Notes	Equity component of			Total (Unaudited) HK\$'000
		Capital reserve (Unaudited) HK\$'000	convertible bonds (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	
Opening adjustments:					
HKFRS 3					
Derecognition of Negative goodwill	1(c)	(4,581)	-	4,581	0
HKAS 32					
Convertible bonds	1(d)	-	10,194	-	10,194
Total effect at 1 April 2005		(4,581)	10,194	4,581	10,194

3. Segment Information

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers. No further geographical segment information is presented as over 90% of the Group's revenue, results are attributable to its operations in Mainland China.

The Group's operating business are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group 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 the other business segments. Summary details of the business segments are as follows:

Continuing operations:

- (a) the PVC films segment engages in the manufacture and sale of PVC films; and
- (b) the corporate and other activities segment engages in investment holdings and also includes general corporate income and expense items.

Discontinued operations:

- (a) the PVC floor coverings segment engaged in the manufacture and sale of PVC floor coverings.

3. Segment Information (Continued)

Business Segments

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

	(Unaudited)							
	For the six months ended 30 September							
	Continuing Operations				Discontinued Operations			
	PVC films		Corporate and other activities		PVC Floor coverings		Consolidated	
2005	2004	2005	2004	2005	2004	2005	2004	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:								
Sales to external customers	161,553	148,741	-	-	-	23,874	161,553	172,615
Other revenue	-	-	267	188	-	75	267	263
Total revenue	161,553	148,741	267	188	-	23,949	161,820	172,878
Segment results	8,895	4,314	(3,609)	(4,974)	-	(4,535)	5,286	(5,195)
Unallocated income							31	2
Gain on waiver of debt							11,100	-
Finance costs							(1,890)	(4,597)
Tax							-	(105)
Profit/(loss) for the period							14,527	(9,895)

Geographical Segments

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

4. 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 revenue is as follows:–

	(Unaudited)	
	For the six months ended	
	30 September	
	2005	2004
	HK\$'000	HK\$'000
Turnover		
Sale of goods:		
PVC sheets	161,553	148,741
PVC floor coverings	–	23,874
	<hr/>	<hr/>
Total	161,553	172,615
	<hr/>	<hr/>
Other revenue		
Interest income	31	2
Sub-contracting fee income	234	234
Others	33	29
	<hr/>	<hr/>
Total	298	265
	<hr/>	<hr/>

5. Finance Costs

	(Unaudited)	
	For the six months ended	
	30 September	
	2005	2004
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts, and other loans:		
Wholly repayable within five years	1,890	3,271
Interest on bank loans:		
Wholly repayable after five years	–	247
Interest on secured convertible bonds	–	986
Interest on finance leases	–	93
	<hr/>	<hr/>
	1,890	4,597
	<hr/>	<hr/>

6. Profit/(loss) before tax

The Group's profit/(loss) from operating activities is arrived at after charging:-

	(Unaudited)	
	For the six months ended	
	30 September	
	2005	2004
	HK\$'000	HK\$'000
Cost of inventories sold	146,179	164,373
Depreciation	5,434	8,915
Gain on disposal of available-for-sale investments	1,636	-
Gain on disposal of fixed assets	123	-
	<u>153,372</u>	<u>173,288</u>

7. Tax

	(Unaudited)	
	For the six months ended	
	30 September	
	2005	2004
	HK\$'000	HK\$'000
Under provision in prior years	-	105
Tax charge for the period	-	105
	<u>-</u>	<u>210</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 2005.

The Group has tax losses arising in Hong Kong of HK\$154,335,000 (2004: HK\$150,252,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognized in respect of these losses as they have arisen in the subsidiaries that have been loss-making for some time.

8. Basic Earnings per Share

The calculation of basic earnings/(loss) per share is based on the unaudited net profit attributable to shareholders for the period of HK\$14,527,000 (2004: Loss of HK\$9,895,000) and the weighted average of 4,952,682,798 (2004: 2,878,740,983) ordinary shares in issue during the period.

9. Diluted Earnings per Share

Diluted earnings per share amount for the six months ended 30 September 2005 has not been calculated because all the convertible bonds had been converted during the period.

10. 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 2005, based on invoice date, is as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 September	31 March
	2005	2005
	HK\$'000	HK\$'000
Within 30 days	27,175	24,600
Between 31 to 60 days	5,471	7,001
Between 61 to 90 days	6,152	8,449
Over 90 days	3,925	3,307
	<hr/>	<hr/>
	42,723	43,357
Less: Provision for doubtful debts	(3,420)	(3,420)
	<hr/>	<hr/>
	39,303	39,937
	<hr/>	<hr/>

11. Finance Lease Payables

The total future minimum lease payments under finance leases at 30 September 2005 were as follows:

	(Unaudited) As at 30 September 2005 HK\$'000	(Audited) As at 31 March 2005 HK\$'000
Amounts payable:		
Within one year	–	1,410
In the second year	–	–
In the third to fourth years, inclusive	–	–
	<hr/>	<hr/>
Total minimum finance lease payments	–	1,410
Future finance charges	–	(55)
	<hr/>	<hr/>
Total net finance lease payables	–	1,355
Portion classified as current liabilities	–	(1,355)
	<hr/>	<hr/>
Long term portion	–	–
	<hr/>	<hr/>

12. Accounts and Bills Payable

The aged analysis of the accounts and bills payable at 30 September 2005, based on invoice date, is as follows:

	(Unaudited) As at 30 September 2005 HK\$'000	(Audited) As at 31 March 2005 HK\$'000
Within 30 days	15,184	5,843
Between 31 to 60 days	5,327	4,437
Between 61 to 90 days	5,153	2,876
Over 90 days	2,487	6,068
	<hr/>	<hr/>
	28,151	19,224
	<hr/>	<hr/>

13. Convertible Bonds, Secured

	(Unaudited) As at 30 September 2005 HK\$'000	(Unaudited) As at 31 March 2005 (Restated) HK\$'000
1.5% Second Tranche Convertible Bonds ("CB Two")	—	40,221
	<u>—</u>	<u>40,221</u>

The CB Two with a face value of HK\$50,414,704, 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 fair value of the liability component of the convertible notes was determined, using the prevailing market interest rate for similar debt of 5% and is carried as a long term liability. The remaining of the proceeds was allocated to the conversion option that is recognised and included in shareholder's equity.

On 23 June 2005, Wealthguard had exercised its right to convert all the HK\$50,414,704 of 1.5% Second Tranche Convertible Bonds into 252,073,520 shares at the conversion price of HK\$0.2 per share.

14. Share Capital

	(Unaudited) As at 30 September 2005 HK\$'000	(Audited) As at 31 March 2005 HK\$'000
Authorised:		
24,000,000,000 ordinary shares of HK\$0.01 each	<u>240,000</u>	<u>240,000</u>
Issued and fully paid:		
5,145,273,520 (31 Mar 2005:4,211,200,000) ordinary shares of HK\$0.01 each	<u>51,453</u>	<u>42,112</u>

On 22 April 2005, Wealthguard placed 682,000,000 ordinary shares of HK\$0.01 each in the Company to certain independent investors at HK\$0.04 per share. On the same day, the Company allotted and issued 682,000,000 new shares to Wealthguard at HK\$0.04 per share.

On 23 June 2005, Wealthguard had exercised its right to convert all the HK\$50,414,704 of 1.5% Second Tranche Convertible Bonds into 252,073,520 shares at the conversion price of HK\$0.2 per share.

15. Consolidated Statement of Changes in Equity

	(Unaudited)										
	Six months ended 30 September 2005										
	Issued Share Capital	Share premium account	Contributed surplus	Capital reserve	Asset revaluation reserve	Convertible bonds	General reserve	Exchange fluctuation reserve	Retained profit/(losses)	Minority Interests	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005	42,112	186,340	52,743	4,581	4,180	-	188	(17,367)	(282,423)	4,431	(5,215)
Derecognition of negative goodwill	-	-	-	(4,581)	-	-	-	-	4,581	-	0
HKAS - 32 Convertible bonds	-	-	-	-	-	10,194	-	-	-	-	10,194
Balance as at 1 April 2005, as restated	42,112	186,340	52,743	0	4,180	10,194	188	(17,367)	(277,842)	4,431	4,979
Issue of new shares	6,820	20,460	-	-	-	-	-	-	-	-	27,280
Share issue expenses	-	(273)	-	-	-	-	-	-	-	-	(273)
Conversion of Convertible bonds	2,521	47,894	-	-	-	(10,194)	-	-	-	-	40,221
Reduction of share premium offset accumulated losses	-	(254,421)	-	-	-	-	-	-	254,421	-	0
Exchange difference arising from translation of financial statement of PRC subsidiaries	-	-	-	-	-	-	-	3,343	-	-	3,343
Net Profit for the period ended 30 September 2005	-	-	-	-	-	-	-	-	14,527	57	14,584
At 30 September 2005	51,453	0	52,473	0	4,180	0	188	(14,024)	(8,894)	4,488	90,134
Reserves retained by:											
Company and subsidiaries	51,453	0	52,743	0	2,817	-	-	(13,853)	(10,806)	4,488	86,842
Jointly-controlled entities	-	-	-	-	1,363	-	188	(71)	1,912	-	3,292
At 30 September 2005	51,453	0	52,743	0	4,180	-	188	(14,024)	(8,894)	4,488	90,134

	(Unaudited)										
	Six months ended 30 September 2005										
	Issued Share Capital	Share premium account	Contributed surplus	Capital reserve	Asset revaluation reserve	Convertible bonds	General reserve	Exchange fluctuation reserve	Retained profit/(losses)	Minority Interests	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2004	28,512	146,585	52,743	4,581	7,470	-	188	(16,854)	(259,266)	11,984	(24,057)
Issue of new shares	5,600	7,694	-	-	-	-	-	-	-	-	13,294
Net Profit for the period ended 30 September 2004	-	-	-	-	-	-	-	-	(9,895)	(150)	(10,045)
At 30 September 2004	34,112	154,279	52,743	4,581	7,470	0	188	(16,851)	(269,161)	11,834	(20,808)
Reserves retained by:											
Company and subsidiaries	34,112	0	52,743	0	6,268	-	-	(16,683)	(270,590)	11,834	(23,456)
Jointly-controlled entities	-	-	-	-	1,202	-	188	(71)	1,429	-	2,648
At 30 September 2004	34,112	0	52,743	0	7,470	-	188	(16,851)	(269,161)	11,834	(20,808)

16. RELATED PARTY TRANSACTIONS

Outstanding balances with related parties

	Due from related parties		Due to related parties	
	30 September 2005 (unaudited) HK\$'000	31 March 2005 HK\$'000	30 September 2005 (Unaudited) HK\$'000	31 March 2005 HK\$'000
Due to Director (a)	-	-	197	460
Due to a related company (b)	-	-	0	700
Loans from shareholders (c)	-	-	0	37,420

- (a) The amount due to a director is unsecured, interest free and has no fixed terms of repayment.
- (b) The amount due to a related company is unsecured, bears interest at 6% per annum and is repayable on demand.
- (c) Loans from shareholders consisted of the secured term loan of HK\$36,000,000 and unsecured loan of HK\$1,420,000. The secured term loan was acquired by Wealthguard from Participating Banks. The term loan was secured by (i) the pledge of certain plant and machinery of the Group with an aggregate net book value of 29.1 million at 31 March 2005 and (ii) corporate guarantees executed by the Company and certain of its subsidiaries. On 22 April 2005, the Company has applied part of the proceeds from new issue of shares to repay HK\$24,900,000 to Wealthguard. The remaining balance of HK\$11,100,000 was waived by Wealthguard.



MANAGEMENT DISCUSSION AND ANALYSIS

Results

During the period, the Group continues its principal business activities in the manufacturing of PVC films in the PRC and recorded a turnover of HK\$161,553,000 (2004: HK\$172,615,000) which represented an decrease in turnover of approximately 6.4% over that achieved for the corresponding period last year. Gross profit margin had increased to 9.52% as compared with last year of 4.77%. The decreased in turnover and improved gross profit margin was mainly due to the Group discontinued its long lasting loss of business of manufacturing and trading of PVC floor coverings in Beijing. The net profit attributable to shareholders was HK\$14,527,000, compared with the net loss of HK\$9,895,000 incurred for the corresponding period last year. The Group's basic profit per share for the period was HK\$0.293 cent when compared with loss per share of HK\$0.344 cent for the corresponding period in last year. The net profit of HK\$14,527,000 was sourced from (i) waive of debts of HK\$11,100,000 by a substantial shareholder "Wealthguard," (ii) gain of HK\$1,600,000 on disposal of available-for-sale investments in 30% shareholding of Suzhou Fuyi Plastic Products Co Ltd which was fully provision for diminution in value at the year ended 31 March 2002 and (iii) operating income of HK\$1,827,000.

PVC Films

The Group's sales in PVC films were approximately HK\$161,553,000 compared with approximately HK\$148,741,000 for the corresponding six months last year, an increase of about 8.61%. The average gross margin in PVC films sales for the six months under review increase significantly to 9.52% when compared with 7.15% in the corresponding period last year.

The management continues its efforts to maintain a profit margin for the Company by the following events:

- (1) tightening cost controls over factory overheads and shifting part of the material costs to the customers.
- (2) The management anticipated that the crude oil price would be continued rising in the future as well as poly vinyl chloride resins and plasticizer, that are mainly raw materials used for our production of finished products. We have changed our procurement policy to buy raw materials at appropriate time and at appropriate quantity to prevent persistently uprising in the price of raw materials depressing our profit margin.
- (3) The management anticipated that the interest rate would be continued rising in the future. We had repaid partial of loans and other borrowings to diminish the burden of higher interest costs.

Prospects

Within the intense competition in the market and continually fluctuating in the price of raw materials, we are trying our best to maintain and increase the profit margin in the future. We are looking for strategic partners in alliance to ensure that a stable supply of raw materials at a stable price.

We endeavoured to divert more resources and explore overseas markets in developing high value added polymer products.

Financial Review

Liquidity and other Financial Resources

As at 30 September 2005, the Group's bank and other borrowings amounted to HK\$45,334,000 which was a decrease of HK\$90,985,000 from its borrowings of HK\$136,319,000 at the year ended 31 March 2005. It was mainly due to (i) the Company had raised funds of HK\$27.3 million on 22 April 2005 and applied HK\$24.9 million to partially settle the HK\$36 million Secured Term Loan due to Wealthguard (the substantial shareholder) through Placing of Shares, (ii) Wealthguard had waived of its debts amounting to HK\$11,100,000 due from the Company on 13 June 2005, (iii) Wealthguard had exercised its right to convert all the HK\$50,414,704 of 1.5% Second Tranche Convertible Bond into 252,073,520 shares at the conversion price of HK\$0.20 per share on 23 June 2005 and (iv) repayment of other loans of HK\$14.76 million.

Of the Group's total borrowings at 30 September 2005:

- (i) HK\$9,617,000 is at floating interest rates and HK\$35,717,000 is at fixed interest rates.
- (ii) 9.2% is denominated in Hong Kong Dollars and 69.5% is denominated in Renminbi and 21.3% in United States Dollars.

As at 30 September 2005, the Group's cash and bank balances amounted to HK\$14,241,000 (as at 31 March 2005: HK\$ 17,573,000). The Group's net asset value amounted to approximately HK\$90.13 million (as at 31 March 2005: 4.97 million) with total assets approximately HK\$195.37 million (as at 31 March 2005: 195.01 million). Net current assets were approximately HK\$0.04 million (net current liabilities as at 31 March 2005: 7.41 million) and the current ratio was 1.0 times (as at 31 March 2005: 0.92 times).

The gearing ratio, expressed as the percentage of total borrowings to total net assets, was 50.29% as at 30 September 2005. (It was meaningless for comparison with amounts as at 31 March 2005 because of 2737%).

On 22 April 2005, Wealthguard placed 682,000,000 ordinary shares of HK\$0.01 each in the Company to certain independent investors at HK\$0.04 per share. On the same day, the Company allotted and issued 682,000,000 new shares to Wealthguard at HK\$0.04 per share, with net proceeds of approximately HK\$27.3 million. Out of the net proceeds of approximately HK\$27.3 million, HK\$24.9 million was applied to partially settle the HK\$36 million Secured Term Loan due to Wealthguard. As a result of Placing, the Group returned from deficiency in assets to positive in equity.

On 13 June 2005, Wealthguard had waived of its debts amounting to HK\$11,100,000 due from the Company.

On 23 June 2005, Wealthguard had exercised its right to convert all the HK\$50,414,704 of 1.5% Second Tranche Convertible Bonds into 252,073,520 shares at the conversion price of HK\$0.2 per share.

On 12 September 2005, the Company had passed a special resolution to approve of the reduction of the entire amount of HK\$254,421,266 standing to the credit of the share premium account of the Company to offset part of the Accumulated Losses.

Charges on Group Assets

Bank deposits of HK\$4,237,000 as at 30 September 2005 (as at 31 March 2005: HK\$4,237,000) were pledged for trust receipt loans and other short term trade financing facilities granted to the Group. Certain of the Group's medium term leasehold land the Plant with net book value of HK\$19.6 million (as at 31 March 2005: HK\$22.7 million) were pledged to secure a loan of RMB12.6 million granted to the Group.

Exposure to Foreign Exchange Fluctuation

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollars, Renminbi and U.S. dollars. Inasmuch 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

As at 30 September 2005, the Group gave a guarantee of banking facilities granted to independent third parties amounting to HK\$8.4 million (as at 31 March 2005: HK\$8.4 million).

Employees

As at 30 September 2005, the Group had approximately 327 employees full time managerial, administrative and manufacturing employees. The Group affords 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 2005.

DIRECTORS' INTERESTS IN SHARES

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

At 30 September 2005, the interests and short positions of the directors in the shares, underlying shares and debenture 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	18,014,000	788,135,092 [#]	806,149,092	15.67
Tang Wei Lun	30,000,000	–	30,000,000	0.58
Wong Nai Ping	5,182,000	–	5,182,000	0.10
Cheung Ming Leung	84,000,000	–	84,000,000	1.63
Hung Shean-I	6,000,000	–	6,000,000	0.12

[#] 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 Kuan Chien.

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 2005, 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 (Long position)	Percentage of the Company's issued share capital
Ms. Wang Ya Chin	<i>(a)</i>	806,149,092	15.67
Best Online Limited	<i>(b)</i>	522,170,092	10.15
Bestway Development Limited	<i>(b)</i>	265,965,000	5.17
Wealthguard Investment Limited	<i>(c)</i>	1,052,073,520	20.45
Andy Hsiao-An Yuan		1,052,073,520	20.45
Wang Rui Yun		<u>374,312,000</u>	<u>7.27</u>

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) Wealthguard Investment Limited, a company incorporated in the British Virgin Islands which is wholly, currently owned by Mr. Andy Hsiao-An Yuan, has interest in 1,052,073,520 shares of the company. Ex-director namely as Mr. YANG Ting sold his 100% wholly, privately owned in Wealthguard Investment Limited to a third party (Mr. Andy Hsiao-An Yuan) on 25 August 2005.

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, details of which appeared in a Circular to shareholders of 25 July 2003, was approved. No share option under the new share option scheme has been granted during the period under review.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARE

The Company or its subsidiaries have not purchased, sold or redeemed any shares of the Company during the six months ended 30 September 2005.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Main Board Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors namely, Mr. Hung Shean-I, Mr. Wong Nai Ping and Mr. Au Kwok Yee, Benjamin of the Company.

CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the Code Provisions on Corporate Governance (the "Code Provision(s)") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the accounting period covered by the interim report, except for the deviations mentioned herewith: (i) Code Provision A.2.1, under this Code Provision, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Tang Kuan Chien is the Chairman of the Board and the managing director of the Company. In the opinion of the Board, the role of the managing director and the chief executive officer is the same. The Board considers that the present structure provides the Group with strong and consistent leadership and allows for efficient and effective business planning and execution. Hence, the Board believes that it is in the best interest of the shareholders of the Company that Mr. Tang Kuan Chien will continue to assume the roles of the

Chairman of the Board and the managing director of the Company. However, the Board will review the current structure and propose any amendments when it becomes appropriate in future. (ii) Code Provision A.4.1, under this Code Provision, the non-executive directors should be appointed for a specific term, subject to re-election. Currently, two independent non-executive directors of the Company are not appointed for any specific terms, but are subject to retirement by rotation in accordance with the Company's bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted its code of conduct (the "Own Code") for dealings in securities of the Company by directors on the terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all the Company's directors, the directors have complied with the required standard set out in the Model Code and the Own Code throughout the accounting period covered by the interim report.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") pursuant to a resolution of the Board passed on 25 July 2005 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary role of the Remuneration Committee is to ensure that there is a formal and transparent procedure adopted by the Company for developing policies on, and for overseeing, the remuneration packages of all the directors of the Company.

The Remuneration Committee comprises Mr. Wong Nai Ping and Mr. Hung Shean-I, the independent non-executive directors and Mr. Tang Wei Lun, the executive director and Mr. Wong Nai Ping is the chairman of the Committee.

NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") pursuant to a resolution of the Board passed on 25 July 2005 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary role of the Nomination Committee is to ensure that there is a formal and transparent procedure adopted by the Company for the nomination of directors of the Company.

The Nomination Committee comprises Mr Wong Nai Ping and Mr Hung Shean-I, the independent non-executive directors and Mr Tang Wei Lun, the executive director and Mr Wong Nai Ping is the chairman of the Committee.

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

Hong Kong, 15 November 2005