



# RONTEX

**RONTEX INTERNATIONAL HOLDINGS LIMITED**

朗迪國際控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)

2004 INTERIM REPORT

\* 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

Hung Muk Ming

#### COMPANY SECRETARY

Lau Ka Man, Kevin

#### AUTHORISED REPRESENTATIVES

Cheung Keng Ching

Lau Ka Man, Kevin

#### AUDIT COMMITTEE

Chow Chi Kit

To Yan Ming, Edmond

Hung Muk Ming

#### 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 2004 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30th September	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
<b>Turnover</b>		<b>90,421</b>	67,158
Cost of sales		<b>(64,161)</b>	(46,616)
<b>Gross profit</b>		<b>26,260</b>	20,542
Other revenue		<b>1,428</b>	82
Selling and distribution costs		<b>(3,949)</b>	(3,704)
Administrative expenses		<b>(4,861)</b>	(4,701)
<b>Profit from operations</b>	3	<b>18,878</b>	12,219
Finance costs	4	<b>(996)</b>	(856)
Share of results of an associate		<b>597</b>	538
<b>Profit before tax and minority interests</b>		<b>18,479</b>	11,901
Tax	5	<b>(1,134)</b>	(1,032)
Profit after tax and before minority interests		<b>17,345</b>	10,869
Minority interests		<b>(322)</b>	–
<b>Net profit from ordinary activities attributable to shareholders</b>		<b>17,023</b>	10,869
<b>Dividend</b>	7	<b>–</b>	–
<b>Earnings per share</b>	6		
Basic, HK cents		<b>1.06</b>	0.68
Diluted		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

		30th September 2004 (Unaudited) HK\$'000	31st March 2004 (Audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
Deferred expenditure		1,313	1,350
Property, plant and equipment	8	38,146	37,426
Interests in an associate		11,706	11,143
Investment securities		17,846	9,946
Option to acquire an equity interest of a company		15,000	15,000
Deposits and prepayments		18,200	18,200
		<b>102,211</b>	<b>93,065</b>
<b>Current assets</b>			
Inventories		8,165	5,354
Trade receivables	9	8,711	6,383
Prepayments, deposits and other receivables		14,287	6,880
Tax refundable		-	224
Cash and bank balances		19,606	19,999
		<b>50,769</b>	<b>38,840</b>
<b>Current liabilities</b>			
Interest-bearing bank borrowings		7,750	8,466
Trade deposits received		2,761	189
Trade payables	10	10,487	6,763
Other payables and accrued expenses		2,651	3,544
Current portion of finance lease payables		149	149
Tax payable		407	-
		<b>24,205</b>	<b>19,111</b>
<b>Net current assets</b>		<b>26,564</b>	<b>19,729</b>
<b>Total assets less current liabilities</b>		<b>128,775</b>	<b>112,794</b>
<b>Non-current liabilities</b>			
Interest-bearing bank borrowings		2,813	4,114
Long-term portion of finance lease payables		3	84
		<b>2,816</b>	<b>4,198</b>
<b>Minority interests</b>		<b>11,528</b>	<b>11,194</b>
<b>Net assets</b>		<b>114,431</b>	<b>97,402</b>
<b>Capital and reserves</b>			
Share Capital	11	16,024	16,022
Reserves		98,407	81,380
<b>Shareholders' funds</b>		<b>114,431</b>	<b>97,402</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'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 2003	2,000	26,071	918	22	8,022	46,360	83,393
Profit for the period	-	-	-	-	-	10,869	10,869
Bonus issue of share	2,000	(2,000)	-	-	-	-	-
Exchange difference on translation of financial statements of PRC operations	-	-	-	40	-	-	40
At 30th September 2003	4,000	24,071	918	62	8,022	57,229	94,302
Issue of shares on exercise of share option	-	712	-	-	-	-	712
Bonus issue of share	12,000	(12,000)	-	-	-	-	-
Profit for the period	-	-	-	-	-	3,384	3,384
Dilution of Group's share of interest in a subsidiary	-	-	-	-	(907)	-	(907)
Exercise of share option	22	-	-	-	-	-	22
Exchange difference on translation of financial statements of PRC operations	-	-	-	(111)	-	-	(111)
At 31st March 2004	16,022	12,783	918	(49)	7,115	60,613	97,402
Profit for the period	-	-	-	-	-	17,023	17,023
Issue of shares on exercise of warrant	2	14	-	-	-	-	16
Exchange difference on translation of financial statements of PRC operations	-	-	-	(10)	-	-	(10)
<b>At 30th September 2004</b>	<b>16,024</b>	<b>12,797</b>	<b>918</b>	<b>(59)</b>	<b>7,115</b>	<b>77,636</b>	<b>114,431</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
<b>Net cash inflow from operating activities</b>	<b>10,794</b>	47,425
<b>Net cash outflow from investing activities</b>	<b>(8,101)</b>	(34,682)
<b>Net cash outflow from financing activities</b>	<b>(3,076)</b>	(3,000)
Effect on foreign exchange rate changes	<b>(10)</b>	(4)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(393)</b>	9,739
Cash and cash equivalents at beginning of the period	<b>19,999</b>	5,552
<b>Cash and cash equivalents at end of the period</b>	<b>19,606</b>	15,291
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	<b>19,606</b>	15,291
Bank overdrafts	-	-
	<b>19,606</b>	15,291



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. Basis of presentation and principal accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Statement of Standard Accounting Practice No.25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

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

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31st March 2004.

Certain comparative figures have been reclassified to conform with current year presentation.

These unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company and were approved by the Board on 28th December 2004.

### 2. 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.

## 2. Segment information (continued)

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 2004				Consolidated (Unaudited) HK\$'000
	Knitwear (Unaudited) HK\$'000	Woven wear (Unaudited) HK\$'000	Sweater (Unaudited) HK\$'000	Premium (Unaudited) HK\$'000	
	Segment revenue	42,264	35,579	7,921	
Segment results	7,608	8,041	2,297	932	18,878
Finance costs					(996)
Share of results of an associate					597
Profit before tax and minority interests					18,479
Tax					(1,134)
Profit after tax and before minority interests					17,345
Minority interests					(322)
Net profit from ordinary activities attributable to shareholders					17,023



## 2. Segment information (continued)

### (a) Business segments (continued)

	Six months ended 30th September 2003				Consolidated (Unaudited) HK\$'000
	Knitwear (Unaudited) HK\$'000	Woven wear (Unaudited) HK\$'000	Sweater (Unaudited) HK\$'000	Premium (Unaudited) HK\$'000	
	Segment revenue	27,669	32,041	3,451	
Segment results	4,823	5,685	1,094	617	12,219
Finance costs					(856)
Share of results of an associate					538
Profit before tax and minority interests					11,901
Tax					(1,032)
Profit after tax and before minority interests					10,869
Minority interests					-
Net profit from ordinary activities attributable to shareholders					10,869

### (b) Geographical segments

	Six months ended 30th September 2004				Consolidated (Unaudited) HK\$'000
	Chile (Unaudited) HK\$'000	Australia (Unaudited) HK\$'000	Canada (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	
	Segment revenue	61,417	9,945	5,859	
Segment results	12,898	1,919	1,289	2,772	18,878

	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	
Segment results	9,052	1,369	1,039	759	12,219

### 3. Profit from operations

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

	Six months ended 30th September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of:		
– owned fixed assets	726	1,172
– assets held under finance leases	37	37
Interest income	(2)	(6)
Gain from disposal of investment security	(1,280)	–
Exchange loss/(gain), net	16	(43)

### 4. Finance costs

	Six months ended 30th September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expenses on:		
Bank loans and overdrafts wholly repayable within five years	103	33
Import and export loans wholly repayable within five years	226	272
Obligations under finance leases	16	16
	345	321
Bank charges	651	535
	996	856

## 5. Taxation

	Six months ended 30th September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Tax for the period:		
Hong Kong Profit tax	1,100	999
Share of taxation of associates in PRC	34	33
	<b>1,134</b>	1,032

The provision for Hong Kong Profits Tax is calculated at the rate of 17.5% (six months ended 30th September 2003:17.5%) 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.

## 6. 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\$17,023,000 (2003: HK\$10,869,000) and the weighted average of 1,602,208,000 (2003: 1,600,000,000, 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 2003 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 then existing share in the issued share capital of the Company on 18th September 2003 and according to an ordinary resolution passed in the Extraordinary General Meeting of the Company held on 20th February 2004 in connection to the bonus issue of 1,200,906,000 share on the basis of three bonus ordinary share for every one then existing share in the issued share capital of the Company on 21st January 2004.

Diluted earnings per share for the period ended 30th September 2004 and 2003 has not been presented as the conversion of potential ordinary shares would have anti-dilutive effect to the basic earnings per share.

## 7. Dividend

The directors do not recommend the payment of any interim dividend for the six months ended 30th September 2004 (2003: NIL).

## 8. Property, plant and equipment

	HK\$'000
<b>Audited</b>	
Net book value	
At 31st March 2004	37,426
<b>Unaudited</b>	
Additions	1,483
Depreciation	(763)
At 30th September 2004	38,146

## 9. Trade receivables

The ageing analysis of trade receivables is as follows:

	<b>As at 30th September 2004 (Unaudited) HK\$'000</b>	As at 31st March 2004 (Audited) HK\$'000
0 – 30 days	<b>7,575</b>	5,331
31 – 60 days	<b>720</b>	167
61 – 90 days	<b>103</b>	417
Over 90 days	<b>313</b>	468
	<b>8,711</b>	6,383

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 follow:

	<b>As at 30th September 2004 (Unaudited) HK\$'000</b>	As at 31st March 2004 (Audited) HK\$'000
0 – 30 days	6,410	4,378
31 – 60 days	2,165	1,482
61 – 90 days	735	146
Over 90 days	1,177	757
	<b>10,487</b>	<b>6,763</b>

## 11. Share capital

	<b>As at 30th September 2004 (Unaudited) HK\$'000</b>	As at 31st March 2004 (Audited) HK\$'000
Authorised:		
10,000,000,000 shares of HK\$0.01 each	<b>100,000</b>	100,000
Issued and fully paid:		
1,602,362,800 shares of HK\$0.01 each	<b>16,024</b>	16,022

## 12. Operating lease arrangements

As at 30th September 2004 and 31st March 2004, the Group did not have any significant operating lease commitments.

### 13. Pledge of assets

As at 30th September 2004, 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\$22,060,000 (31st March 2004: 22,331,000);
- (2) cross guarantees among the subsidiaries of the Group;
- (3) assignment of documentary credit issued in favour of a subsidiary;
- (4) an corporate guarantee provided by the Company.

### 14. Contingent liabilities

	<b>As at 30th September 2004 (Unaudited) HK\$'000</b>	As at 31st March 2004 (Audited) HK\$'000
Contingent liabilities arising from bills of exchange		
discounted with recourse	<b>1,974</b>	3,910
Long service payment	<b>133</b>	137
	<b>2,107</b>	4,047

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.

### 15. Capital commitments

As at 30th September 2004 and 31st March 2004, the Group did not have any significant capital commitments.



## 16. Bonus Issue of Warrant

In the Extraordinary General Meeting held on 18th June 2004, an ordinary resolution of bonus issue of warrants ("2005 Warrants") on the basis of one bonus warrant for every five shares held by shareholders whose names appear on the Register on 18th June 2004 was passed. Each warrant is issued in registered form and entitles the holder thereof to subscribe for fully-paid new shares at the initial subscription price of HK\$0.102 per Share, subject to adjustment, from the date of issue, which is on 28th June 2004, to the date of expiry of one year from the date of issue which is 27th June 2005 (both days inclusive) in accordance with the terms of 2005 Warrants. Exercise in full of the warrants at the aforesaid initial subscription price would result in the issue of 320,441,600 shares and the receipt by the Company would be approximately HK\$32,685,043.

The shares falling to be issued upon the exercise of subscription rights attaching to the warrants will rank for any dividends and other distributions the record date for which is on or after the relevant subscription date and, subject as aforesaid, be pari passu in all respects with the then existing issued shares.

A summary of the principal terms and conditions of the warrants, including circumstances in which the subscription price may be adjusted, is set out in the circular of the Company dated 25th May 2004.

As at 30 September 2004, there were outstanding warrants in respect of an aggregate 320,286,800 shares and the receipt by the Company would be approximately HK\$32,669,254.

## INTERIM DIVIDEND

The directors of the Company have resolved not to recommend the payment of interim dividend for the six months ended 30th September 2004 (six months ended 30th September 2003: NIL).



## FINANCIAL REVIEW

This was an encouraging period for the Company. For the six months ended 30th September 2004, the Group recorded a turnover of approximately HK\$90,421,000 (2003: HK\$67,158,000), up 34.6% 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 2004 increased by 54.5% and 56.6% to HK\$18,878,000 (2003: HK\$12,219,000) and HK\$17,023,000 (2003: HK\$10,869,000) respectively, as compared to the corresponding period in the previous year. The increase in turnover was as a result of the marketing agent in South America and also our marketing team in Hong Kong and the PRC. They are putting great efforts in securing existing customers and exploring new markets. During the period under review, other than our main market Chile, we have explored many new markets such as Russia, Germany, Japan, Korea and Greece. The sales to other countries recorded a turnover of approximately HK\$13,200,000 (2003: HK\$3,939,000) increased by 235% as compared to last year's same period. Moreover, the depreciation of US dollar also play a crucial role in boosting Group's turnover, as our products are denominated in US dollar, the depreciation greatly enhance the attractiveness and competitiveness of our Group's products.

## OPERATION REVIEW

### Garment products

For the six months ended 30th September 2004, garment products accounted for approximately 95% (2003: 94.0%) of the Group's turnover, up 1% as compared to the corresponding period in the previous year. Revenue and profit from operations derived from garment product business increased by 35.7% to HK\$85,764,000 and 54.7% to HK\$17,946,000 respectively. This was due to our Group's successful marketing strategy and depreciation of US dollars.

### Premium products

For the six months ended 30th September 2004, premium products accounted for approximately 5% (2003: 6%) 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 increased by 16.5% to HK\$4,657,000 and 51% to HK\$932,000 respectively.





## 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. The Group is moving actively to catch up with the rapidly recovering global economy.

We have revised our pricing strategies and broadened the scope of value added services such as quality assurance and freight forwarding arrangements.

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

## DEVELOPMENT IN THE PRC

We keep on seeking investment opportunity, in September 04, the Group entered into agreement with an independent third party acquiring 20% equity interest in an joint venture manufacturing facilities in Beijing. This production plant is the 4th production base of our Group in PRC. The Group will not slow down the process of identification of investment and will actively searching for high return investment to maximize the benefits to shareholders.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September 2004, the Group had net current assets of HK\$26,564,000 (31st March 2004: HK\$19,729,000). The Group's current ratio, as a ratio of current assets to current liabilities, was maintained at a healthy level of approximately 191% (31st March 2004: 203%) and the Group's gearing ratio, as a ratio of total interest-bearing borrowings to total assets, was maintained at the lowest level of 6.9% (31st March 2004: 9.5%).

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 outflow of HK\$393,000, which declined the total cash and cash equivalents to HK\$19,606,000 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 2004 were HK\$10,563,000 (31st March 2004: HK\$12,580,000), 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 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 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 2004, the Group had contingent liabilities arising from bills of exchange discounted with recourse and long service payment of approximately HK\$1,974,000 and HK\$133,000 respectively.

## **CAPITAL COMMITMENT**

The Group had no material commitment as at 30th September 2004.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30th September 2004, the Group had 292 staffs and workers working in Hong Kong and PRC.

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\$22,060,000 and HK\$663,000 respectively.

## DIRECTORS' INTERESTS IN SHARES

At 30th September 2004, the interests of the directors, chief executives and their associates in shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO") which are notified to the Company and the Stock Exchange 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 for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

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

Name of director	Nature of interest	Number of shares held		Approximate percentage over the issued share capital of the Company
		Long position	Short position	
Executive Directors:				
Mr. Cheung Keng Ching ("Mr. Cheung")	Corporate (Note 1)	986,400,000	–	61.56%
Madam Chou Mei ("Mrs. Cheung")	Corporate (Note 1)	986,400,000	–	61.56%
Mr. Lau Ka Man, Kevin ("Mr. Lau")	Personal (Note 2)	1,200,000	–	0.08%
Independent non-executive Directors:				
Mr. Hung Muk Ming	Personal	430,000	–	0.03%

Note 1: 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.

## DIRECTORS' INTERESTS IN SHARES (continued)

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

Note 2: After 30th September 2004, Mr Lau disposed of all the shares held by him.

In addition to the above, certain nominee shares in the subsidiaries were held by directors in trust for the Company as at 30th September 2004.

### (ii) 2005 Warrants of the Company

Name of director	Nature of interest	Number of underlying shares comprising the 2005 Warrants held		Approximate percentage over the issued share capital of the Company
		Long position	Short position	
Mr. Cheung	Corporate (Note 1)	197,280,000	–	12.31%
Mrs. Cheung	Corporate (Note 1)	197,280,000	–	12.31%
Mr. Lau	Personal (Note 2)	240,000	–	0.02%

Note 1: These 2005 Warrants held by Mr. Cheung and Mrs. Cheung respectively refer to the same parcel of warrants, which are registered in the name of 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 2005 Warrants held by each other.

Note 2: After 30th September 2004, Mr Lau disposed of 200,000 warrants held by him.

## DIRECTORS' INTERESTS IN SHARES (continued)

### (iii) Shares of US\$1.00 each in Star Master, the associated corporation of the Company

<b>Name of director</b>	<b>Number of shares held</b>	<b>Percentage of shareholding</b>
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 legally 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 share option scheme (the "Scheme") approved and adopted by the Company on 19th October 2002, share options was granted to subscribe for shares in the Company in accordance with the terms of the Scheme. There were no changes in any terms of the Scheme during the six months ended 30th September 2004. The detailed terms of the Scheme were disclosed in the 2004 annual report of the Company.

## SHARE OPTIONS (continued)

The following shows movements in the Company's share options during the period under review:

Name or category of participant	Outstanding as at 1st April 2004	Granted during the period	Exercised during period	Cancelled/ Lapsed during period <sup>*</sup>	Outstanding as at 30th September 2004	Date of grant of share options (dd/mm/yyyy) <sup>**</sup>	Exercise period of share options (dd/mm/yyyy)	Adjusted Exercise price of share options <sup>***</sup> HK\$
<b>Directors</b>								
Mr. Cheung	7,400,000	-	-	-	7,400,000****	04/11/2003	04/11/2003 to 03/11/2008	0.3325
Mrs. Cheung	7,400,000	-	-	-	7,400,000****	04/11/2003	04/11/2003 to 03/11/2008	0.3325
Mr. Lau	12,000,000	-	-	-	12,000,000	04/11/2003	04/11/2003 to 03/11/2008	0.3325
<b>Employees other than directors</b>								
In aggregate	19,224,000	-	-	-	19,224,000	04/11/2003	04/11/2003 to 03/11/2008	0.3325
	<u>46,024,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,024,000</u>			

\* Those share options lapsed during the period refer to share options held by employees resigned during the period.

\*\* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

\*\*\* The number of issuable shares and the exercise price of the share options are subject to adjustment in the case of capitalization issue, rights issue, sub-division or consolidation of the Company's shares or reduction of capital of the Company. On 20th February 2004, an ordinary resolution was passed in extraordinary general meeting in connection with the bonus issue of shares on the basis of three bonus share for every one existing share. Before adjustment the old exercise price was HK\$1.33 each share.

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



## **SHARE OPTIONS** (continued)

Each option gives the holder the right to subscribe for one share. During the period under review, there was no share option granted, exercised, cancelled or lapsed. All outstanding options as at the end of the review period 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 chief executive 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 or chief executives 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.

Moreover, 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 2004 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 the 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:

<b>Name of shareholders</b>	<b>Number of shares held</b>	<b>Number of underlying shares comprising the 2005 warrant held</b>	<b>Approximate aggregate percentage over the issued share capital of the Company</b>
Star Master	986,400,000 ( <i>Note</i> ) Long position	197,280,000 Long position	73.87%
Lu Ming Hui	131,200,000 Long position	26,240,000 Long position	9.83%

*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 Audit committee of the Company consists of three independent non-executive directors, Messrs. Chow Chi Kit, Mr. To Yan Ming, Edmond and Mr. Hung Muk Ming 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 unaudited condensed interim financial statements for the six months ended 30th September 2004.

## COMPLIANCE WITH CODE OF BEST PRACTICE AND MODEL CODE

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.

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all directors regarding any non-compliance with the Model Code during the period under review and they all confirmed that they have fully complied with the required standard set out in the Model Code.

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

Hong Kong, 28th December 2004