

RONTEX

RONTEX INTERNATIONAL HOLDINGS LIMITED

朗迪國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1142

2006

Interim Report

* For identification only

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Cheung Keng Ching (*Chairman*)

Chou Mei

Chan Ching Kee William

(*appointed on 25 October 2006*)

Chung Kam Fung Kennis

(*appointed on 25 October 2006*)

Independent Non-executive Directors

Wan Ngar Yin, David

Lo Siu Tong, Alfred

Wong Lai Wah, Ada

COMPANY SECRETARY

Hung Chung Wah

(*resigned on 31 July 2006*)

Chan Hung Kwan

(*appointed on 31 July 2006*)

AUTHORISED REPRESENTATIVES

Cheung Keng Ching

Hung Chung Wah

(*resigned on 31 July 2006*)

Chan Hung Kwan

(*appointed on 31 July 2006*)

AUDIT COMMITTEE

Wan Ngar Yin, David

Lo Siu Tong, Alfred

Wong Lai Wah, Ada

REMUNERATION COMMITTEE

Cheung Keng Ching

Wan Ngar Yin, David

Lo Siu Tong, Alfred

AUDITORS

HLB Hodgson Impey Cheng

Chartered Accountants

Certified Public Accountants

LEGAL ADVISER

Conyers Dill & Pearman, Cayman

Stevenson, Wong & Co

Hastings & Co

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited

Wing Hang Bank Limited

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

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.

Strathvale House

North Church Street

George Town

Grand Cayman KY1-1106

Cayman Islands

British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited

26/F., Tesbury Centre,

28 Queen's Road East,

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 (the "Group") for the six months ended 30 September 2006 together with the comparative figures for the same period last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006

	Notes	Six months ended 30 September	
		2006 (unaudited) HK\$'000	2005 (unaudited and restated) HK\$'000
Turnover	2	88,392	101,740
Cost of sales		(75,520)	(87,295)
Gross profit		12,872	14,445
Other revenue		471	196
Selling and distribution costs		(4,288)	(4,323)
Administrative expenses		(8,167)	(12,121)
Profit/(Loss) from operations	3	888	(1,803)
Finance costs	4	(1,505)	(2,102)
Other income	5	9,632	—
Impairment loss on available-for-sale financial assets		(205)	(23,221)
Share of results of associates		633	406
Profit/(Loss) before taxation		9,443	(26,720)
Taxation	6	(10,025)	(265)
Loss for the period		(582)	(26,985)

CONDENSED CONSOLIDATED INCOME STATEMENT *(continued)*

For the six months ended 30 September 2006

		Six months ended 30 September	
		2006 (unaudited) HK\$'000	2005 (unaudited and restated) HK\$'000
Notes			
Attributable to:			
Equity holders of the Company		478	(26,796)
Minority interests		(1,060)	(189)
		(582)	(26,985)
Dividends		—	—
Earnings/(Loss) per share for loss attributable to the ordinary equity holders of the Company			
	7		
Basic		0.03 cents	(1.64 cents)
Diluted		N/A	N/A

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 September 2006 (unaudited) HK\$'000	As at 31 March 2006 (audited) HK\$'000
Non-current assets			
Interest in leasehold land and land use rights		12,692	12,726
Properties, plant and equipments	8	35,497	29,109
Interests in associates		17,576	16,792
Goodwill		19,458	19,458
Available-for-sale financial assets		484	688
		85,707	78,773
Current assets			
Inventories		10,956	5,365
Trade receivables	9	12,030	5,807
Amounts due from related parties	10	9,632	—
Prepayments, deposits and other receivables		4,355	4,298
Tax prepaid		1,098	1,083
Cash and cash equivalents		9,568	4,716
		47,639	21,269

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

	Notes	As at 30 September 2006 (unaudited) HK\$'000	As at 31 March 2006 (audited) HK\$'000
Current liabilities			
Interest-bearing bank borrowings — secured		13,488	7,843
Bank overdrafts		75	939
Trade deposits received		1,620	3,344
Trade payables	11	33,851	14,624
Other payables and accrued expenses		9,086	9,244
Amounts due to related parties	12	2,388	1,000
Provision for tax		10,010	—
		70,518	36,994
Net current liabilities		(22,879)	(15,725)
Total assets less current liabilities		62,828	63,048
Equity			
Share capital	13	16,295	16,295
Share premium and reserves		39,876	39,143
Equity attributable to ordinary equity shareholders of the Company		56,171	55,438
Minority interests		6,653	7,610
		62,824	63,048
Non-current liabilities			
Deferred tax liabilities		4	—
		62,828	63,048

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the six months ended 30 September 2006

The Group	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	Sub-total (unaudited) HK\$'000	Minority interests (unaudited) HK\$'000	Total Equity (unaudited) HK\$'000
			(Note 1)						
As at 1 April 2006	16,295	15,294	918	1,062	—	21,869	55,438	7,610	63,048
Exchange differences on translation of overseas subsidiaries not recognized in the income statement	—	—	—	255	—	—	255	103	358
Net Profit / (Loss) for the period	—	—	—	—	—	478	478	(1,060)	(582)
As at 30 September 2006	16,295	15,294	918	1,317	—	22,347	56,171	6,653	62,824

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY (continued)

For the six months ended 30 September 2005

The Group	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	Sub-total (unaudited) HK\$'000	Minority interests (unaudited) HK\$'000	Total Equity (unaudited) HK\$'000
	(Note 1)								
As at 1 April 2005									
as previously reported	16,294	15,282	918	(7)	10,092	54,154	96,733	—	96,733
Effect on adoption of new accounting policy									
— HKAS 1	—	—	—	—	—	—	—	10,382	10,382
— HKAS 17	—	—	—	—	(10,092)	4,660	(5,432)	(559)	(5,991)
As restated	16,294	15,282	918	(7)	—	58,814	91,301	9,823	101,124
Premium on issue of new shares on exercise of bonus warrants	1	12	—	—	—	—	13	—	13
Exchange differences on translation of overseas subsidiaries not recognized in the income statement	—	—	—	(309)	—	—	(309)	—	(309)
Net Loss for the period	—	—	—	—	—	(26,796)	(26,796)	(189)	(26,985)
As at 30 September 2005	16,295	15,294	918	(316)	—	32,018	64,209	9,634	73,843

Note 1: The contributed surplus of the Group represents the difference between the nominal value of share capital of the subsidiaries acquired pursuant to the Group reorganization during the year ended 31 March 2003, over the nominal value of the shares of the Company issued in exchange therefore.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended
30 September

	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Net cash inflow from operating activities	7,366	5,861
Net cash outflow from investing activities	(7,102)	(1,910)
Net cash inflow from financing activities	5,645	1,542
Effect on foreign exchange rate changes	(193)	(309)
Net increase in cash and cash equivalents	5,716	5,184
Cash and cash equivalents at beginning of the period	3,777	2,394
Cash and cash equivalents at end of the period	9,493	7,578
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	9,568	8,356
Bank overdrafts	(75)	(778)
	9,493	7,578

The accompanying notes form an integral part of these financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The measurement basis used in the preparation of the financial statement is historical cost as modified by the revaluation of certain properties and available-for-sale financial assets which are carried at fair value.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2006. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2006 with addition for the following new standards, amendments to standards and interpretations which are relevant to the Group’s operation and are mandatory for financial period beginning on or after 1 April 2006:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates — Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS — Int 4	Determining whether an Arrangement contains a Lease
HKFRS — Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) — Int 6	Liabilities Arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment
HK(IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies

1. **Basis of preparation and accounting policies (continued)**

These new standards, amendments to standards and interpretations had no material effect on the Group's accounting policies.

The Group has not early applied the following new standards, amendments to standards and interpretations that have been issued but are not yet effective.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment

The directors of the Company anticipate that the application of these standards or amendments will have no material impact on the financial statements of the Group.

These unaudited condensed consolidated interim financial statements have been reviewed by the Audit Committee of the Company and were approved by the Board on 21 December 2006.

2. **Segment information**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has determined that business segments as the primary reporting format and geographical segment information as the secondary reporting format.

In determining the Group's geographical segments, revenues and results are based on the country in which the customer is located.

Analysis of assets and liabilities by business segments and by geographical segments 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.

2. Segment information (continued)

(a) Business segments

The following table provides an analysis of the Group's sales by its business segments:

	Six months ended 30 September 2006				Total (unaudited) HK\$'000
	Woven	Knitting	Sweater	Premium	
	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	
Segment revenue	31,777	39,056	12,706	4,853	88,392
Segment results	1,185	(147)	(891)	741	888
Finance costs					(1,505)
Other income					9,632
Impairment loss on available-for-sales financial assets					(205)
Share of results of associates					633
Loss before taxation and minority interests					9,443
Taxation					(10,025)
Loss after taxation and before minority interests					(582)
Attributable to:					
Equity holders of the Company					478
Minority interests					(1,060)
					(582)

2. Segment information (continued)

(a) Business segments (continued)

	Six months ended 30 September 2005				Total (unaudited) HK\$'000
	Woven (unaudited) HK\$'000	Knitting (unaudited) HK\$'000	Sweater (unaudited) HK\$'000	Premium (unaudited) HK\$'000	
	<hr/>				
Segment revenue	37,270	42,076	16,386	6,008	101,740
Segment results	(1,629)	(706)	(897)	1,429	(1,803)
Finance costs					(2,102)
Impairment loss on available-for-sales financial assets					(23,221)
Share of results of associates					406
					<hr/>
Loss before taxation and minority interests					(26,720)
Taxation					(265)
					<hr/>
Loss after taxation and before minority interests					(26,985)
					<hr/>
Attributable to:					
Equity holders of the Company					(26,796)
Minority interests					(189)
					<hr/>
					(26,985)
					<hr/>

2. Segment information (continued)

(b) Geographical segments

	Six months ended 30 September 2006						
	Chile	USA	Canada	Europe	PRC	Others	Total
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	43,644	1,155	6,119	12,771	13,069	11,634	88,392
Segment results	1,120	(36)	697	(132)	(1,016)	255	888

	Six months ended 30 September 2005						
	Chile	USA	Canada	UK	PRC	Others	Total
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	39,003	13,300	7,692	7,660	10,641	23,444	101,740
Segment results	(2,846)	(215)	1,322	284	(648)	300	(1,803)

3. Profit/(Loss) from operations

Profit/(Loss) from operations has been arrived at after charging and (crediting) the following:

	Six months ended 30 September	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Amortisation of leasehold land	61	61
Depreciation of		
— Owned assets	965	842
— Assets held under finance leases	—	75
Interest income	(40)	(101)
Exchange loss, net	24	62
Loss on disposal of property, plant and equipment	121	—

4. Finance costs

	Six months ended	
	30 September	
	2006	2005
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest expenses on		
Bank loans and overdrafts wholly repayable within five years	579	490
Import and export loans wholly repayable within five years	161	388
Obligations under finance leases	—	17
Other interest	60	—
	800	895
Bank charge	681	1,207
Exchange loss, net	24	—
	1,505	2,102

5. Other income

In accordance with the Deed of Indemnity entered into between Star Master International Limited, Mr. Cheung Keng Ching, Madam Chou Mei (the "Indemnifiers") and the Company on 25 October 2002, the Indemnifiers agreed to indemnify the Company and its subsidiaries against all taxation liabilities falling on any members of the Group in respect of any accounting period commencing on or before 31 March 2002. The indemnifiers further confirmed that they will indemnify the said additional tax liabilities, if any, as stated in notes 6 of the financial statements, to the Group. Accordingly, the other income of HK\$9,632,000 represents the amount recoverable from the Indemnifiers.

6. Taxation

	Six months ended 30 September	
	2006 (unaudited) HK\$'000	2005 (unaudited and restated) HK\$'000
Current tax: Hong Kong		
Provision for the period	378	200
Under-provision in previous years	9,643	—
	10,021	200
Deferred tax	4	65
	10,025	265

Hong Kong Profits Tax is calculated at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the period. No provision for overseas taxation has been made in the financial statements as the overseas subsidiaries sustained losses for taxation purposes.

Further to the certain enquiries by the Inland Revenue Department of the Hong Kong Special Administrative Region Government (the "IRD") in respect of the sales and marketing support services expenses claimed by Rontex Holdings Limited ("RHL"), a wholly owned subsidiary of the Company, as deductible expenses in its profits tax computation for the years of assessment 2000/01, 2001/02, 2002/03 and 2003/04 for total amount of HK\$61,548,000, RHL has received additional tax assessments from IRD for HK\$9,632,000 on 5 October 2006 as IRD disallowed the said deduction of sales and marketing support services expenses in its profits tax computation for the aforementioned tax assessment years. RHL did not agree to the amount of the additional tax assessments imposed by IRD and had lodged an objection against it. As a result, the IRD had subsequently agreed to hold-over HK\$2,729,000 and have the balance of tax payable of HK\$6,903,000 to be made in ten instalments, with the final instalment due on 16 August 2007.

7. Earnings/(Loss) per share

The calculation of basic and diluted earnings/(loss) per share is based on the following data:

	Six months ended 30 September	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Earnings/(Loss) attributable to ordinary equity holders for the purpose of basic and diluted earnings/(loss) per share	478	(26,796)

	As at 30 September	
Number of shares	2006	2005
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	1,629,497,200	1,629,403,000

Diluted earnings/(loss) per share amount for the period ended 30 September 2006 and 2005 have not been presented as the effect of the assumed conversion of the Company's outstanding share options would be anti-dilutive.

8. Property, plant and equipment

During the period under review, the Group had addition to property, plant and equipment amounted HK\$7,156,000 (30 September 2005: HK\$1,531,000) and disposal of property, plant and equipment at carrying values of approximately HK\$177,000 (30 September 2005: HK\$ Nil)

9. Trade receivables

The Group allows an average credit period of 90 days to its trade customers. The aged analysis of trade receivables of the Group at the balance sheet date is as follows:

	As at 30 September 2006 (unaudited) HK\$'000	As at 31 March 2006 (audited) HK\$'000
0 — 30 days	7,074	5,025
31 — 60 days	3,277	41
61 — 90 days	1,585	103
Over 90 days	94	1,330
	12,030	6,499
Less: Provision of impairment loss of trade receivables	—	(692)
	12,030	5,807

The Directors consider that the carrying amounts of the Group's trade receivables approximate to their fair values.

10. Amounts due from related parties

The amounts due from related parties are unsecured and repayable based on the repayment schedules agreed by the IRD with details stated in the notes 5, 6 and 18(a)(iv) of the financial statements.

11. Trade payables

The Group receives an average credit period of 90 days from its trade suppliers. The aged analysis of trade payables of the Group at the balance sheet date is as follows:

	As at 30 September 2006 (unaudited) HK\$'000	As at 31 March 2006 (audited) HK\$'000
0 — 30 days	26,911	7,569
31 — 60 days	5,682	2,519
61 — 90 days	637	4,256
Over 90 days	621	280
	33,851	14,624

The Directors consider that the carrying amounts of the Group's trade payables approximate to their fair values.

12. Amounts due to related parties

The amounts due to related parties are unsecured and repayable on demand with details stated in the notes 18(a)(i)-(iii) of the financial statements.

13. Share capital

	Number of shares		Nominal value	
	As at 30 September 2006 (unaudited)	As at 31 March 2006 (audited)	As at 30 September 2006 (unaudited) HK\$'000	As at 31 March 2006 (audited) HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised:	10,000,000,000	10,000,000,000	100,000	100,000
Issued and fully paid:				
At beginning of the period/year	1,629,497,200	1,629,364,000	16,295	16,294
Exercise of bonus warrants	—	133,200	—	1
At end of the period/year	1,629,497,200	1,629,497,200	16,295	16,295

All shares issued by the Company rank pari passu with the then existing shares in all respects.

During the year ended 31 March 2006, 133,200 new ordinary shares of par value HK\$0.01 each were issued at subscription price of HK\$0.102 each on exercise of 133,200 bonus warrants.

14. Operating lease arrangements

As at 30 September 2006 and 31 March 2006, the Group did not have any significant operating lease commitments.

15. Pledge of assets

As at 30 September 2006, 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\$27,712,000 (31 March 2006: HK\$26,816,000);
- (2) cross guarantees among the subsidiaries of the Group;
- (3) assignment of documentary credit issued in favour of a subsidiary;
- (4) a corporate guarantee provided by the Company.

16. Contingent liabilities

As at 30 September 2006, the Group had contingent liabilities in respect of the following:

	As at 30 September 2006 (unaudited) HK\$'000	As at 31 March 2005 (audited) HK\$'000
Contingent liabilities arising from bills of exchange discounted with recourse	8,243	2,024
Long service payment	202	195
	8,445	2,219

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 30 September 2006 and 31 March 2006, the Group did not have any significant capital commitments.

18. Related party transactions

(a) Transactions with related parties

- (i) On 15 November 2005, Ronco Trading Company Limited, a wholly-owned subsidiary of the Company, borrowed HK\$1,000,000 from Mr. Cheung Keng Hoi, Kenny, a related party of the Company which is unsecured, interest bearing at 12% per annum and repayable on demand. The interest paid to the related party for the period was amounting to approximately HK\$60,000 (2005: HK\$Nil)
- (ii) On 21 August 2006, Rontex Apparel Limited, a wholly-owned subsidiary of the Company, borrowed HK\$1,000,000 from Ms. Cheung Siu Ying, a related party of the Company which is unsecured, interest free and repayable on demand.

18. Related party transactions (continued)

(a) Transactions with related parties (continued)

- (iii) On 30 August 2006, Rontex Apparel Limited, a wholly-owned subsidiary of the Company, borrowed HK\$388,000 from Mr. Cheung Keng Hoi, Kenny, a related party of the Company which is unsecured, interest free and repayable on demand.
- (iv) On 5 October 2006, Rontex Holdings Limited, a wholly-owned subsidiary of the Company, has received additional tax assessments from 1RD for HK\$9,632,000 in respect of the years of assessment 2000/01 to 2003/04 with details as stated in notes 6 of the financial statements and based on the Deed of Indemnity entered into between Star Master International Limited, Mr. Cheung Keng Ching, Madam Chou Mei (the "Indemnifiers"), the related parties of the Company, and the Company on 25 October 2002, the Indemnifiers agreed to indemnify the Company and its subsidiaries against all taxation liabilities falling on any members of the Group in respect of any accounting period commencing on or before 31 March 2002. The indemnifiers further confirmed that they will indemnify the said additional tax liabilities, if any, as stated above, to the Group which the amount recoverable from the Indemnifiers was disclosed as amounts due from related parties in the condensed consolidated balance sheet.

(b) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Directors' remuneration		
— Executive Directors	372	809
— Independent non-executive Directors	81	130
	453	939

INTERIM DIVIDEND

The directors of the Company have resolved not to recommend the payment of interim dividend for the six months ended 30 September 2006 (six months ended 30 September 2005: Nil)

FINANCIAL REVIEW

For the six months ended 30 September 2006, the Group recorded a turnover of approximately HK\$88,392,000 (2005: HK\$101,740,000), decreased by approximately 13% as compared to the corresponding period in previous year. Intense competition in the garment industry made the Group facing a general trend of falling in selling prices of garment products which reduced its turnover and overall gross profit by 11%. It is expected that the trends will be continued.

Profit from operations was recorded approximately HK\$888,000 (2005: loss HK\$1,803,000). The Group has always take care to keep its operational costs to the minimum conducive with its operations and it is successfully to reduce its administrative expenses approximately 33% as compared to the corresponding period in previous year.

During the period under review, the Group recorded a net profit attributable to shareholders of HK\$478,000 (2005: loss 26,796,000). The significant improvement was mainly due to a number of factors including (1) the reduction of the impairment loss on available-for-sale financial assets; (2) the Group successfully shifted part of the finance costs to its customers; and (3) the increased contribution from associated companies, Beijing Rontex Garments Co Ltd and Beijing Longkun Garments Co Ltd.

OPERATION REVIEW

Garment Products

Again, Garment products continued to be the major business of the Group, which responsible for 95% (2005: 94.0%) of the Group's turnover. Revenue derived from garment product business decreased by 12.7% to HK\$83,539,000 as compared to the corresponding period in previous year. However, the gross profit margin of the garment product remained flat. The decrease in turnover was mainly due to the reduction of garment product's selling price resulting from the keen competition with competitors.

OPERATION REVIEW (continued)

Premium products

For the six months ended 30 September 2006, premium products accounted for approximately 5% (2005: 6%) of the Group's turnover. The Revenue and profit from operations derived from premium product business decreased by 19% to HK\$4,853,000 and 48% to HK\$741,000 respectively as compared to the corresponding period in the previous year. The decrease was mainly due to the keen competition with competitors.

OUTLOOK

The Group had undergone a very difficult year in the last financial year ended 31 March 2006. Other than significant investment impairment losses that had smeared the financial performance of the Group, the Company's operations were disrupted by the resignations of several of its Directors and the resignation of the former Financial Controller.

After relentless efforts spent on re-appointing new Directors to serve on the Company's Board of Directors (the "Board") and recruiting a new Financial Controller, the Company's business was again interrupted by the corporate development plan of its major shareholder, Star Master International Limited (the "Majority Shareholder"), in the first half of the current financial year, namely the six months financial period ended 30 September 2006 (the "Interim Financial Period"). The Majority Shareholder's failed efforts in exploring financial alternative of divesting its ownership interest in the Company had aroused adverse publicity in the public market, thereby hindering the business development of the Group. Nevertheless, the strength of the Group's business was able to sustain such set backs, thereby producing respectable results in the Interim Financial Period as disclosed in this Interim Accounts.

We are pleased to inform shareholders of the Company that most difficulties haunted the Company and the Group in the past have already been dealt with or are in the process of being dealt with. The Group's business and operations have largely been stabilized. The Company is in the process of finalizing the obligations of the Group's past tax liabilities with the Inland Revenue Department of Hong Kong SAR Government. Other than the successful reappointments of Directors, the Company has actually appointed additional Directors to serve on the Board, thereby enhancing the governance of the Company. The Board, working with the management of the Company (the "Management") is now focusing on:

OUTLOOK (*continued*)

1. Rebuilding the business of the Group,
2. Improving the profitability of the Group and
3. Enhancing the operational efficiency of the Group.

The Board has also established plans to:

1. Strengthen the professionalism of the Management by recruiting more capable and efficient middle level executives to join the Management team,
2. Continue diversifying the Group's target geographic markets,
3. Develop new product lines and reconfigure the merchandising mix of the Group and
4. Realign production supports provided by manufacturing plants of its subsidiaries and associates.

We would anticipate that the current financial year ended 31 March 2007 is going to be the stabilization period of the Group. Based on orders on hand and orders to be shipped, the Management is confident that the Group's Hong Kong garment business shall be able to maintain sales volume at almost comparable level as that of last financial year. Due to severe competition prevailing in the global garment markets, the average gross profit margin of the Hong Kong garment business shall decline slightly in the second half of the current financial year. Taking into consideration financial performances of the Company's subsidiaries and associates, the net profit of the Group should be an improvement when compared to the net earnings of the last financial year.

OUTLOOK (continued)

The Board and the Management have earmarked the next financial year ending 31 March 2008 (the "Next Financial Year") as the year of growth. The business plan, formulated by the Management and approved by the Board, is budgeted to produce significantly improved financial results in the Next Financial Year, being outcomes of the Management's new work efforts. Under the established business plan, resources have been allocated to promote business growth of the Group in the second half of the current financial year. Such new corporate maneuvers are anticipated to bring forth meaningful fruitions in the Next Financial Year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2006, the Group had net current liabilities of HK\$22,879,000 (31 March 2006: net current liabilities of HK\$15,725,000). The Group's current ratio, as a ratio of current assets to current liabilities, was recorded approximately 68% (31 March 2006: 57%) and the Group's gearing ratio, as a ratio of total interest-bearing borrowings to total assets, was maintained at the lowest level of 10.1% (31 March 2006: 7.8%).

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\$5,716,000 (2005: inflow HK\$5,184,000), which increased the total cash and cash equivalents to HK\$9,493,000 (2005: HK\$7,578,000) as at the balance sheet date.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The bank borrowing of the Group as at 30 September 2006 were HK\$13,488,000 (31 March 2006: HK\$7,843,000), which were denominated in Hong Kong dollar, Renminbi and United States dollars. All of them are variable-rate borrowings and expose to the fluctuation of interest rate risk. 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 30 September 2006, the Group had contingent liabilities arising from bills of exchange discounted with recourse and long service payment of approximately HK\$8,243,000 and HK\$202,000 (31 March 2006: HK\$2,024,000 and HK\$195,000) respectively.

CAPITAL COMMITMENT

The Group had no material commitment as at 30 September 2006.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2006, the Group had 601 staffs and workers (2005: 520) 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 of carrying value of approximately HK\$27,712,000 (31 March 2006: HK\$26,816,000).

DIRECTORS' INTERESTS IN SHARES

At 30 September 2006, 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:

DIRECTORS' INTERESTS IN SHARES (continued)

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

Name of director	Capacity	Number of issued ordinary share held	Percentage over the issued share
<i>Executive directors:</i>			
Mr. Cheung Keng Ching ("Mr. Cheung") (Note)	Corporate	990,200,000 Long position	60.77%
Madam Chou Mei ("Mrs. Cheung") (Note)	Corporate	990,200,000 Long position	60.77%
<i>Independent non-executive director:</i>			
Mr. Lo Siu Tong, Alfred	Beneficial owner	96,000 Long position	0.006%

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.

DIRECTORS' INTERESTS IN SHARES *(continued)*

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

Name of director	Capacity	Number of share held	Percentage of shareholding
<i>Executive directors:</i>			
Mr. Cheung	Corporate (Note)	982,800,000 Long position	60.31%
Mrs. Cheung	Corporate (Note)	982,800,000 Long position	60.31%

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 SCHEME

Pursuant to the share option scheme (the "Scheme") approved and adopted by the Company on 19 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 30 September 2006. The detailed terms of the Scheme were disclosed in the 2006 annual report of the Company.

SHARE OPTIONS SCHEME (continued)

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

Name or category of participant	As at 1 April 2006	Granted during period	Exercised during period	Lapsed during period*	As at 30 September 2006	Date of grant of share option**	Exercise period of share options	Adjusted Exercise price of share options*** HK\$
Directors								
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
Employees other than directors								
In aggregate	19,224,000	—	—	(2,880,000)	16,344,000	04/11/2003	04/11/2003 to 03/11/2008	0.3325
	34,024,000	—	—	(2,880,000)	31,144,000			

* 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 20 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 SCHEME (continued)

Each option gives the holder the right to subscribe for one share. During the period under review, there were 2,880,000 share options being lapsed and no share option being granted, exercised and cancelled. Subsequent to the period ended 30 September 2006, there were 2,640,000 share options being lapsed.

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.

Following the adoption of the HKFRS 2, the fair value of share options granted will be recognized as an employee expense with a corresponding increase in equity by the amount of the proceeds received within the options are exercised. The fair value is measured at the date of grant and spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense will be adjusted to reflect the actual number of share options that vest. The adoption of this new accounting standard will have an estimated effect of reducing the Group's profit attributable to shareholders for the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2006 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:

SUBSTANTIAL SHAREHOLDERS (continued)

Name of shareholders	Capacity	Number of share held	Percentage of the Company's share capital
Star Master (Note)	Beneficial owner	982,800,000	60.31%
		Long position	
Lu Ming Hui	Beneficial owner	131,200,000	8.05%
		Long position	

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.

CORPORATE GOVERNANCE

The Audit Committee of the Company consists of three independent non-executive directors, namely Mr. Wan Ngar Yin, David, Mr. Lo Siu Tong, Alfred and Madam Wong Lai Wah, Ada. Mr. Wan Ngar Yin, David acts as the chairman of the Audit Committee. 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 30 September 2006.

The Remuneration Committee of the Company comprises two independent non-executive directors and one executive director. The chairman of the Remuneration Committee was Mr. Cheung Keng Ching (executive director) and other members included Mr. Wan Ngar Yin, David and Mr. Lo Siu Tong, Alfred. They are responsible to the Board for setting up Group's emoluments' policy and for considering and reviewing the remuneration packages of all directors and senior management.

During the period under review, the Company has complied with the Code as set out in Appendix 14 to the Listing Rules, except that: (i) the roles of chairman and chief executive officer are not separate and are performed by the same individual; (ii) the independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election pursuant to the Company's articles of association (the "Articles"); and (iii) the chairman and managing director is not subject to retirement by rotation under the Articles.

The Board has the power to appoint Directors pursuant to the Articles and has appointed two (2) new executive directors, namely Mr. Chan Ching Kee, William and Madam Chung Kam Fung, Kennis, on 25 October 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the period under review.

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

Hong Kong, 21 December 2006