

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited financial statements of Rontex International Holdings Limited (hereinafter referred as to the "Company") and its subsidiaries (hereinafter collectively referred as to the "Group") for the year ended 31st March 2003.

GROUP REORGANISATION

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. 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 of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 19th October 2002. Details of the Group Reorganisation and the basis of presentation of the financial statements are set out in notes 1 and 4 to the financial statements and in the Company's prospectus dated 28th October 2002.

On 8th November 2002, the shares of the Company were listed on the Main Board of the Stock Exchange.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31st March 2003 are set out in the consolidated income statement on page 18.

The state of affairs of the Group and the Company as at 31st March 2003 are set out in the balance sheets on page 19 and 20 respectively.

A special dividend of HK\$10,000,000 was paid by a subsidiary of the Company to its then shareholders prior to the Group Reorganisation and an interim dividend of HK1.5 cents per ordinary share was paid in January 2003. The Directors proposed bonus issue of Bonus Shares to the shareholders on the basis of one bonus shares for every one existing share held on the record date.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31st March 2003 is set out in note 5 to the financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group is set out on page 53.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements.

As at 31st March 2003, the Company's reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Law (2001 Second Revision) of the Cayman Islands, amounted to HK\$68,440,000. Under the laws of the Cayman Islands, a company may make distributions to its members out of the contributed surplus account under certain circumstances. In addition, the Company's share premium account amounted HK\$26,071,000 may be distributed in the form of fully paid bonus shares.

REPORT OF THE DIRECTORS (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company are set out in note 27 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 65% of the Group's total turnover for the year. In particular, sales to the largest customer of the Group accounted for approximately 24% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for approximately 61% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 23% of the Group's total purchases for the year.

None of the directors, their associates or any shareholder (which to the knowledge of the directors own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers or suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors

Mr. Cheung Keng Ching (<i>Chairman</i>)	(appointed on 20th June 2002)
Madam Chou Mei	(appointed on 20th June 2002)
Mr. Lau Ka Man, Kevin	(appointed on 6th August 2002)

Independent non-executive directors

Mr. Young Chi Shan, Michael	(appointed on 6th August 2002 and resigned on 18th December 2002)
Mr. Chan Wing Kui	(appointed on 6th August 2002 and resigned on 18th December 2002)
Mr. Chow Chi Kit	(appointed on 19th December 2002)
Mr. To Yan Ming, Edmond	(appointed on 19th December 2002)

The directors of the Company, excluding the Chairman and Managing Director and including the independent non-executive directors are subject to retirement by rotation and re-election in accordance with the provisions of the Company's articles of association.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for an initial fixed term of three years commencing from 19th October 2002 and which will continue thereafter until the agreement is terminated by not less than three months' notice in writing served by either party on the other.

All non-executive directors have each been appointed for an initial term of one year. No service agreement has been or will be entered into between the Company and either of the independent non-executive directors.

Saved as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors

Mr. Cheung Keng Ching, aged 51, is the founder of the Group and chairman of the Group. Prior to the establishment of the Group in 1987, he was the merchandising manager of a trading company. Mr. Cheung has over 16 years' experience in trading of garment and premium products. He is responsible for the overall business strategy and merchandising functions of the Group. He is the spouse of Madam Chou Mei.

Madam Chou Mei, aged 43, is the co-founder of the Group and an executive director. Madam Chou has over 16 years' experience in trading of garment and premium products. She is responsible for the procurement functions of the Group. Prior to establishing the Group in 1987, she was an executive secretary of a trading company in Taiwan. She is the spouse of Mr. Cheung.

Mr. Lau Ka Man, Kevin, aged 36, is an executive director and is responsible for the financial management and corporate finance matters of the Group. Mr. Lau holds a bachelor degree in business administration in accounting from the Charles Sturt University, Australia. He is the member of CPA Australia and the associate member Hong Kong Society of Accountants. Prior to joining the Group in May 2002, he was the senior accountant of an international accounting firm with over 7 years of experience in accounting, auditing and taxation matters.

Independent non-executive directors

Mr. Chow Chi Kit, aged 36, is an independent non-executive director. He is an associate member of the Hong Kong Society of Accountants and fellow member of the Association of Chartered Certified Accountants. Mr. Chow has over 12 years of experience in auditing, accounting and taxation matters and is presently a practising accountant.

To Yan Ming, Edmond, aged 31, is an independent non-executive director. He is an associate member of the Hong Kong Society of Accountants and member of the CPA Australia. Mr. To also holds a bachelor degree in commerce in accounting from Curtin University of Technology. He has over 7 years of experience in auditing, accounting and taxation matters and is presently a practising accountant.

REPORT OF THE DIRECTORS (CONTINUED)

Senior management

Mr. Wang Wei Ben, aged 50, is the vice-president of the Group and director of Beijing Rontex Garments Co., Ltd. ("Rontex (Beijing)") responsible for the overall financial control and administration of Rontex (Beijing). He has over 24 years of experience in administration, business development and production planning.

Mr. Niu Teng, aged 34, is the general manager of Rontex Co., Ltd. responsible for its overall daily operations and management. He has 10 years of experience in textile and trading industries.

Mr. Pan Run Ming, aged 43, is the vice-president of the Group and vice-president of Rontex (Beijing) responsible for the overall management and operations of Rontex (Beijing). He has 16 years of experience in the textile and garment industry. Prior to joining the Rontex (Beijing) in August 2000, he was a manager of a garment manufacturer in Beijing, the PRC for 2 years.

Mr. Tang Pun Ho, aged 34, is the senior accountant of the Group responsible for accounting matters of the Group. Prior to joining the Group in May 2002, he was the senior accountant of a Canadian listed film distribution company. Mr. Tang has over 11 years of experience in accounting and auditing matters.

DIRECTORS' INTERESTS IN SHARES

At 31st March 2003, the interests of the directors, chief executives and their associates in the share capital of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")), as recorded in the register maintained by the Company pursuant to Section 29 of 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, were as follows:

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

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

In addition to the above, certain nominee shares in the subsidiaries were held by directors in trust for the Company as at 31st March 2003.

Saved as disclosed above, none of the directors, chief executives of the Company and 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option scheme" below, 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 director or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS (CONTINUED)

SHARE OPTION SCHEME

On 19th October 2002, the Company had adopted a share option scheme (the "Scheme"). Under the Scheme, the directors of the Company may, at their absolute discretion, invite any full-time or part-time employees 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. Further details of the Scheme are set out in note 14 to the financial statements.

No option had been granted or agreed to be granted under the Scheme up to the date of approval of these financial statements.

SUBSTANTIAL SHAREHOLDERS

At 31st March 2003, the following interests of 10% or more in the 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 of shareholders	Number of shares held	Percentage of the Company's share capital
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, which are legally and beneficially owned by Mr. Cheung Keng Ching and Madam Chou Mei as to 50% and 50% respectively.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

RETIREMENT BENEFITS SCHEME

Particulars of the retirement benefits scheme of the Group are set out in note 14 to the financial statements.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Group raised approximately HK\$28 million, after deducting of related issuance expenses, from the issue of 36 million new shares in connection with the listing of the Company's shares on the Stock Exchange. The net proceeds have been applied in accordance with the proposed applications set out in the Company's prospectus dated 28th October 2002 as follow:

- approximately HK\$15 million to expand the production bases located in the PRC;
- approximately HK\$7.2 million to acquire additional machinery and equipment for the expansion of the manufacturing capacity of the production bases located in the PRC; and
- approximately HK\$5.8 million as additional working capital of the Group.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's Articles of Association.

REPORT OF THE DIRECTORS (CONTINUED)

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors of the Company.

SUBSEQUENT EVENTS

Details of the significant subsequent events of the Group are set out in note 35 to the financial statements.

AUDITORS

HLB Hodgson Impey Cheng retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Cheung Keng Ching
Chairman

Hong Kong, 28th July 2003