



Chairman's Statement

On behalf of the board of directors of Rontex International Holdings Limited (the "Company"), together with its subsidiaries (the "Group"), I am pleased to announce our annual results for the year ended 31st March 2005.

RESULTS AND DIVIDENDS

During the year under review, the Group recorded a turnover of HK\$162,122,000 (2004: HK\$144,561,000), and net loss attributable to shareholders of HK\$6,459,000 (2004: net profit attributable to shareholders HK\$14,253,000).

No dividend was recommend for the year ended 31st March 2005 for the reasons of retaining cash for future growth and contingency.

BUSINESS REVIEW

The financial performance of the Group fell short of expectation for the year ended 31st March 2005. On one hand, the price of raw materials for garment manufacturing such as yarn and cotton in the People's Republic of China (the "PRC") experienced significant inflation for the year under review, the cost of production of our products ascend substantially. As a result, it erodes the profit margin of our product. On the other hand, because of keen competition in garment product market, the room for raise selling price is limited. As a result, it erodes the overall profit margin of our Group's product and performance for the year under review.

During the year, the Group made an investment in Beijing with three independent PRC partners for the purpose of engage in retail operation for selling or man and woman suit. However, because of disagreement with the PRC partners, the Group as a result we withdraw from the investment and took back garment stock as compensation.

We have also reviewed our marketing strategies. During the year under review, the Group has restructured its sales teams for the purpose of exploring new markets Together with the benefits accrued from our continuous implementation of measures of productivity enhancement and cost reduction.

LOOKING AHEAD

The Group entered into an agreement with independent parties in respect of the acquisition of 30% equity interest in a JV Company at a consideration of HK\$27,720,000. The JV is engaged in the sale and manufacture of woven garment products. The consideration payable under the Agreement will be satisfied fully in cash. This new investment will expand our production capacity to cope with future growth of Rontex Group.

We have planned to improve the quality of clientele basis. More resources such as human capital, financial resources will be shifted to clients with high profit margin. We believe that with continuous improvement of the quality of our clients, the financial liquidity and cash flow position of the Group will be reinforced. We will also continue implementing stringent measures and contingencies in operations of the business, with a focus on quality-driven and cost efficient operations.

APPRECIATION

On behalf of the Group, I wish to express my sincere thanks to our management team and to our employees for their talents and efforts devoted to the Group. I would also like to express my gratitude to our shareholders and business partners for their continuing support for the Group.

Cheung Keng Ching
Chairman

Hong Kong, 14th September 2005