



RONTEX

INTERIM REPORT 2003

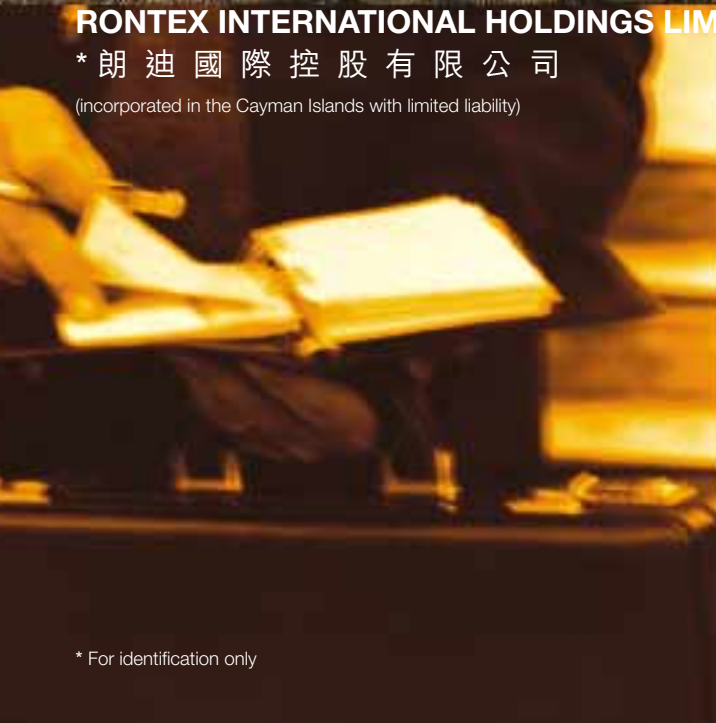
2003

RONTEX

RONTEX INTERNATIONAL HOLDINGS LIMITED

* 朗迪國際控股有限公司

(incorporated in the Cayman Islands with limited liability)



* For identification only

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Cheung Keng Ching (*Chairman*)
 Chou Mei
 Lau Ka Man, Kevin

Independent Non-executive Directors

Chow Chi Kit
 To Yan Ming, Edmond

COMPANY SECRETARY

Lau Ka Man, Kevin

AUTHORISED REPRESENTATIVES

Cheung Keng Ching
 Lau Ka Man, Kevin

AUDIT COMMITTEE

Chow Chi Kit
 To Yan Ming, Edmond

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

LEGAL ADVISER

Stevenson, Wong & Co

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking
 Corporation Limited
 Citibank, N.A.

REGISTERED OFFICE

Century Yard
 Cricket Square
 Hutchins Drive
 P.O. Box 2681 GT
 George Town
 Grand Cayman
 British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

23rd Floor
 Chun Wo Commercial Centre
 23, 25, 27 and 29 Wing Wo Street
 Central
 Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
 P.O. Box 513 G.T.
 3rd Floor, 36C Bermuda House
 Dr. Roy's Drive
 George Town
 Grand Cayman
 Cayman Islands
 British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
 G/F., Bank of East Asia Harbour View Centre
 56 Gloucester Road
 Wanchai
 Hong Kong

HKEX STOCK CODE

1142

The board of directors (the "Board") of Rontex International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th September 2003 together with the comparative figures for the corresponding period last year and relevant explanatory notes as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th September	
		2003	2002
		(Unaudited)	(Unaudited and restated)
		HK\$'000	HK\$'000
	<i>Notes</i>		
Turnover		67,158	92,256
Cost of sales		(46,616)	(64,963)
		<hr/>	<hr/>
Gross profit		20,542	27,293
Other revenue		82	180
Selling and distribution costs		(3,704)	(4,584)
Administrative expenses		(4,701)	(4,660)
		<hr/>	<hr/>
Profit from operations		12,219	18,229
Finance costs	4	(856)	(753)
Share of results of an associate	5	538	251
		<hr/>	<hr/>
Profit before tax		11,901	17,727
Tax	6	(1,032)	(1,365)
		<hr/>	<hr/>
Net profit from ordinary activities attributable to shareholders		10,869	16,362
		<hr/>	<hr/>
Dividend	8	-	13,000
		<hr/>	<hr/>
Earnings per share	7		
Basic, HK cents		2.72	4.50
Diluted		N/A	N/A
		<hr/>	<hr/>

CONDENSED CONSOLIDATED BALANCE SHEET

		30th September 2003 (Unaudited)	31st March 2003 (Audited and restated)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Non-current assets			
Deferred expenditure		4,025	1,425
Property, plant and equipment	9	34,199	33,469
Interests in an associate		11,222	12,595
Investments securities		7,200	600
Deposits and prepayments		18,200	18,200
		74,846	66,289
Current assets			
Inventories		8,937	7,881
Trade receivables	10	7,439	7,109
Prepayments, deposits and other receivables		11,642	3,106
Cash and bank balances		15,291	17,388
		43,309	35,484
Current liabilities			
Interest-bearing bank borrowings		5,885	2,876
Trade deposits received		1,526	38
Trade payables	11	6,576	5,793
Other payables and accrued expenses		3,460	7,420
Current portion of finance lease payables		216	208
Tax payable		1,629	1,820
		19,292	18,155
Net current assets		24,017	17,329
Total assets less current liabilities		98,863	83,618
Non-current liabilities			
Long-term portion of finance lease payables		112	225
Deferred tax liabilities		533	614
		645	839
Minority interests		4,530	-
Net assets		93,688	82,779
Capital and reserves			
Share Capital	12	4,000	2,000
Reserves	13	89,688	80,779
Shareholders' funds		93,688	82,779

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Six months ended 30th September	
		2003 (Unaudited) HK\$'000	2002 (Unaudited and restated) HK\$'000
Shareholders' equity at beginning of period		83,393	38,326
Effect of adopting SSAP 12 (revised)	2	(614)	(342)
Shareholders' equity at beginning of period as restated		82,779	37,984
Exchange differences on translation of financial Statements of PRC operations		40	5
Net gains and losses not recognised in the income statements		82,819	37,989
Net profit for the year	13	10,869	16,362
Dividends	8	—	(10,000)
Effect of adopting SSAP 12 (revised)		—	—
Shareholders' equity at end of period		93,688	44,351

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Net cash inflow from operating activities	47,425	16,520
Net cash outflow from investing activities	(34,682)	(3,267)
Net cash outflow from financing activities	(3,000)	(8,332)
Effect on foreign exchange rate changes	(4)	—
Net increase in cash and cash equivalents	9,739	4,921
Cash and cash equivalents at beginning of the period	5,552	631
Cash and cash equivalents at end of the period	15,291	5,552
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	15,291	5,662
Bank overdrafts	—	(110)
	15,291	5,552

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Group reorganization and 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 reorganization scheme to rationalize the structure of the Group (the "Group Reorganization") 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. Further details of the of the Group Reorganization are set out in Appendix 5 of the Company's prospectus dated 28th October 2002 (the "Prospectus")

The Group Reorganization involved companies under common control. Since the Group Reorganization completed on 19th October 2002, the unaudited condensed consolidated financial statements ("Interim Accounts") for the period ended 30th September 2003 were prepared using the merger basis of accounting in accordance with Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for group reorganization" issued by the Hong Kong Society of Accountants ("HKSA"). Nevertheless, for the benefits of shareholders of the Company, the comparative amounts of the Interim Accounts and the related notes thereto have been presented on the basis that the Company has been 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. Accordingly, the unaudited condensed pro forma combined results of the Group for the period ended 30th September 2002 include the results of the Company and its subsidiaries with effect from 1st April 2002 or since their respective dates of incorporation or establishment, where this is a shorter period.

In the opinion of the directors, the Interim Accounts for the period ended 30th September 2003 prepared on the above basis present more fairly the results and the state of affairs of the Group as a whole.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

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 are in compliance with SSAP 25 "Interim financial reporting" issued by the HKSA.

2. Principal accounting policies

The measurement basis used in the preparation of the financial statements is historical cost as modified for the revaluation of leasehold land and buildings.

The accounting policies and method of computation used in the preparation of these Interim Accounts are consistent with those used in the Group's audited financial statements for the year ended 31st March 2003, except for the adoption of SSAP 12 (Revised) "Income Tax" which is effective for the accounting period commenced on or after 1st January 2003.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. Under the SSAP 12 (revised), deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts, based on the tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilized.

The adoption of the SSAP 12 (revised) represents a change in accounting policy which has been applied retrospectively so that the comparative figures presented have been restated to conform to the changed policy. In this connection, the retained earnings at 1st April 2002 and 2003 have been reduced by HK\$342,000 and HK\$272,000 respectively, which represented the unprovided net deferred tax liabilities. This change has also resulted in an increase in deferred tax assets and deferred tax liabilities at 31st March 2003 by HK\$34,000 and HK\$306,000 respectively. The adoption of the SSAP 12 (revised) has no significant effect on the Group's profit attributable to shareholders for the six months ended 30th September 2002.

Certain comparative figures have been reclassified to conform to current period's presentation.

These Interim Accounts have been reviewed by the audit committee of the Company and were approved by the Board on 29th December 2003.

3. Segment information

The Group is principally engaged in the sourcing, manufacture and sale of garments and trading of 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 and operating results by business segments and geographical segments is as follows:

(a) *Business segments*

	Six months ended 30th September 2003				Consolidated (Unaudited) HK\$'000
	Woven wear (Unaudited) HK\$'000	Knitwear (Unaudited) HK\$'000	Sweaters (Unaudited) HK\$'000	Premium (Unaudited) HK\$'000	
Segment revenue	<u>32,041</u>	<u>27,669</u>	<u>3,451</u>	<u>3,997</u>	<u>67,158</u>
Segment results	<u>5,685</u>	<u>4,823</u>	<u>1,094</u>	<u>617</u>	<u>12,219</u>
Finance costs					(856)
Share of results of an associate					<u>538</u>
Profit before tax					<u>11,901</u>
Tax					<u>(1,032)</u>
Net profit from ordinary activities attributable to shareholders					<u><u>10,869</u></u>
	Six months ended 30th September 2002				Consolidated (Unaudited) HK\$'000
	Woven wear (Unaudited) HK\$'000	Knitwear (Unaudited) HK\$'000	Sweaters (Unaudited) HK\$'000	Premium (Unaudited) HK\$'000	
Segment revenue	<u>47,554</u>	<u>32,555</u>	<u>8,117</u>	<u>4,030</u>	<u>92,256</u>
Segment results	<u>13,738</u>	<u>9,724</u>	<u>2,904</u>	<u>927</u>	<u>27,293</u>
Other revenues					180
Unallocated expenses					<u>(9,244)</u>
Profit from operations					<u>18,229</u>
Finance costs					(753)
Share of results of an associate					<u>251</u>
Profit before tax					<u>17,727</u>
Tax					<u>(1,365)</u>
Net profit from ordinary activities attributable to shareholders					<u><u>16,362</u></u>

3. Segment information (Continued)

(b) Geographical segments

	Six months ended 30th September 2003				Consolidated (Unaudited) HK\$'000
	Chile (Unaudited) HK\$'000	Peru (Unaudited) HK\$'000	Australia (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	
Segment revenue	50,771	7,253	5,195	3,939	67,158
Segment results	9,052	1,369	1,039	759	12,219

	Six months ended 30th September 2002				Consolidated (Unaudited) HK\$'000
	Chile (Unaudited) HK\$'000	Peru (Unaudited) HK\$'000	Canada (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	
Segment revenue	79,585	9,954	1,644	1,073	92,256
Segment results	23,875	2,746	394	278	27,293

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

4. Profit from operations

The Group's profit from operations is arrived at after charging and (crediting) the following:

	Six months ended 30th September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Depreciation of:		
– owned fixed assets	1,172	612
– assets held under finance leases	37	–
Interest income	(6)	(31)
Exchange gain, net	(43)	(123)

5. Finance costs

	Six months ended 30th September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Interest expenses on:		
Bank loans and overdrafts wholly repayable within five years	33	25
Import and export loans wholly repayable within five years	272	321
Obligations under finance leases	16	–
Bank charges	321	346
	535	407
	856	753

6. Taxation

	Six months ended 30th September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Tax for the period:		
Provision for Hong Kong Profits Tax	1,080	1,365
Deferred tax:		
Origination and reversal of temporary differences and benefit of tax losses recognized	66	-
Deferred tax expense resulting from increment in Hong Kong Profits Tax rate	(147)	-
	(81)	-
Tax attributable to the Company and its subsidiaries	999	1,365
Share of taxation attributable to associates	33	-
	1,032	1,365

The provision for Hong Kong Profits Tax is calculated at the rate of 17.5% (six months ended 30th September 2002:16%) on the estimated assessable profits for the period. Taxation for PRC associate is charged at the appropriate current rates of taxation ruling in the PRC.

7. Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$10,869,000 (2002: HK\$16,362,000) and the weighted average of 400,000,000 (2002:364,000,000, as adjusted) ordinary shares in issue during the period.

The weighted average number of shares used to calculate the basic earnings per share for the period ended 30th September 2002 included the pro forma issued share capital of the Company deemed to have been issued throughout the year, comprising the 20,000,000 shares in issue as at the date of the Prospectus, the capitalization issue of 144,000,000 shares, as disclosed in detail in Appendix V to the Prospectus and was adjusted according to an ordinary resolution passed in the Annual General Meeting of the Company held on 18th September 2003 in connection to the bonus issue of 200,000,000 shares on the basis of one bonus ordinary share for every one existing share in the issued share capital of the Company on 18th September 2003.

There were no potential dilutive ordinary shares during the period ended 30th September 2002 and 2003. Accordingly, no diluted earnings per share has been presented.

8. Dividend

The directors of the Company have resolved not to recommend the payment of any interim dividend for the six months ended 30th September 2003 (2002: HK1.5 cents per ordinary share).

9. Property, plant and equipments

HK\$'000

Audited

Net book value

At 31st March 2003

33,469

Unaudited

Additions

1,939

Depreciation

(1,209)

As at 30th September 2003

34,199

10. Trade receivables

The ageing analysis of trade receivables is as follows:

	As at 30th September 2003 (Unaudited) HK\$'000	As at 31st March 2003 (Audited) HK\$'000
0 – 30 days	5,026	5,427
31 – 60 days	903	866
61 – 90 days	817	393
Over 90 days	693	423
	7,439	7,109

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.

11. Trade payables

The ageing analysis of trade payables is as follows:

	As at 30th September 2003 (Unaudited) HK\$'000	As at 31st March 2003 (Audited) HK\$'000
0 – 30 days	5,220	4,777
31 – 60 days	663	404
61 – 90 days	493	570
Over 90 days	200	42
	6,576	5,793

12. Share capital

	As at 30th September 2003 (Unaudited) HK\$'000	As at 31st March 2003 (Audited) HK\$'000
Authorised:		
10,000,000,000 shares of HK\$0.01 each	10,000	10,000
Issued and fully paid:		
400,000,000 shares of HK\$0.01 each	4,000	2,000

On 28th July 2003, the Board proposed to capitalise the required amount standing to the credit of share premium account of the Company for allotment of bonus shares of HK\$0.01 each issued, credited as fully paid at par on the basis of one bonus ordinary share for every one existing share in the issued share capital of the Company held by shareholders whose names appeared on the register of members of the Company on 18th September 2003 and was passed at the Annual General Meeting of the Company held on 18th September 2003.

13. Reserves

	Share premium (Unaudited) K\$'000	Contributed surplus (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Revaluation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1st April 2002	-	918	61	8,022	29,125	38,126
Adjustment on adoption of Revised SSAP 12 (Note 2)	-	-	-	-	(342)	(342)
At 1st April 2002 as restated	-	918	61	8,022	28,783	37,784
Profit for the period	-	-	-	-	16,362	16,362
Dividends paid	-	-	-	-	(10,000)	(10,000)
Exchange difference on translation of financial statements of PRC operations	-	-	5	-	-	5
Adjustment on adoption of Revised SSAP 12 (Note 2)	-	-	-	-	-	-
At 30th September 2002	-	918	66	8,022	35,145	44,151
Issue of shares	35,640	-	-	-	-	35,640
Share issue expenses	(8,129)	-	-	-	-	(8,129)
Capitalisation issue	(1,440)	-	-	-	-	(1,440)
Profit for the period	-	-	-	-	13,873	13,873
Dividends paid	-	-	-	-	(3,000)	(3,000)
Exchange difference on translation of financial statements of PRC operations	-	-	(44)	-	-	(44)
Adjustment on adoption of revised SSAP 12 (Note 2)	-	-	-	-	(272)	(272)
At 31st March 2003	26,071	918	22	8,022	45,746	80,779
Profit for the period	-	-	-	-	10,869	10,869
Issue of bonus shares	(2,000)	-	-	-	-	(2,000)
Exchange difference on translation of financial statements of PRC operations	-	-	40	-	-	40
At 30th September 2003	24,071	918	62	8,022	56,615	89,688

14. Operating lease arrangements

The Group leases office premises under operating arrangement which is negotiated for terms of two years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30th September 2003 (Unaudited) HK\$'000	As at 31st March 2003 (Audited) HK\$'000
Within one year	90	180

15. Pledge of assets

As at 30th September 2003, the Group had obtained aggregate banking facilities which were secured/guaranteed by the followings:

- (1) legal charges on the Group's certain land and buildings located in Hong Kong and in the PRC with an aggregate net book value of approximately HK\$22,641,000 (31st March 2003: 22,873,000);
- (2) cross guarantees among the subsidiaries of the Group;
- (3) assignment of documentary credit issued in favour of a subsidiary;
- (4) subject to fulfillment of several conditions, an unlimited joint and several guarantee provided by the directors has been released and replaced by a corporate guarantee provided by the Company.

16. Contingent liabilities

	As at 30th September 2003 (Unaudited) HK\$'000	As at 31st March 2003 (Audited) HK\$'000
Contingent liabilities arising from bills of exchange discounted with recourse	2,976	2,842
Long service payment	-	46
	2,976	2,888

The Group is liable to make long service payment upon the termination of employment of certain employees who have completed the required number of years of services and met the required circumstances under the Employment Ordinance. No provision has been made for this account in the financial statements as it is expected that the amounts will not crystallize in the foreseeable future.

17. Capital commitments

	As at 30th September 2003 (Unaudited) HK\$'000	As at 31st March 2003 (Audited) HK\$'000
Authorised and contracted for in respect of capital contribution in a subsidiary in the PRC	-	4,893

18. Subsequent events

- (a) *Connected transactions for formation of a Chinese-foreign equity joint venture company in Ningbo, the PRC ("Connected Transaction")*

Pursuant to the joint venture agreement dated 27th October 2003 entered into between Ronco Trading Company Limited ("Ronco Trading"), a wholly-owned subsidiary of the Company, Mr. Niu Teng ("Mr. Niu") and Mr. Wang Wei Ben (Mr. Wang) for the formation of 寧波朗迪紡織品有限公司 ("寧波朗迪") as a Chinese-foreign equity joint venture company ("JV Company") in Ningbo, Zhejiang Province, the PRC ("JV Agreement"). Prior to the execution of the JV Agreement, 寧波朗迪 is a wholly-owned subsidiary of the Company held through Ronco Trading.

Pursuant to the JV Agreement, Ronco Trading, Mr. Niu and Mr. Wang would respectively contribute to 51%, 43% and 6% of the entire registered capital of US\$1,380,000 of 寧波朗迪. The existing registered capital of 寧波朗迪 is US\$700,000, all of which has been fully subscribed for and paid by Ronco Trading.

The Company's contribution to the registered capital, which in accordance with its 51% equity interests will amount to US\$700,000, has already been fully satisfied by cash payments of US\$556,726 and injection of assets with equivalent value of US\$143,274 at the time of setting up 寧波朗迪 as its wholly-owned subsidiary. As a result, the Company is not required to invest additional capital in 寧波朗迪. On the other hand, Mr. Niu and Mr. Wang will be investing capital of US\$596,700 and US\$83,300 respectively, on the basis that is equivalent to their respective 43% and 6% equity interest in the JV Company.

Pursuant to the JV Agreement, the total investment of the JV Company is US\$1,800,000. The amount of US\$420,000 being the difference between the total investment and the total registered capital will be financed by bank borrowings, for which Ronco Trading, Mr. Niu and Mr. Wang would severally guarantee according to the respective proportion of their equity interest in the JV Company. As a result, the Company is required to finance an investment amount of US\$214,200, being its proportion of its equity interest in JV Company, by bank borrowings.

Details of the Connected Transaction were set out in the circular of the Company dated 17th November 2003.

Since Mr. Niu and Mr. Wang are the existing directors of 寧波朗迪 and the JV Agreement would involve their subscription of equity interests in the Company's subsidiary, the execution of the JV Agreement constituted a connected transaction for the Company under the Listing Rules and is subject to the approval of independent shareholders of the Company. An extraordinary general meeting of the Company was held on 8th December 2003 and the ordinary resolution for approving to the Connected Transaction was passed.

- (b) On 4th November 2003, all executive directors and 12 employees were granted options to subscribe for an aggregate of 20,000,000 shares of the Company under the share option scheme adopted by the Company on 19th October 2002. Details of the share options are disclosed at the section headed "Share options" below.
- (c) *Proposed bonus issue of shares*

On 29th December 2003, the Board proposed to capitalise the required amount standing to the credit of share premium account of the Company for allotment of bonus shares of HK\$0.01 each issued, credited as fully paid at par on the basis of three bonus shares for every one existing share in the issued share capital of the Company held by the shareholders whose names appear on the register of member of the Company on 21st January 2004. ("Bonus Issue") and would seek shareholders' approval at the Company's extraordinary general meeting ("EGM") to be held at 24th Floor, Chun Wo Commercial Centre, 23,25,27, 29 Wing Wo Street, Central, Hong Kong on Monday, 21st January 2004 at 11 a.m.. A circular giving inter alia the details of the Bonus Issue and a notice convening the EGM will be despatched to shareholders of the Company in due course.

INTERIM DIVIDEND

The directors of the Company have resolved not to recommend the payment of interim dividend for the six months ended 30th September 2003 (six months ended 30th September 2002: HK1.5 cents per ordinary share).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 19th January 2004 to Wednesday, 21st January 2004 (both days inclusive), during which period to transfer of shares will be registered. For ascertaining shareholders' entitlement to the proposed Bonus Shares and to the attending and voting at the EGM all share transfer documents together with the relevant share certificates must be lodged with the Company's branch share registrar, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 16th January 2004.

FINANCIAL REVIEW

This was a challenging period for the Company. For the six months ended 30th September 2003, the Group recorded a turnover of approximately HK\$67,158,000 (2002: HK\$92,256,000), down 27.2% compared to the corresponding period in the previous year. The profit from operations and net profit attributable to shareholders of the Group for the six months period ended 30th September 2003 decreased by 33.0% and 33.6% to HK\$12,219,000 (2002: HK\$18,229,000) and HK\$10,869,000 (2002: HK\$16,362,000) respectively, as compared to the corresponding period in the previous year. The significant decrease in turnover was as a result of the outbreak of Severe Acute Respiratory Syndrome ("SARS") during the period under review which threatened our customers from visiting our office for screening garment products samples and negotiation of sales orders. Our South American sale agent is used to accompany merchandisers of South American country department stores to visit us around March to May in previous years. Most of our sales contracts are negotiated and compromised during their visit. Due to the hazards of SARS, they cancelled their trip to our office and switched their sales orders to other places where no cases of SARS were reported.

Thanked to the effort of management to respond promptly and took contingencies such as carrying out negotiation through electronic media and restructuring the sales team to broaden clientele basis, exploring new markets and to strengthen our operating efficiency, we still reported profit during the period under review.

OPERATION REVIEW

Garment products

For the six months ended 30th September 2003, garment products accounted for approximately 94.0% (2002: 95.6%) of the Group's turnover, down 1.6% as compared to the corresponding period in the previous year. Revenue and profit from operations derived from garment product business decreased by 28.3% to HK\$63,161,000 and 56.0% to HK\$11,602,000 respectively. This was due to the outbreak of SARS during the period under review which threatened our customers to cancel their business trip to our office.

Premium products

For the six months ended 30th September 2003, premium products accounted for approximately 6.0% (2002: 4.4%) of the Group's turnover which sustain a stable contribution to the turnover of the Group. Revenue and profit from operations derived from premium product business decreased by 0.8% to HK\$3,997,000 and 33.4% to HK\$617,000 respectively. This was as a result of the downturn of the global economy which deterred the demand for premium products during the period under review.

OUTLOOK

In light of encouraging movements of important global macro-economic indicators and the strong growth of the economy of the People's Republic of China (the "PRC"), the global economic environment appears to be recovering at a higher speed than it was projected at the beginning of the year. The Group is moving actively to catch up with the rapidly recovering global economy. In addition to the expansion of production base in the PRC, the Group has restructured its sale teams for the purpose of refocusing clientele basis and exploring new markets including Japan and European countries.

We have also noticed that the potential return of SARS which will pose severe impact on our profit margins. In response to this challenge, we have revised our pricing strategies and broadened the scope of value added services such as quality assurance and freight forwarding arrangements. We have successfully raise our sales price to stabilize our profit margins. Our Board has been looking closely at the news of SARS and will take appropriate measures promptly to mitigate the impact thereof to the profitability and operations to the Group.

We will also continue implementing stringent measures and contingencies in operations of the business, with a focus on quality-driven and cost efficient operations.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September 2003, the Group had net current assets of HK\$24,017,000 (31st March 2003: HK\$17,329,000). The Group's current ratio, as a ratio of current assets to current liabilities, was maintained at a healthy level of approximately 224% (31st March 2003: 195%) and the Group's gearing ratio, as a ratio of total interest-bearing borrowings to total assets, was maintained at the lowest level of 5.3% (31st March 2003: 3.3%).

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\$9,739,000, which raised the total cash and cash equivalents to HK\$15,291,000 at as the balance sheet date.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The bank borrowing of the Group as at 30th September 2003 were HK\$5,885,000 (31st March 2003: HK\$2,876,000), which were denominated in Hong Kong dollar, 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 borrowing 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 and the existing currency peg of Hong Kong dollars with United States dollar will remain unchanged in the foreseeable future; the exposure to foreign exchange fluctuation is minimal, therefore the use of financial instruments for hedging purpose is considered not necessary.

CONTINGENT LIABILITIES

As at 30th September 2003, the Group had contingent liabilities arising from bills of exchange discounted with recourse and long service payment of approximately HK\$2,976,000 and HK\$Nil respectively.

CAPITAL COMMITMENT

The Group had no commitment as at 30th September 2003.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th September 2003, the Group had 12 staffs working in Hong Kong. In addition, 228 workers were employed by the Group in the PRC at a factory located in Ningbo and Huzhou.

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

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 motor vehicles in the PRC of carrying value of approximately HK\$22,641,000 and HK\$909,000 respectively.

USE OF PROCEEDS

The Group raised approximately HK\$28 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. Upon the listing of the Company's shares on the Stock Exchange and in accordance with the proposed applications as set out in the Company's Prospectus dated 28th October 2002, the net proceeds have been applied as follow:

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

DIRECTORS' INTERESTS IN SHARES

At 30th September 2003, the interests of the directors, chief executives and their associates in shares, underlying shares or debentures of the Company or its associated corporations within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO") which are notified pursuant to Division 7 and Division 8 of SFO (including interests which they are taken or deemed to have pursuant to SFO) or which are entered in the register of directors' and chief executives' interests and short position kept by the Company pursuant to Section 352 of SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code of Securities Transactions by the Directors of Listed Companies, were as follows:

(i) Shares of HK\$0.01 each in the Company

Name of director	Nature of interest	Number of shares held		Percentage of holding
		Long position	Short position	
Mr. Cheung Keng Ching ("Mr. Cheung")	Corporate (Note)	246,600,000	–	61.65%
Madam Chou Mei ("Mrs. Cheung")	Corporate (Note)	246,600,000	–	61.65%
Mr. Lau Ka Man, Kevin	Personal	300,000	–	0.08%

DIRECTORS' INTERESTS IN SHARES *(Continued)*

(i) Shares of HK\$0.01 each in the Company *(Continued)*

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

In addition to the above, certain nominee shares in the subsidiaries were held by directors in trust for the Company as at 30th September 2003.

(ii) Shares of US\$0.01 each Star Master, the associated corporation of the Company

Name of director	Nature of shares interested	Percentage of shareholding
Mr. Cheung	1,000 <i>(note)</i> Long position	100%
Mrs. Cheung	1,000 <i>(note)</i> Long position	100%

Note: These shares held by Mr. Cheung and Mrs. Cheung respectively refer to the same parcel of shares. Each of Mr. Cheung and Mrs. Cheung registers and beneficially owns 500 shares each of Star Master. As spouse, Mr. Cheung and Mrs. Cheung are respectively deemed to have interest in the shares held by each other in Star Master.

Save as disclosed above, none of the directors and chief executives of the Company or their associates (as defined in the Listing Rules) had any personal, family, corporate or other interests in the shares, underlying shares or debentures of the Company or any of its associated corporations which are required to be notified to the Company and the Stock Exchange pursuant to SFO (including interests which they are taken or deemed to have under SFO) or which are, pursuant to Section 352 of SFO, entered in the register referred to therein or, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as otherwise notified to the Company and the Stock Exchange.

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 ("Shares") on the Stock Exchange and subject to renewal with shareholders' approval. Details of the Scheme are set out in Appendix V of the Prospectus.

SHARE OPTIONS (Continued)

On 4th November 2003, all executive directors of the Company and 12 employees were granted options to subscribe for an aggregate of 20,000,000 Shares (representing 10% of the shares in issue as at the date of commencement of listing of Shares on the Stock Exchange) under the Scheme. Details of the share options were as follows:

Name of directors	Exercisable period	Exercise price per share	Number of shares issuable under the outstanding share options granted	Approximate percentage of the existing issued share capital that the interest represents as at the date of approval of the Interim Accounts
Mr. Cheung	4th November 2003 to 3rd November 2008	HK\$1.33	1,850,000 Long position (Note)	0.46%
Mrs. Cheung	4th November 2003 to 3rd November 2008	HK\$1.33	1,850,000 Long position (Note)	0.46%
Lau Ka Man, Kevin	4th November 2003 to 3rd November 2008	HK\$1.33	3,000,000 Long position	0.75%
Employees	4th November 2003 to 3rd November 2008	HK\$1.33	13,300,000 Long position	3.33%

Note: As spouse, Mr. Cheung and Mrs. Cheung are respectively deemed to have interest in the share option held by each other.

The closing price of shares of the Company on 3rd November 2003, i.e. immediately before the date of grant of the aforesaid option was HK\$1.40.

Each option gives the holder the right to subscribe for one share. During the period under review, there were no share option exercised, cancelled or lapsed. All options granted remained outstanding as at the date of approval of the Interim Accounts.

Other than as disclosed as above at no time during the period under review 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 the Company or any other body corporate.

VALUATION OF SHARE OPTION

The options granted under the scheme are not recognised in the financial statements until they are exercised. As there were no option granted during the period under review, no valuation of the option value can be determined.

More, the Directors consider it is inappropriate to disclose the value of options which were granted under the Scheme. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, exercise price, exercise period, interest rate, expected volatility and other variables. Moreover, the terms of the Scheme stipulate that the options granted should not be assigned, and no holder of the options shall in any way sell, transfer, charge, mortgage or create any interest in favour of any third party over or in relation to any option. The Directors believe that any calculation of the value of options as at the date of this report based on a number of speculative assumptions would not be meaningful.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 2003 and so far as is known to the directors and according to the register of interests in shares and short positions of substantial shareholders maintained by the Company under Section 336 of SFO, the following persons (other than the directors disclosed under the heading "Directors' interests in shares" above) has interest of 5% or more of the nominal value of the issued ordinary shares that carry a right to vote in all circumstances at general meetings of the Company:

Name of directors	Number of shares held	Percentage of shareholding
Star Master	246,600,000 (<i>Note</i>) Long position	61.65%
Lu Ming Hui	32,800,000 Long position	8.2%

Note: The entire issued share capital of Star Master is legally and beneficially owned by Mr. Cheung and Mrs. Cheung as to 50% and 50% respectively.

Save as disclosed above, no other party was recorded in the register of interests in shares and short positions of substantial shareholders kept pursuant to section 336 of SFO as having an interest in 5% or more of the nominal value of the issued ordinary shares that carry a right to vote in all circumstances at general meetings of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the period under review, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The Company has established the audit committee on 19th December 2002 consisting of two independent non-executive directors, Messrs. Chow Chi Kit and Mr. To Yan Ming, Edmond, with written terms of reference in compliance with the Code of Best Practice (the "Code") as set out in the Listing Rules. The 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 2003.

COMPLIANCE WITH CODE OF BEST PRACTICE

During the period under review, The Company has complied with the Code as set out in Appendix 14 to the Listing Rules, except that the independent non-executive directors are not appointed for a specific term as required by the Code, but they are subject to retirement by rotation in accordance with the Company's Articles of Association.

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

Hong Kong, 29th December 2003