

REPORT OF THE DIRECTORS

The board of directors (the “Board”) of Rontex International Holdings Limited (the “Company”) presents their report together with the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred as to the “Group”) for the year ended 31st March 2004.

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 are set out 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 2004 are set out in the consolidated income statement on page 19.

The state of affairs of the Group and the Company as at 31st March 2004 are set out in the balance sheets on page 20 and 22 respectively.

The board have resolved not to recommend the payment of dividend for the year ended 31st March 2004 (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 for the year ended 31st March 2003).

SEGMENT INFORMATION

An analysis of the Group’s turnover and contribution to results by business segments and geographical segments of operations for the year ended 31st March 2004 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 58.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements.

As at 31st March 2004, 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\$54,055,000 (2003: 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\$12,783,000 (2003: HK\$26,071,000) may be distributed in the form of fully paid bonus shares.

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 43.9% of the Group's total turnover for the year. In particular, sales to the largest customer of the Group accounted for approximately 17% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for approximately 36.9% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 8.5% of the Group's total purchases for the year.

None of the directors of the Company, their associates or any shareholder (which to the knowledge of the directors of the Company owns 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 (*Chairman*)
Madam Chou Mei
Mr. Lau Ka Man, Kevin

Independent non-executive directors

Mr. Chow Chi Kit
Mr. To Yan Ming, Edmond

In accordance with article 87(1) of the Company's articles of association, Madam Chou Mei shall retire and being eligible, offer herself for re-election at the forthcoming annual general meeting.

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company 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 of the Company 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 of the Company 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 52, 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 17 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 44, is the co-founder of the Group and an executive director. Madam Chou has over 17 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 37, 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 8 years of experience in accounting, auditing and taxation matters.

Independent non-executive directors

Mr. Chow Chi Kit, aged 37, 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 32, 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 51, is the director of Beijing Rontex Garments Co., Ltd. ("Rontex (Beijing)") and Rontex Co., Ltd.. He is responsible for the overall financial control and administration of Rontex (Beijing). He has over 25 years of experience in administration, business development and production planning.

Mr. Niu Teng, aged 35, is the director of Rontex Co., Ltd. He is responsible for the overall daily operations and management of Rontex Co. Ltd.. He has 11 years of experience in textile and trading industries.

Mr. Pan Run Ming, aged 44, is the vice-president of Rontex (Beijing). He is responsible for the overall management and operations of Rontex (Beijing). He has 17 over 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 35, is the senior accountant of the Group. He is 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 12 years of experience in accounting and auditing matters.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

At 31st March 2004, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company or any of 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 under Section 352 of the SFO, or as 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 Listed Companies, were as follow:

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Cheung Keng Ching (“Mr. Cheung”) (Note)	Held by spouse/ Held by controlled corporation	986,400,000	61.56%
Madam Chou Mei (“Mrs Cheung”) (Note)	Held by spouse/ Held by controlled corporation	986,400,000	61.56%
Mr. Lau Ka Man, Kevin	Beneficial owner	1,200,000	0.08%

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.

All interests stated above represent long positions.

The interest of the directors of the Company in the share options of the Company are separately disclosed in note 28 to the financial statements.

Other than as disclosed above, and save for nominee shares in certain subsidiaries held in trust for the Group at 31st March 2004, neither the directors of the Company, nor any of their associates, had any interest or short positions in any shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY

Saved as disclosed in the share option scheme in note 28 to the financial statements, 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 of the Company 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 of the Company to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

On 19th October 2002, the Company had adopted a share option scheme (the "Scheme"). Further details of the Scheme and share options granted during the year to the directors and employees of the Company are set out in note 28 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31st March 2004, the register of interests in shares and short positions of substantial shareholders maintained by the Company under Section 336 of SFO showed that, the following person (other than the directors disclosed under the heading "Directors' interest and short positions in shares and underlying shares of the Company") 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:

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Name of shareholders	Capacity	Number of shares held	Percentage of share capital
Star Master	Beneficial owner	986,400,000 (Note) Long position	61.65%
Lu Ming Hui	Beneficial owner	131,200,000 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.

RETIREMENT BENEFITS SCHEME

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

MATERIAL 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.

MATERIAL CONNECTED TRANSACTION (Continued)

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 the Connected Transaction was passed.

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, 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.

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 38 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 2004