



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

Stock Code : 718

Interim Report **2008**

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 2008 together with the comparative figures for the corresponding period in 2007. 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

Six months ended 30 September

	Notes	2008 HK\$'000 Unaudited	2007 HK\$'000 Unaudited
Turnover	3	137,720	114,248
Cost of sales		(130,310)	(109,095)
Gross profit		7,410	5,153
Other revenue	3	291	583
Selling and distribution costs		(2,931)	(1,492)
Administrative expenses		(8,820)	(12,684)
Other operating expenses, net		(3,774)	(1,302)
Finance costs	5	(1,979)	(1,988)
Loss before taxation	4	(9,803)	(11,730)
Taxation	7	-	-
Loss for the period		(9,803)	(11,730)
Attributable to:			
Equity holders of the Company		(9,720)	(11,685)
Minority interests		(83)	(45)
		(9,803)	(11,730)
LOSS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE COMPANY			
Basic loss (HK cents per share)	8	(2.225)	(3.028)
Diluted	9	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	At 30 September 2008 HK\$'000 Unaudited	At 31 March 2008 HK\$'000 Audited
	<i>Notes</i>	
Non-current assets		
Property, plant and equipment	55,038	59,159
Prepaid lease payments	3,637	3,681
Long term receivables	2,604	2,660
Deposits for acquisition of subsidiaries	15,000	–
	76,279	65,500
Current assets		
Inventories	19,822	19,077
Trade receivables	39,524	49,068
Prepayments, deposits and other receivables	6,262	7,016
Pledged deposits	11,541	11,541
Bank balances and cash	15,542	35,251
	92,691	121,953
Current liabilities		
Trade payables	10,262	14,858
Other payables and accruals	16,037	19,758
Tax payable	5,927	5,779
Interest-bearing bank and other borrowings	44,086	46,775
Provision	575	575
	76,887	87,745
Net current assets	15,804	34,208

	At 30 September 2008 HK\$'000 Unaudited	At 31 March 2008 HK\$'000 Audited
Total assets less current liabilities	92,083	99,708
Non-current liabilities		
Interest-bearing bank and other borrowings	<u>(10,193)</u>	<u>(11,389)</u>
NET ASSETS	<u>81,890</u>	<u>88,319</u>
CAPITAL AND RESERVES		
Share capital	14 43,690	43,690
Reserves	15 36,211	42,608
	79,901	86,298
Minority interests	15 1,989	2,021
	<u>81,890</u>	<u>88,319</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six months ended 30 September 2008 (Unaudited)

	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Share- based payment reserve HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2008	43,690	30,420	-	52,743	3,069	2,044	(45,668)	86,298	2,021	88,319
Exchange realignment	-	-	-	-	-	3,323	-	3,323	51	3,374
Total income and expenses recognised directly in equity	-	-	-	-	-	3,323	-	3,323	51	3,374
Loss for the period	-	-	-	-	-	-	(9,720)	(9,720)	(83)	(9,803)
Total income and expenses for the period	-	-	-	-	-	3,323	(9,720)	(6,397)	(32)	(6,429)
At 30 September 2008	43,690	30,420	-	52,743	3,069	5,367	(55,388)	79,901	1,989	81,890

For the six months ended 30 September 2007 (unaudited)

	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Share- based payment reserve HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2007	38,590	14,610	1,785	52,743	1,462	(7,770)	(28,592)	72,828	4,259	77,087
Recognition of equity- settled share-based payments	-	-	1,167	-	-	-	-	1,167	-	1,167
Loss for the period	-	-	-	-	-	-	(11,685)	(11,685)	(45)	(11,730)
At 30 September 2007	38,590	14,610	2,952	52,743	1,462	(7,770)	(40,277)	62,310	4,214	66,524

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited)	
	For the six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(3,761)	(7,988)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(15,110)	(4,509)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(3,684)	(3,392)
DECREASE IN CASH AND CASH EQUIVALENTS	(22,555)	(15,899)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	35,251	35,233
Effect of foreign exchange rate, net	2,846	52
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	15,542	19,386
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	15,452	19,386
	15,452	19,386

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

1. Basis of preparation

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 and with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. Application of New and Revised Hong Kong Financial Reporting Standards

For the six months ended 30 September 2008 ("the Period"), the HKICPA issued a number of new and revised HKFRSs (herein collectively referred to as "new HKFRSs"). For the purpose of preparing and presenting the financial statements of the Period, the Group has consistently applied all these new HKFRSs over the Period.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on obligation ¹
HKFRS 2 (Amendment)	Vesting conditions and cancellation ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 12	Service Concession Arrangements ³
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction ³
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – Int 16	Hedges of a Net Investment on a Foreign Operation ⁵

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 January 2008

⁴ Effective for annual periods beginning on or after 1 July 2008

⁵ Effective for annual periods beginning on or after 1 October 2008

2. Application of New and Revised Hong Kong Financial Reporting Standards (Continued)

The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no impact on the results and the financial position of the Group except for the adoption of HKFRS 3 (Revised) "Business combinations" and HKAS 27 (Revised) "Consolidation and separate financial statements". HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

3 Segment information

No business segment information of the Group is presented as the Group's revenue, expenses, assets, liabilities and capital expenditure are primarily attributable to the manufacturing and trading of plastic products, mainly PVC films.

No further geographical segment information is presented as over 90% of the Group's revenue, results and assets are attributable to its operations in Mainland China.

4. Turnover and revenue

The Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, but excludes intra-group transactions.

An analysis of turnover and other revenue is as follows:

	For the Six months ended 30 September	
	2008 HK\$'000 Unaudited	2007 HK\$'000 Unaudited
Turnover		
Sales of goods	<u>137,720</u>	<u>114,248</u>
Other revenue		
Bank interest income	137	330
Investment income from long term receivables	149	253
Others	<u>5</u>	<u>-</u>
	<u>291</u>	<u>583</u>

5. Finance costs

	Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Interest on:		
Bank loans and other loans wholly repayable within five years	1,959	1,966
Finance leases	20	22
	<u>1,979</u>	<u>1,988</u>

6. Loss before taxation

The Group's loss before taxation is arrived at after charging/(crediting):

	Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Cost of inventories sold	130,310	109,095
Depreciation	5,265	4,202
Redundancy and restructuring expenses	–	2,026
Net exchange loss *	2,846	52
Bad debts *	761	74
(Gain)/Loss on disposal of property, plant and equipment *	–	(724)

* These items are included in "Other operating expenses, net" on the face of the consolidated income statement.

7. Tax

	(Unaudited)	
	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
Tax charge for the current period	—	—
	<u>—</u>	<u>—</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.

The Group has tax losses arising in Hong Kong of HK\$134,402,000 as at 30 September 2008 (2007: HK\$125,377,171) 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 companies that have been loss-making for some time.

8. Basic loss per share

The calculation of basic loss per share amount is based on the unaudited loss for the period attributable to ordinary equity holders of the Company of HK\$9,720,000 (2007: HK\$11,685,000) and the weight average number of 436,895,514 (2007: 385,895,514) ordinary shares in issue during the period.

9. Diluted loss per share

Diluted loss per share amounts for both the six months ended 30 September 2008 and 2007 disclosed, as the share option outstanding during years 2008 and 2007 did not have dilutive effect.

10. Trade receivables

GROUP

	At 30 September 2008 HK\$'000 Unaudited	At 31 March 2008 HK\$'000 Audited
Trade receivables	39,524	49,068

The Group's trading terms with its customers generally have credit terms of up to 90 days and non-interest bearing (except for certain well-established customers having strong financial strength, good repayment history and credit worthiness, where the credit terms are extended to 120 days). Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

The ageing analysis of the trade receivables net of allowance for doubtful debts was as follows:

GROUP

	At 30 September 2008 HK\$'000 Unaudited	At 31 March 2008 HK\$'000 Audited
Within 30 days	17,926	23,878
31 to 60 days	9,816	10,481
61 to 90 days	10,211	11,802
Over 90 days	1,571	2,907
	39,524	49,068

10. Trade receivables (Continued)

The ageing analysis of trade receivables that are past due but not impaired are as follows:

	At 30 September 2008 HK\$'000 Unaudited	At 31 March 2008 HK\$'000 Audited
Within 30 days	9,139	8,221
31 to 60 days	1,065	2,238
61 to 90 days	645	57
Over 90 days	–	73
	10,849	10,589

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

11. Trade payables

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	At 30 September 2008 HK\$'000 Unaudited	At 31 March 2008 HK\$'000 Audited
Within 30 days	4,840	7,348
31 to 60 days	4,520	4,021
61 to 90 days	305	1,696
Over 90 days	597	1,793
	10,262	14,858

The carrying amounts of the Group's trade payables approximate to their fair values.

12. Interest-bearing bank and other borrowings

	(Unaudited) As at 30 September 2008 HK\$'000	(Audited) As at 31 March 2008 HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	<u>42,512</u>	<u>45,593</u>
	42,512	45,593
Other borrowings repayable:		
Within one year or on demand	1,364	1,000
In the second year	5,455	2,493
In the third to fifth years, inclusive	<u>4,545</u>	<u>8,586</u>
	11,364	12,079
Finance lease payables:		
Within one year or on demand	193	182
In the second year	210	199
In the third to fifth years, inclusive	<u>-</u>	<u>111</u>
	403	492
	54,279	58,164

13. Finance lease payables

The Group leases a motor vehicle for its business operations. The lease was classified as a finance lease and had a remaining lease term of two years. The total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments Unaudited As at 30 September 2008 HK\$'000	Minimum lease payments Audited As at 31 March 2008 HK\$'000	Present value of minimum lease payments Unaudited As at 30 September 2008 HK\$'000	Present value of minimum lease payments Audited As at 31 March 2008 HK\$'000
Amounts payable:				
Within one year	219	219	193	182
In the second year	219	219	210	199
In the third to fifth years, inclusive	–	109	–	111
	<u>438</u>	<u>547</u>	<u>403</u>	<u>492</u>
Future finance charges	(35)	(55)	–	–
	<u>403</u>	<u>492</u>	<u>403</u>	<u>492</u>
Portion classified as current			<u>(193)</u>	<u>(182)</u>
Non-current portion			<u>210</u>	<u>310</u>

14. Share capital

	(Unaudited) As at 30 September 2008 HK\$'000	(Audited) As at 31 March 2008 HK\$'000
Authorised:		
1,200,000,000 ordinary shares of HK\$0.10 each	120,000	120,000
Issued and fully paid:		
436,895,514 Ordinary shares of HK\$0.10 each	43,690	43,690

15. Related party transactions

In addition to those transactions and balances disclosed elsewhere in these financial statements, the Group also had the following significant transactions with related parties during the year:

- (i) Certain of the Group's loan facilities were supported/pledged by personal guarantees executed by certain directors of the Company and the spouse of one of the directors of the Company to the extent of HK\$22,058,000, for a bank loan granted to the Group in the amount of HK\$22,058,000 as at 30 September 2008 (as at 31 March 2008: HK\$25,517,000)
- (ii) Compensation of key management personnel of the Group:

	For the six months ended 30 September 2008 HK\$'000	2007 HK\$'000
Short term employee benefits	1,198	1,484
Post-employment benefits	18	16
Total compensation paid to key management	1,216	1,500

16. Post balance sheet event

On 23 December 2008, the ordinary resolutions proposed to approve (1) the increase of the authorised share capital from HK\$120,000,000 divided into 1,200,000,000 shares of HK\$0.10 each to HK\$2,000,000,000 divided into 20,000,000,000 shares of HK\$0.10 each; (2) the first acquisition transaction under the Acquisition agreement in regard of the First Target Mine (3) the disposal transactions under the disposal agreement were duly passed by the shareholders at SGM.

The completion of disposal transaction will be subjected to the terms and conditions as set out in the circular dated on 29 November 2008. The completion will no later than the 31 January 2009.

The combined income statements and combined balance sheets of the disposal group are set as follows:

(a) Combined income statements of the Disposal Group

	Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Turnover	137,033	113,137
Cost of sales	(130,085)	(108,499)
Gross profit	6,948	4,638
Other revenue	142	138
Selling and distribution costs	(2,900)	(1,393)
Administrative expenses	(7,019)	(12,684)
Other operating expenses, net	(3,846)	(1,302)
Finance costs	(1,979)	(1,988)
Loss before taxation	(8,654)	(12,591)
Taxation	-	-
Loss for the year	(8,654)	(12,591)
Attributable to:		
Equity holders of the Company	(8,571)	(12,546)
Minority interests	(83)	(45)
	(8,654)	(12,591)

16. Post balance sheet event (Continued)

(b) Combined balance sheets of the Disposal Group

	At 30 September 2008 HK\$'000 Unaudited	At 31 March 2008 HK\$'000 Unaudited
Non-current assets		
Property, plant and equipment	55,027	59,138
Prepaid lease payments	3,637	3,681
	58,664	62,819
Current assets		
Inventories	19,822	19,077
Trade receivables	37,810	48,393
Prepayments, deposits and other receivables	1,745	2,706
Amount due from a fellow subsidiary	470	-
Pledged deposits	11,541	11,541
Bank balances and cash	10,263	15,062
	81,651	96,779
Current liabilities		
Trade payables	10,216	14,710
Other payables and accruals	11,876	16,924
Amounts due to fellow subsidiaries	1,262	2,055
Amount due to intermediate holding company	41,463	43,522
Amount due to ultimate holding company	164,101	162,085
Tax payable	5,927	5,779
Interest-bearing bank and other borrowings	44,086	46,775
Provision	261	261
	279,192	292,111
Net current liabilities	(197,541)	(195,332)
Total assets less current liabilities	(138,877)	(132,513)
Non-current liabilities		
Interest-bearing bank and other borrowings	(10,193)	(11,389)
NET LIABILITIES	(149,070)	(143,902)
CAPITAL AND RESERVES		
Share capital	43,340	43,340
Reserves	(194,399)	(189,263)
	(151,059)	(145,923)
Minority interests	1,989	2,021
	(149,070)	(143,902)

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

During the period, the Group continues its principal business activities in the manufacturing and trading of PVC films in the PRC and recorded a turnover of HK\$137,720,000 (2007: HK\$114,248,000) which represented an increase in turnover of approximately 20.54% over that achieved for the corresponding period last year. Gross profit margin had increased to 5.40% as compared with last year of 4.51%. The increase in gross profit margin was mainly due to the stringent control of the cost of production. The sales volume and average selling price per ton for the period was 11,195 tones and HK\$12,302 as compared with 10,341 tones and HK\$11,048 for the corresponding period last year which had an increase of 854 tones and increase in the price of HK\$1,254 per ton respectively. The net loss attributable to ordinary equity holders of the Company was HK\$9,720,000 compared with HK\$11,685,000 incurred for the corresponding period last year. The Group's basic loss per share for the period was HK\$2.225 cent when compared with HK\$3.028 cent for the corresponding period last year.

Events during the period

On 18 June 2008, Tectron Pacific Limited ("Tectron"), a wholly owned subsidiary of the Remaining Group, entered into an acquisition agreement with Center Zone Holdings Limited (the "Vendor") pursuant to which Tectron has agreed to acquire and the Vendor has agreed to sell (a) the entire issued shares of Dahlia Group Limited ("Dahlia"), a wholly-owned subsidiary of the Vendor ("First Sale Share"); (b) the face value of the loans outstanding as at the completion date made by or on behalf of the Vendor to Dahlia ("First Sale Loan"); (c) the entire issued shares of Fullday Group Limited ("Fullday"), a wholly-owned subsidiary of the Vendor ("Second Sale Share"); and (d) the face value of the loans outstanding as at the completion date made by or on behalf of the Vendor to Fullday ("Second Sale Loan"). The aggregate consideration for the First Sale Share and First Sale Loan shall be HK\$1,280,000,000 (subject to adjustments), which is to be satisfied to the extent of HK\$15,000,000 by refundable deposit in cash; to the extent of HK\$1,185,000,000 by issue of zero coupon convertible bonds ("First Conversion Shares"); and to the extent of HK\$80,000,000 by issue of zero coupon promissory notes.

The aggregate consideration for the Second Sale Share and Second Sale Loan shall be HK\$5,700,000,000 (subject to adjustments), which is to be satisfied by issue of zero coupon convertible bonds ("Second Conversion Shares"). The proposed transaction is subject to, inter alia, the approval of the Company's shareholders at a special general meeting, the relevant parties obtaining approval from the Stock Exchange to grant the listing of, and permission to deal in First and Second Conversion Shares. HK\$15,000,000 has been paid to the Vendor as deposit of the possible acquisition on 9 July 2008. Details of this potential acquisition were disclosed in the Company's announcement on 9 July 2008.

On 20 June 2008, Bestway Group International Limited ("Bestway GI") and Rich Ocean Limited ("Rich Ocean"), each of which is a wholly-owned subsidiary of the Company, as vendors on the one part, have entered into a sale and purchase agreement with Eastern Wide Investments Limited ("the Disposal Purchaser"), as purchaser of the other part, pursuant to which Bestway GI has agreed to sell the entire issued shares of Best Faith Plastic Products Limited, Bestway Plastic Products Limited and Bestget Plastic Products Limited (collectively as the "Disposal Sale Shares") and the Disposal Sale Loans to the Disposal Purchaser and Rich Ocean has agreed to sell the Sale Machineries to the Disposal Purchaser. The aggregate disposal consideration shall be HK\$78,800,000 (subject to adjustments), which is to be settled by the Disposal Purchaser to the extent of HK\$1,000,000 refundable deposit in cash; and to the extent of HK\$77,800,000 by cashier order in favour of Bestway GI (for itself and on behalf of Rich Ocean) or as it may direct or in such other manner as may be agreed between Bestway GI (for itself and on behalf of Rich Ocean) and the Disposal Purchaser. HK\$1,000,000 has been received from the Disposal Purchaser on 9 July 2008. Details of this potential disposal were disclosed in the same Company's announcement on 9 July 2008.

Upon finalisation of such adjustments, the final figures of the Disposal Consideration and the Disposal Sale Loans are HK\$80,800,000 and HK\$207,662,420 respectively. The said adjusted figures have been confirmed and agreed between the Disposal Vendors and the Disposal Purchaser.

On 25 November 2008, the Company announced that it requires additional time to finalise the information regarding the Second Acquisition which should be included in another circular to be despatched at a later stage ("**Second Circular**"), because it takes longer than initially expected for the preparation of the technical report regarding the inferred Coal Resources of the Second Target Mine. As advised by the Technical Adviser, the time schedule to complete the drilling program is postponed as the geology of the landscape around the Second Target Mine is relatively hard than normal and the influence of the unfavourable weather, it is difficulty to take the sample to do the relevant technical works. According to the Technical Adviser, around 60% of the drilling works were done. Due to the aforesaid, more time is needed for them to perform the technical works in the Second Target Mine for preparation of the technical report of the said mine. In light of the above, it is expected that the Second Circular will be dispatched to the Shareholders by no later than 31 January 2009. An application has been made with the Stock Exchange for a waiver from strict compliance with Rule 14.38 of the Listing Rules and for a further extension of time to dispatch the Second Circular to on or before 31 January 2009.

On 23 December 2008, the ordinary resolutions proposed to approve (1) the increase of the authorised share capital from HK\$120,000,000 divided into 1,200,000,000 shares of HK\$0.10 each to HK\$2,000,000,000 divided into 20,000,000,000 shares of HK\$0.10 each; (2) the first acquisition transaction under the Acquisition agreement in regard of the First Target Mine (3) the disposal transactions under the disposal agreement were duly passed by the shareholders at SGM.

Liquidity and other Financial Resources

As at 30 September 2008, the Group's bank and other borrowings amounted to HK\$54,279,000 which is a decrease of HK\$3,885,000 from its borrowings of HK\$58,164,000 at the year ended 31 March 2008.

Of the Group' total borrowings at 30 September 2008:

- (i) HK\$41,513,000 is at floating interest rates and HK\$12,766,000 is at fixed interest rates.
- (ii) 2.58% is denominated in Hong Kong Dollars; 58.62% is denominated in Renminbi and 38.80% in United States Dollars.

As at 30 September 2008, the Group's cash and bank balances amounted to HK\$15,542,000 (as at 31 March 2008: HK\$35,251,000). The Group's net asset value amounted to approximately HK\$81,890,000 (as at 31 March 2008: HK\$88,319,000) with total assets approximately HK\$168,970,000 (as at 31 March 2008: HK\$187,453,000). Net current assets were approximately HK\$15,804,000 (as at 31 March 2008: HK\$34,208,000) and the current ratio was 1.21 times (as at 31 March 2008: 1.39 times). The gearing ratio, which expressed as the percentage of total borrowings to total net assets, was 66.28% as at 30 September 2008 (as at 31 March 2008: 65.86%).

Capital Expenditure

During the period ended 30 September 2008, the Group has spent HK\$588,000 for upgrading of the existing machineries and the leasehold improvement (2007: HK\$4,500,000).

Charges on Group Assets

The Group pledged a bank deposits of HK\$11,541,000 as at 30 September 2008 (as at 31 March 2008: HK\$11,541,000) in return for granting banking facilities of USD4,000,000 by a principal banker. Certain of the Group's medium term leasehold land and the building with net book value of HK\$13,817,000 (as at 31 March 2008: HK\$13,953,000) was pledged to secure a loan of RMB10,000,000 granted to the Group. Certain of the Group's plant and machineries with net book value of HK\$27,590,000 was pledged to secure a loan of RMB18,000,000.

Exposure to Foreign Exchange Fluctuation

The Group's monetary assets, liabilities and transactions were principally denominated in Hong Kong dollars ("HKD"), Renminbi ("RMB") and United States Dollars ("USD"). As all of the Group's production plants are based in the People's Republic of China, most wages and salaries and manufacturing overheads are mainly denominated in RMB. Hence, appreciation of the RMB against USD during the period had affected the loss of the Group.

Capital commitments

At 30 September 2008, the Group had capital commitments relating to HK\$30,690,000 capital contribution to a subsidiary, HK\$9,525,000 prepaid lease payment and HK\$99,000 construction of production plant (at 31 March 2008: HK\$30,606,000 capital contribution to a subsidiary, HK\$9,286,000 prepaid lease payment and HK\$212,000 construction of production plant).

Contingent Liabilities

As at 30 September 2008, the Group did not give any guarantee to an independent third party for the banking facilities granted (as at 31 March 2008: HK\$6,647,000).

Employees

As at 30 September 2008, the Group had approximately 174 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 messing. Compensation policies are reviewed regularly and are designed to reward and motivate productivity and performance.

Prospects

In consideration of the global economic turmoil, demand for PVC products are expected to drop. Whole cost of raw materials continues to fluctuate yet its is difficult for the Group to transfer the high raw material costs to customers, therefore, the Group believes manufacturing business will remain tough in the coming years. It is advantageous for the Company and shareholders as a whole to dispose of its non-profitable PVC film manufacturing business and can focus on identifying business opportunities in new emerging industries that will broaden its revenue sources of the Group. The Company considers the diversification of business into new areas of high-growth potential will be in the best interest of the Company and its shareholders. The purpose of the First Acquisition (refer to the Circular dated on 29 November 2008) is to explore the opportunities and derive income from the sales of other mineral resources to be extracted from the First Target Mine.

Interim Dividend

The Board of Directors has decided not to declare interim dividend for the six months ended 30 September 2008 (2007: Nil).

DIRECTORS' INTERESTS IN SHARES

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

At 30 September 2008, 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:

Number of shares held, capacity and nature of interest

Name of director	Directly beneficially owned	Through controlled corporation	Total	Percentage of the Company's issued share Capital
Mr. Tang Kuan Chien (<i>Note 1</i>)	7,001,050	59,315,132	66,316,182	15.18
Mr. Tang Wei Lun (<i>Note 2</i>)	2,250,000	-	2,250,000	0.51
Mr. Hung Shean-I	450,000	-	450,000	0.10
Mr. Wong Nai Ping	388,650	-	388,650	0.09

Note 1: The corporate interest shares are held as to 20,152,375 by Bestway Development Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Tang Kuan Chien, and as to 39,162,757 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.

Note 2: Mr. Tang Wei Lun is an executive director

Note 3: Each of Mr. Hung Shean-I and Mr. Wong Nai Ping is an independent non-executive director.

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.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2008, 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	<i>Notes</i>	Number of ordinary shares held Long position	Percentage of the Company's issued share capital
Ms. Wang Ya Chin	<i>(a)</i>	66,316,182	15.18
Best Online Limited	<i>(b)</i>	39,162,757	8.96
Bestway Development Limited	<i>(b)</i>	20,152,375	4.61
Wealthy Pod Limited	<i>(c)</i>	51,000,000	11.67
Mr. Ng Kin Wah	<i>(c)</i>	51,000,000	11.67
Mr. Sun Tak Sing		23,475,000	5.37

Notes:

- (a) The interests of Ms. Wang Ya Chin include the 39,162,757 shares held by Best Online Limited, being 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) Wealthy Pod Limited is a company incorporated in the BVI and is wholly-owned by Mr. Ng Kin Wah ("Mr. Ng"). Wealthy Pod Limited and Mr. Ng are Independent Third Parties.

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.

There are no share options outstanding at the end of the 30 September 2008.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

AUDIT COMMITTEE

The Audit committee of the Company was established in compliance with the Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Interim results for the period ended 30 September 2008 was reviewed by the Committee. The Audit Committee comprises the three independent non-executive directors of the Company, and meets at least twice annually to perform their duties.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period ended 30 September 2008 with deviations from certain code provisions as explained below:

- (1) Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person. Mr. Tang Kuan Chien is the Chairman of the Board and also serves the function of a Chief Executive. The Board believes that the present arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management. The Board will continually review the effectiveness of the Group's corporate governance structure to assess whether any changes are necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of directors' securities transactions. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code, throughout the period ended 30 September 2008.

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, Mr. Hung Shean-I and Mr. Tang Wei Lun. Mr. Wong Nai Ping is the chairman of the Committee.

No Committee meeting was held during the period.

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, Mr. Hung Shean-I directors and Mr. Tang Wei Lun. Mr. Wong Nai Ping is the chairman of the Committee.

No Committee meeting was held during the period.

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

Hong Kong, 23 December 2008