

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 to as the “Group”) for the year ended 31st March 2005.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 17 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 2005 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 2005 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 2005 (2004: Nil).

### SEGMENT INFORMATION

An analysis of the Group’s turnover and contribution to results by principal activity and geographical segments of operations for the year ended 31st March 2005 is set out in note 3 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 2005, 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\$55,692,000 (2004: HK\$54,055,000). 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\$15,282,000 (2004: HK\$12,783,000) 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 16 to the financial statements.

### **BANK LOANS AND OTHER BORROWINGS**

Particulars of bank loans and other borrowings of the Company and the Group as at 31st March 2005 are set out in note 23 to the financial statements.

### **SHARE CAPITAL**

Details of movements in share capital of the Company are set out in note 26 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**

The Company has not redeemed any of its shares during the year. 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 38.43% of the Group's total turnover for the year. In particular, sales to the largest customer of the Group accounted for approximately 11.91% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for approximately 42.88% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 12.91% 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 own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers or suppliers.

### DIRECTORS

The directors of the Company during the year and up to the date of this report were:

#### Executive directors

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

#### Independent non-executive directors

Mr. Chow Chi Kit	(resigned on 13th May 2005)
Mr. To Yan Ming, Edmond	(resigned on 13th May 2005)
Mr. Hung Muk Ming	(appointed on 27th September 2004)
Madam Wong Lai Fong	(appointed on 13th May 2005)
Mr. Wong Kin Tak	(appointed on 13th May 2005)

In accordance with article 87(1) of the Company's articles of association, Mr. Lau Ka Man, Kevin shall retire and being eligible, offer himself for re-election at the forthcoming annual general meeting.

In accordance with article 86(3) of the Company's articles of association, Mr. Hung Muk Ming, Madam Wong Lai Fong and Mr. Wong Kin Tak appointed during the year shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

#### 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 no fixed terms of appointment. No independent service agreement has been or will be entered into between the Company and either of the independent non-executive directors.

Save 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 53, is the founder of the Group and chairman of the Group. Prior to the establishment of the Group in 1987, he was the merchandising manager of a trading company. Mr. Cheung has over 16 years' experience in trading of garment and premium products. He is responsible for the overall business strategy and merchandising functions of the Group. He is the spouse of Madam Chou Mei.

**Madam Chou Mei**, aged 45, is the co-founder of the Group and an executive director. Madam Chou has over 16 years' experience in trading of garment and premium products. She is responsible for the procurement functions of the Group. Prior to establishing the Group in 1987, she was an executive secretary of a trading company in Taiwan. She is the spouse of Mr. Cheung.

**Mr. Lau Ka Man, Kevin**, aged 38, 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. He is both the associate member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. He has more than 10 years of experience in accounting, auditing and taxation matters.

### Independent non-executive directors

**Mr. Hung Muk Ming**, aged 39, is a fellow member of Hong Kong Institute of Certified Public Accountants and also a fellow member of Chartered Association of Certified Accountants.

**Madam Wong Lai Fong**, aged 39, has more than 10 years experience in sales and marketing. She is a holder of Master degree in Business Administration.

**Mr. Wong Kin Tak**, aged 33, has more than 10 years experience in financial management, accounting, and auditing. He is a member of Hong Kong Institute of Certified Public Accountants and Chartered Association of Certified Accountants.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

### Senior management

**Mr. Wang Wei Ben**, aged 52, is the vice-president of the Group and director of Beijing Rontex Garments Co., Ltd. ("Rontex (Beijing)") responsible for the overall financial control and administration of Rontex (Beijing). He has over 24 years of experience in administration, business development and production planning.

**Mr. Niu Teng**, aged 36, is the general manager of Rontex Co., Ltd. responsible for its overall daily operations and management. He has 10 years of experience in textile and trading industries.

**Mr. Pan Run Ming**, aged 45, is the vice-president of Rontex (Beijing) responsible for the overall management and operations of Rontex (Beijing). He has 16 years of experience in the textile and garment industry. Prior to joining the Rontex (Beijing) in August 2000, he was a manager of a garment manufacturer in Beijing, the PRC for 2 years.

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

At 31st March 2005, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

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

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Executive directors:			
Mr. Cheung Keng Ching ("Mr. Cheung") <i>(Note)</i>	Corporate	1,144,080,000 Long position	70.22%
Madam Chou Mei ("Mrs. Cheung") <i>(Note)</i>	Corporate	1,144,080,000 Long position	70.22%
Mr. Lau Ka Man ("Mr. Lau")	Beneficial owner	12,040,000 Long position	0.74%

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

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

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Independent non-executive directors:			
Mr. Hung Muk Ming	Beneficial owner	430,000 Long position	0.03%

*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.

The interest of the directors of the Company in the share options of the Company are separately disclosed in note 27 to the financial statements.

### (ii) 2005 Warrants of the Company

Name of Director	Capacity	Number of underlying shares comprising the 2005 Warrants held	Percentage of the issued share capital of the Company
Mr. Cheung	Corporate <i>(Note)</i>	150,280,000 Long position	9.22%
Mrs. Cheung	Corporate <i>(Note)</i>	150,280,000 Long position	9.22%
Mr. Lau	Beneficial owner	40,000 Long position	less than 0.01%

*Note:* These shares 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 in the Company.



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

Name of Director	Capacity	Number of shares held	Percentage of shareholding
Mr. Cheung	Corporate <i>(Note)</i>	1,136,680,000 Long position	69.76%
Mrs. Cheung	Corporate <i>(Note)</i>	1,136,680,000	69.76%

*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 be interested in the shares held by each other in the Star Master.

Save as disclosed above, and save for nominee shares in certain subsidiaries held in trust for the Group at 31st March 2005, 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.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme in note 27 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 27 to the financial statements.



## Report of the Directors *(continued)*

### SUBSTANTIAL SHAREHOLDERS

At 31st March 2005, the following interests of 5% or more in the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO Ordinance:

Name of shareholders	Capacity	Number of shares held	Percentage of the Company's share capital
Star Master <i>(Note)</i>	Beneficial owner	986,400,000 Long position	60.54%
Lu Ming Hui	Beneficial owner	131,200,000 Long position	8.05%

*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 SCHEME

Particulars of the retirement scheme of the Group are set out in note 13 to the financial statements.

### COMPLIANCE WITH THE CODE OF BEST PRACTICE

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

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 year under review and they all confirmed that they have fully complied with required standard set out in the Model Code.



### AUDIT COMMITTEE

The audit committee of the Company consists of three independent non-executive directors, Mr. Hung Muk Ming, Mr. Wong Kin Tak and Madam Wong Lai Fong 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 met with management and reviewed the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the year ended 31st March 2005 before recommending them to the Board for approval.

### SUBSEQUENT EVENTS

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

### AUDITORS

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

On behalf of the Board

**Cheung Keng Ching**

*Chairman*

Hong Kong, 14th September 2005