

A man in a light-colored polo shirt is smiling and looking down at a document he is holding. The document has the word "RONTEX" printed on it in large, bold, yellow letters. The background is a blurred indoor setting.

RONTEX

**RONTEX INTERNATIONAL
HOLDINGS LIMITED**

朗迪國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

Interim Report 2002

*For identification only

RONTEX INTERNATIONAL HOLDINGS LIMITED

The board of directors (the “Directors”) of Rontex International Holdings Limited (the “Company”) is pleased to announce the unaudited pro forma interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th September 2002 together with the comparative figures for the corresponding period last year and relevant explanatory notes as follows:

CONDENSED PRO FORMA COMBINED INCOME STATEMENT

For the six months ended 30th September 2002

		Six months ended 30th September	
		2002	2001
		(Unaudited)	(Unaudited)
	Notes	(Note 1)	(Note 1)
		HK\$'000	HK\$'000
TURNOVER	2	92,256	72,451
Cost of sales		<u>(64,963)</u>	<u>(48,542)</u>
Gross profit		27,293	23,909
Other revenue		180	195
Selling and distribution costs		(4,584)	(4,009)
Administrative expenses		<u>(4,660)</u>	<u>(3,826)</u>
PROFIT FROM OPERATIONS	3	18,229	16,269
Finance costs	4	(753)	(896)
Share of results of an associate		<u>251</u>	<u>–</u>
PROFIT BEFORE TAX		17,727	15,373
Tax	5	<u>(1,365)</u>	<u>(954)</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>16,362</u>	<u>14,419</u>
DIVIDENDS	6	<u>13,000</u>	<u>9,500</u>
EARNINGS PER SHARE			
– Basic, HK cents	7	<u>10.0</u>	<u>8.8</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED PRO FORMA COMBINED BALANCE SHEET

As at 30th September 2002

	Notes	As at 30th September 2002 (Unaudited) (Note 1) HK\$'000	As at 31st March 2002 (Audited) (Note 1) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	27,661	25,006
Interests in an associate		11,903	11,651
Investments securities		600	600
		40,164	37,257
CURRENT ASSETS			
Inventories		288	461
Trade receivables	9	6,680	6,533
Prepayments, deposits and other receivables		4,034	1,984
Cash and bank balances		5,662	840
		16,664	9,818
CURRENT LIABILITIES			
Interest-bearing bank borrowings		2,093	209
Trade deposits received		373	137
Trade payables	10	3,238	2,960
Other payables and accrued expenses		5,895	4,211
Tax payable		536	917
Amount due to a director		–	315
		12,135	8,749
NET CURRENT ASSETS		4,529	1,069
NET ASSETS		44,693	38,326
CAPITAL AND RESERVES			
Share capital	11	200	200
Reserves		41,493	38,126
Proposed dividend		3,000	–
		44,693	38,326

CONDENSED PRO FORMA COMBINED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2002

	Six months ended 30th September 2002					
	Share capital	Exchange reserve	Contributed surplus	Revaluation reserve	Retained profits	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2002	200	61	918	8,022	29,125	38,326
Profit for the period	-	-	-	-	16,362	16,362
Dividends paid	-	-	-	-	(10,000)	(10,000)
Exchange differences on translation of financial statements of PRC operations	-	5	-	-	-	5
At 30th September 2002	200	66	918	8,022	35,487	44,693

	Six months ended 30th September 2001					
	Share capital	Exchange reserve	Contributed surplus	Revaluation reserve	Retained profits	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2001	200	73	918	11,332	15,987	28,510
Profit for the period	-	-	-	-	14,419	14,419
Dividends paid	-	-	-	-	(9,500)	(9,500)
Exchange differences on translation of financial statements of PRC operations	-	-	-	-	-	-
At 30th September 2001	200	73	918	11,332	20,906	33,429

CONDENSED PRO FORMA COMBINED CASH FLOW STATEMENT

For the six months ended 30th September 2002

	Six months ended 30th September	
	2002	2001
	(Unaudited)	(Unaudited)
	(Note 1)	(Note 1)
	HK\$'000	HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	16,520	8,533
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(3,267)	(2,340)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(8,332)	(8,651)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,921	(2,458)
CASH AND CASH EQUIVALENTS AT 1ST APRIL	631	4,844
CASH AND CASH EQUIVALENTS AT 30TH SEPTEMBER	5,552	2,386
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	5,662	2,588
Bank overdrafts	(110)	(202)
	5,552	2,386

NOTES TO CONDENSED PRO FORMA COMBINED INTERIM FINANCIAL STATEMENTS**1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES****(a) Basis of presentation**

The Company was incorporated in the Cayman Islands on 7th June 2002 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 8th November 2002.

Pursuant to a reorganisation scheme to rationalise the structure of the Group (the "Group Reorganisation") in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange on 8th November 2002, the Company became the holding company of the companies now comprising the Group on 19th October 2002. This was accomplished by acquiring the entire issued share capital of Falcon Vision Limited ("Falcon Vision"), the intermediate holding company of the subsidiaries, in consideration of and in exchange for the allotment and issue of 10,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company, credited as fully paid, to the former shareholders of Falcon Vision; and the crediting as fully paid at par the existing 10,000,000 nil paid shares held by the former shareholders of Falcon Vision. Further details of the Group Reorganisation are set out in Appendix V of the Company's prospectus dated 28th October 2002 (the "Prospectus"). The Group Reorganisation involved companies under common control. As the Group Reorganisation took place on 19th October 2002, according to the Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for group reorganisation" issued by the Hong Kong Society of Accountants ("HKSA"), the Company together with its subsidiaries should only be regarded and accounting for as a continuing group in the preparation of the Group's financial statements commencing from the period ended after 19th October 2002. Nevertheless, for the benefit of shareholders, unaudited pro forma combined interim financial statements ("Interim Accounts") for the current period and the related notes thereto have been presented on the basis that the Company is treated as the holding company of its subsidiaries for the financial periods presented rather than from the subsequent date of its acquisition of the subsidiaries on 19th October 2002. The pro forma combined results of the Group for the six months ended 30th September 2001 and 2002 include the results of the Company and its subsidiaries with effect from 1st April 2001 or since their respective dates of incorporation/establishment, where this is a shorter period. The condensed pro forma combined balance sheets as at 31st March 2002 and 30th September 2002 have been prepared on the basis that the current group structure was in place at those dates.

All significant transactions and balances among the companies comprising the Group have been eliminated on combination.

1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Basis of presentation (continued)

Although the Group Reorganisation had not been completed and, accordingly, the Group did not legally exist until 19th October 2002, in the opinion of the Directors of the Company, the presentation of such Interim Accounts prepared on the above basis is necessary to apprise the Company's shareholders of the Group's results and its state of affairs as a whole.

These Interim Accounts have been prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and is in compliance with SSAP 25 "Interim financial reporting" issued by the HKSA.

(b) Principal accounting policies

The same accounting policies adopted in the accountants' report as disclosed in the Prospectus have been applied to the Interim Accounts, except that the Group has adopted the following new or revised SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	"Presentation of financial statements"
SSAP 11 (revised)	"Foreign currency translation"
SSAP 15 (revised)	"Cash flow statements"
SSAP 34	"Employee benefits"

The adoption of these recently issued and revised SSAPs has had no material effect on the Interim Accounts, except for SSAP 1 (revised) and SSAP 15 (revised) with their major impact summarised as follows:-

SSAP 1 (revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed pro forma combined statement of changes in equity for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 15 (revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classified cash flows during the period into operating, investing and financing activities. The condensed pro forma combined cash flow statement for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

These Interim Accounts have been reviewed by the audit committee of the Company and were approved by the Board on 23rd December 2002.

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the sourcing, manufacture and sale of garments and trading of a variety of premium products.

Turnover represents the net invoiced value of goods, after allowance for returns and trade discounts. All significant intra-group transactions have been eliminated on combination.

An analysis of the Group's turnover, revenue and operating results for the period by business segments and geographical segments is as follows:

Business segments

	Six months ended 30th September 2002		Six months ended 30th September 2001	
	Turnover (Unaudited)	Segment results (Unaudited)	Turnover (Unaudited)	Segment results (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Manufacture and/or sourcing of:				
Garment products	88,226	26,366	68,341	22,799
Premium products	4,030	927	4,110	1,110
	<u>92,256</u>	<u>27,293</u>	<u>72,451</u>	<u>23,909</u>
Other revenues		180		195
Unallocated expenses		(9,244)		(7,835)
Profit from operations		<u>18,229</u>		<u>16,269</u>

Geographical segments

	Six months ended 30th September 2002		Six months ended 30th September 2001	
	Turnover (Unaudited)	Segment results (Unaudited)	Turnover (Unaudited)	Segment results (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Chile	79,585	23,875	60,859	20,388
Peru	9,954	2,746	8,694	2,782
Canada	1,644	394	1,449	362
Others	1,073	278	1,449	377
	<u>92,256</u>	<u>27,293</u>	<u>72,451</u>	<u>23,909</u>

Analysis of assets and liabilities by business segments and by geographical segments have not been prepared as most of the Group's asset and liabilities were unable to be allocated in view of the nature of the Group's business.

RONTEX INTERNATIONAL HOLDINGS LIMITED

3. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging /(crediting)

	Six months ended 30th September	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Depreciation	612	296
Interest income	(31)	(23)
Exchange gain, net	(123)	(159)

4. FINANCE COSTS

	Six months ended 30th September	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Interest expenses on:		
Bank loans and overdrafts wholly repayable within five years	25	2
Import and export loan wholly repayable within five years	321	396
Bank charges	407	498
	<u>753</u>	<u>896</u>

5. TAX

	Six months ended 30th September	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Hong Kong profits tax – current period's provision	<u>1,365</u>	<u>954</u>

Hong Kong profits tax has been provided at the rate of 16% (six months ended 30th September 2001: 16%) on the estimated assessable profits derived from Hong Kong during the period. No provision for the PRC income tax has been made as the Group had no assessable profits in the PRC.

No deferred tax had been provided for the Group because there were no significant timing differences at each of the balance sheet dates.

6. DIVIDENDS

	Six months ended 30th September	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Special dividend (<i>Note 1</i>)	10,000	9,500
Interim, proposed, of 1.5 HK cents per ordinary share (<i>Note 2</i>)	3,000	–
	13,000	9,500

Notes:

1. On 31st July 2002, the Group declared and paid a special dividend to its then shareholders.
2. At a meeting held on 23rd December 2002, the Directors have resolved to declare an interim dividend of 1.5 HK cents per share for the six months ended 30th September 2002. This proposed dividend is not reflected as a dividend payable in these Interim Accounts, but will be reflected as an appropriation of retained profits for the six months ended 30th September 2002.

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit from ordinary activities attributable to shareholders for each of the periods and on the assumption that 164,000,000 shares were in issue, comprising the 20,000,000 shares in issue as at the date of the Prospectus and the 144,000,000 shares to be issued pursuant to the Capitalisation Issue, as disclosed more fully in the paragraph headed "Resolutions of all shareholders of the Company passed on 19th October 2002" in Appendix V to the Prospectus.

There were no dilutive potential ordinary shares during the periods end, therefore, no diluted earnings per share have been presented.

8. PROPERTY, PLANT AND EQUIPMENT

	HK\$'000
Audited	
Net book value	
At 31st March 2002	25,006
Unaudited	
Additions	3,267
Depreciation	(612)
At 30th September 2002	27,661

9. TRADE RECEIVABLES

The ageing analysis of trade receivables is as follows:

	As at 30th September 2002 (Unaudited) HK\$'000	As at 31st March 2002 (Audited) HK\$'000
0 – 30 days	4,305	3,701
31 – 61 days	1,758	1,933
61 – 90 days	329	243
Over 90 days	288	656
	<u>6,680</u>	<u>6,533</u>

More than 90% of the sales to the Group's customers were covered by at sight letters of credit. The remaining portion of sales to the Group's customers were on open account basis with average credit terms of 30 days.

10. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	As at 30th September 2002 (Unaudited) HK\$'000	As at 31st March 2002 (Audited) HK\$'000
0 – 30 days	1,444	2,597
31 – 61 days	712	256
61 – 90 days	661	85
Over 90 days	421	22
	<u>3,238</u>	<u>2,960</u>

11. SHARE CAPITAL

The following movements in the Company's authorised and issued share capital took place during the period from 7th June 2002 (date of incorporation) to the date of approval of these Interim Accounts.

- (a) On incorporation, the authorised share capital of the Company was HK\$200,000 divided into 20,000,000 shares of HK\$0.01 each.
- (b) On 20th June 2002, 10,000,000 shares of HK\$0.01 each were allotted and issued nil paid.
- (c) On 19th October 2002, the authorised share capital of the Company was increased from HK\$200,000 to HK\$100,000,000 by the creation of 9,980,000,000 additional shares of HK\$0.01 each, ranking pari passu with the then existing share capital of the Company.

11. SHARE CAPITAL (continued)

- (d) On 19th October 2002, as part of the Group Reorganisation described in note 1 to the financial statements, the Company; (i) issued an aggregate of 10,000,000 new shares of HK\$0.01 each credited as fully paid at par; and (ii) credited as fully paid at par the existing 10,000,000 shares issued nil paid on 20 June 2002 as set out in (b) above, in consideration of and in exchange for the acquisition of the entire issued share capital of Falcon Vision.
- (e) On 4th November, 2002, a total of 144,000,000 shares of HK\$0.01 each were allotted as fully paid at par to the holders of the shares on the register of members of the Company in proportion to their then respective shareholdings at the close of business on 19th October 2002, by way of capitalisation of the sum of HK\$1,440,000 standing to the credit of the share premium account of the Company, conditional on the share premium account being credited as a result of the new issue and placing of shares to the public and placees as detailed in (f) below. For the purpose of preparing the Interim Accounts, these shares are deemed to have been issued, nil paid, since 1st April 2001.
- (f) On 6th November, 2002, a total of 36,000,000 shares of HK\$0.01 each were issued to the public at a price of HK\$1 each for a total cash consideration, before related expenses, of HK\$36,000,000.

A summary of the above movements in the issued share capital of the Company is as follows:

	Notes	Number of shares issued	Par value HK\$'000
Shares allotted and issued nil paid	(b)	10,000,000	–
Shares issued as consideration for the acquisition of the entire share capital of Falcon Vision	(d)	10,000,000	100
Application of contributed surplus to paid up nil paid shares	(d)	–	100
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of new shares to the public	(e)	144,000,000	–
Pro forma issued share capital as at 31st March 2002 and 30th September 2002		164,000,000	200
New issue and placing of shares to the public	(f)	36,000,000	360
Capitalisation of the share premium account as set out above	(e)	–	1,440
Share capital at the date of approval of the Interim Accounts		200,000,000	2,000

12. RELATED PARTY TRANSACTIONS

As at 30th September 2002, certain of the banking facilities of the Group were secured by:

- (i) pledge of bank deposits amounting to HK\$2,000,000 provided by the Directors; and
- (ii) an unlimited joint and several guarantee provided by the Directors.

During the period, the Group received consent in principle from the relevant banks and lessor to the effect that the security and guarantees stated in (i) and (ii) above will be released and replaced by corporate guarantee and or other security provided by the Company and/or other members of the Group following the listing of the Shares of the Company on the Stock Exchange.

13. CONTINGENT LIABILITIES

	As at 30th September 2002 (Unaudited) HK\$'000	As at 31st March 2002 (Audited) HK\$'000
Contingent liabilities arising from bills of exchange discounted with recourse	6,867	8,160
Long service payment	81	80
	<u>6,948</u>	<u>8,240</u>

14. CAPITAL COMMITMENTS

	As at 30th September 2002 (Unaudited) HK\$'000	As at 31st March 2002 (Audited) HK\$'000
Authorised and contracted for in respect of capital contribution in a subsidiary in PRC	-	1,007
Authorised and contracted for in respect of acquisition of fixed assets	671	1,669
	<u>671</u>	<u>2,676</u>

SPECIAL DIVIDEND

The Directors declared and paid a special dividend of HK\$10 million on 31st July 2002.

The special dividend paid on 31st July 2002 represented special dividend paid by the relevant subsidiaries of the Group to their then shareholders.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of 1.5 HK cents per share for the six months ended 30th September 2002 payable to the shareholders ("Eligible Shareholders") whose names appear on the register of members of the Company on Friday, 10th January 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 8th January 2003 to Friday, 10th January 2003 (both dates inclusive), during which period no transfers of shares will be registered. In order to qualify for the interim dividend, all share transfer documents together with the relevant share certificates must be lodged with the Company's branch share registrars, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Tuesday, 7th January 2003.

FINANCIAL REVIEW

The Company has successfully gone for listing and commenced trading of its shares on the Stock Exchange on 8th November 2002. For the six months ended 30th September 2002 prior to listing, the unaudited turnover of the Group was approximately HK\$92.3 million, representing a growth of 27.3% as compared to the corresponding period last year.

The operating profit and profit attributable to shareholders of the Group for the six months ended 30th September 2002 increased by 12.0% and 13.5% to approximately HK\$18.2 million and HK\$16.4 million respectively, as compared to the corresponding period last year. The net profit margin for the six months ended 30th September 2002 declined slightly by 2.2% to 17.7% as compared to the corresponding period last year. Such decline were mainly attributable to the increase in depreciation expenses and labour cost of the People's Republic of China ("PRC") production facilities and promotion expense in early stage of development. However, the management strongly believes that once the production facilities come into full operation, manufacturing costs will be trimmed down due to economic scale of production and the manufacturing business will help to boost sales in trading business which will contribute to the Group's turnover and bottom line in the longer term.

OPERATION REVIEW

The Group is principally engaged in the sourcing, manufacture and sale of garments, principally woven wear, knitwear and sweater and trading of a variety of premium items.

Garment products

During the six months ended 30th September 2002 the total sales of garment products increased by 29.0% from approximately HK\$68.3 million in the corresponding period last year to approximately HK\$88.2 million. It was mainly attributable to the increase of demand of PRC manufactured garment products from South American countries.

Premium products

During the six months ended 30th September 2002, the total sales of premium products declined slightly by 1.9% from approximately HK\$4.1 million in the corresponding period last year to approximately HK\$4.0 million. To manage the declining demand of premium products prompted by the downturn of global economy, the management is continuing to focus more efforts and resources on the development of new markets and to expand product varieties.

FUTURE PROSPECTS

To take advantage of the PRC's entry into the World Trade Organization, the Group continues to increase investment in the PRC. In addition to the production plants in Ningbo and Beijing, the Group has entered into negotiation with Huzhou Yanshi Textile Controlling Co. Ltd to develop a new production facilities for manufacturing of sweaters. Should the aforesaid negotiation proceed successfully, the Group's status of being a one-stop garment manufacturing-trading powerhouse in the PRC will be further fortified.

On the marketing front, the Company is expanding its marketing team to capitalise on the fast growing market such as Korea and giant market such as Europe. The Group has secured new orders from a Spanish company.

Looking ahead, the Directors strongly believe that the Group's earning power will be further improved with continuous business development in the right direction and with appropriate strategy.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September 2002, the Group had net current assets of HK\$4,529,000 (31st March 2002: HK\$1,069,000). The Group's current ratio, as a ratio of current assets to current liabilities, was 137.0% (31st March 2002: 112.0%) and the Group's gearing ratio, as a ratio of total interest-bearing borrowings to total assets, was 3.7% (31st March 2002: 0.4%)

The Group generally finances its operations with internally generated cash flow and facilities provided by its principal bankers in Hong Kong and the PRC. During the period under review, the Group recorded a net cash inflow of HK\$4,921,000, which raised the total cash and cash equivalents to HK\$5,552,000 as at the balance sheet date.

The bank borrowing of the Group as at 30th September 2002 were HK\$2,093,000 (31st March 2002: HK\$209,000), which were denominated in Hong Kong dollars, Renminbi and United States dollars. All of the Renminbi bank borrowings are at fixed interest rate of 5.46% per annum whilst the Hong Kong dollars borrowings are at variable interest rate ranging from 0.5% to 0.75% above the best lending rates. As the Group's transactions are mostly settled by Hong Kong dollars, Renminbi and United States dollars, the exposure to foreign exchange fluctuation is minimal, therefore no use of financial instruments for hedging purpose is considered necessary.

CONTINGENT LIABILITIES

As at 30th September 2002, the Group had contingent liabilities arising from bills of exchange discounted with recourse and long service payment of approximately HK\$6,867,000 and HK\$81,000 respectively.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th September 2002, the Group had 11 staffs working in Hong Kong. In addition, 203 workers were employed by the Group in the PRC at a factory located in Ningbo.

The Group remunerates its employees largely based on industry practice. Remuneration packages comprised salary, commissions and bonuses based on individual performance.

USE OF PROCEEDS

The Group raised approximately HK\$28.8 million net of related expenses from the issue of 36 million new shares in connection with the listing of the Company's shares on the Stock Exchange on 8th November 2002. Subsequent to the balance sheet date and upon the listing of the Company's shares on the Stock Exchange, the net proceeds have been applied as follows:

- approximately HK\$15 million to expand the productions plant located at Ningbo;
- approximately HK\$8 million to acquire additional machinery and equipment for the expansion of the manufacturing capacity of the productions plant located at Ningbo; and
- approximately HK\$5.8 million as additional working capital of the Group.

PLEDGE OF ASSETS

The Group's banking facilities were secured against the Group's land and buildings located in Hong Kong and the PRC and a motor vehicle in the PRC of approximately HK\$22,500,000 and HK\$160,000 respectively.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL

Following the completion of the Offer and the Capitalisation Issue as stated in the prospectus dated 28th October 2002 of the Company, the interests of the directors, chief executives and their associates in the share capital of the company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong) (the "SDI Ordinance") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, were as follows:

Name	Nature of interest	Number of shares held
Mr. Cheung Keng Ching ("Mr. Cheung")	Corporate (<i>Note</i>)	123,600,000
Madam Chou Mei ("Mrs. Cheung")	Corporate (<i>Note</i>)	123,600,000

Note: These shares are registered in the name of Star Master International Limited ("Star Master"), the shares of which are legally and beneficially owned by Mr. Cheung and Mrs. Cheung as to 50% and 50% respectively. Mr. Cheung and Mrs. Cheung are spouse of each other. The aforesaid shares that Mr. Cheung and Mrs. Cheung are deemed to be interested refer to the same parcel of shares.

Save as disclosed above, none of the directors and chief executives of the Company or their associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.

SHARE OPTIONS

Pursuant to the written resolutions passed by the then shareholders on 19th October 2002, the Company had adopted a share options scheme (the "Scheme"). Under the Scheme, the directors of the Company may, at their absolute discretion, invite full-time or part-time employee of the Company or any member of the Group, including any executive, non-executive and independent non-executive directors, advisors, consultants of the Group to take up options to subscribe for shares in the Company representing up to a maximum 10% of the shares in issue as at the date of commencement of listing of shares of the Company on the Stock Exchange and subject to renewal with shareholders' approval.

Up to the date hereof, no share options were granted pursuant to the Scheme.

Other than as disclosed above, at no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the directors and chief executives of the Company or their associates to acquire benefits by means of the acquisition of shares in/or debt securities, including debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

Following the completion of the Offer and the Capitalisation Issue as stated in the prospectus dated 28th October 2002 of the Company, other than those interests of directors and chief executives disclosed above, the following interest of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of holding
Star Master International Limited (<i>Note</i>)	123,600,000	61.8%

Note: These shares are registered in the name of Star Master International Limited, the shares of which are legally and beneficially owned by Mr. Cheung and Mrs. Cheung as to 50% and 50% respectively.

Other than disclosed above, the Company had not been notified of any other interests representing 10% or more of the Company's issued share capital.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company's shares had been listed on the Stock Exchange since 8th November 2002. For the period up to the date of this report, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

All the former independent non-executive directors resigned on 18th December 2002 and the audit committee which comprised the former independent non-executive directors was dismissed. The two current independent non-executive directors, Messrs Chow Chi Kit and To Yan Ming, Edmond, were appointed and a new audit committee (the "New Audit Committee") was established on 19th December 2002. The New Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the Interim Accounts for the six months ended 30th September 2002.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period since listing of the Company on the Stock Exchange, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

By order of the Board of
Rontex International Holdings Limited
Cheung Keng Ching
Chairman

Hong Kong, 23rd December 2002