

REPORT OF THE DIRECTORS

The board of directors (the “Board”) of Rontex International Holdings Limited (the “Company”) presents their report together with the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 16 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 31 March 2007 and the state of affairs of the Group and the Company as at 31 March 2007 are set out on pages 22 to 77.

The Board does not recommend the payment of a dividend (2006: Nil).

SEGMENT INFORMATION

An analysis of the Group’s turnover and contribution to results by principal activities and geographical segments of operations for the year ended 31 March 2007 is set out in note 6 to the financial statements.

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FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group is set out on page 78.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements and consolidated statement of changes in equity respectively.

As at 31 March 2007, 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\$15,126,000 (2006: HK\$71,741,000). 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 to HK\$22,594,000 (2006: HK\$15,294,000) may be distributed in the form of fully paid bonus shares.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

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SHARE CAPITAL, SHARE OPTIONS AND UNLISTED WARRANTS

Details of movements in the Company's share capital, share options and outstanding unlisted warrants are set out in notes 26, 28 and 29 respectively to the financial statements.

DONATION

The Group did not make any charitable donation during the year.

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.

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MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 42.4% of the Group's total turnover for the year. In particular, sales to the largest customer of the Group accounted for approximately 14% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for approximately 50.9% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 14.4% of the Group's total purchases for the year.

None of the directors of the Company, their associates (as defined in the Listing Rules) 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.

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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*)

Ms. Chou Mei

Mr. Chan Ching Kee, William (appointed on 25 October 2006 and resigned on 19 January 2007)

Ms. Chung Kam Fung, Kennis (appointed on 25 October 2006 and resigned on 26 March 2007)

Independent non-executive directors

Mr. Lo Siu Tong, Alfred

Ms. Wong Lai Wah, Ada

Mr. Tam Tak Wah (appointed on 11 June 2007)

Mr. Wan Ngar Yin, David (resigned on 30 March 2007)

In accordance with the Company's articles of association, Mr. Cheung Keng Ching, Ms. Chou Mei and Mr. Tam Tak Wah shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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DIRECTORS' SERVICE CONTRACTS

Each of the current executive directors of the Company has entered into a service contract with the Company for an initial fixed term of three years commencing from 19 October 2002 and which will continue thereafter until the contract is terminated by not less than three months' notice in writing served by either party to the other.

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

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.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors

Mr. Cheung Keng Ching, aged 55, 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 18 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 Ms. Chou Mei.

Ms. Chou Mei, aged 47, is the co-founder of the Group and an executive director. Ms. Chou has over 18 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 Keng Ching.

Independent non-executive directors

Mr. Lo Siu Tong, Alfred, aged 58, is a fellow member of the Institute of Housing, the United Kingdom. Mr. Lo has been a senior civil servant of the Hong Kong Government and has valuable experience in the field of management of more than 27 years.

Mr. Tam Tak Wah, aged 41, is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. He has over 18 years of experience in accounting, corporate finance and corporate development. He is currently an independent non-executive director of Vertex Group Limited, a company listed on the GEM Board of the Stock Exchange.

Ms. Wong Lai Wah, Ada, aged 59, is a merchant. She has more than 26 years experience in the field of trading.

Senior management

Mr. Han Shen Jun, aged 41, is the director and general manager of Beijing Rontex Garments Co, Ltd. ("Rontex (Beijing)"). He is responsible for the overall financial control and administration of Rontex (Beijing). He has over 10 years of experience in the textile and garment industry.

Mr. Niu Teng, aged 38, is the general manager of Rontex Co., Ltd. in Ningbo of the PRC. He is responsible for its overall daily operations and management. He has 12 years of experience in textile and trading industries.

Ms. Lo Suet Fan, aged 41, is the financial controller, company secretary, authorised representative and qualified accountant of the Company. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. She has extensive experience in accounting and financial management.

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

At 31 March 2007, the interests and short positions of the directors of the Company in the shares and underlying shares or debentures 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	Capacity	Number of Issued ordinary Shares held	Percentage of the Issued share capital of the Company
Executive directors:			
Mr. Cheung Keng Ching ("Mr. Cheung") (Note 1 & 2)	Corporate	982,800,000 Long position	54.37%
Ms. Chou Mei ("Ms. Chou") (Note 1 & 3)	Corporate	982,800,000 Long position	54.37%
	Beneficial Owner	5,500,000 Long position	0.3%
Independent non-executive director:			
Mr. Lo Siu Tong, Alfred	Beneficial Owner	96,000 Long position	0.005%

Note 1: These shares held by Mr. Cheung and Ms. Chou 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 Ms. Chou as to 50% and 50% respectively. As spouse, Mr. Cheung and Ms. Chou are respectively deemed to be interested in the shares held by each other in the Company.

Note 2: Mr. Cheung also owns 12,900,000 share options under the share option scheme of the Company which have the rights to acquire 12,900,000 shares, details of which are separately disclosed in note 28 to the financial statements.

Note 3: Ms. Chou also owns 7,400,000 share options under the share option scheme of the Company which have the rights to acquire 7,400,000 shares, details of which are separately disclosed in note 28 to the financial statements.

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

<u>Name</u>	<u>Capacity</u>	<u>Number of shares held</u>	<u>Percentage of shareholding</u>
Executive directors:			
Mr. Cheung Keng Ching	Corporate (Note)	982,800,000 Long position	54.37%
Ms. Chou Mei	Corporate (Note)	982,800,000 Long position	54.37%

Note: These shares held by Mr. Cheung and Ms. Chou respectively refer to the same parcel of shares. Each of Mr. Cheung and Ms. Chou legally and beneficially owns 500 shares each of Star Master. As spouse, Mr. Cheung and Ms. Chou are respectively deemed to be interested in the shares held by each other in the Star Master.

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Save as disclosed above, and save for nominee shares in certain subsidiaries held in trust for the Group at 31 March 2007, neither the directors of the Company, nor any of their associates, had any interest or short positions in any shares and underlying shares or debentures 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 28 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director of the Company or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries 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 19 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 of the Company, and employees and consultants of the Group are set out in note 28 to the financial statements.

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SUBSTANTIAL SHAREHOLDERS

At 31 March 2007, 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 16(1) of the SDI Ordinance:

Name of shareholder	Capacity	Number of Shares held	Percentage of the Issued share capital of the Company
Star Master	Beneficial owner	982,800,000 Long position	54.37%

Note: The entire issued share capital of Star Master is legally and beneficially owned by Mr. Cheung and Ms. Chou 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.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 15 to 19 to the annual report.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 36 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the latest practicable date prior to the issue of this report, there is sufficient public float of more than 25% of the issued share capital of the Company as required under the Listing Rules.

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AUDITOR

During the year, Messrs HLB Hodgen Imprey Cheng resigned and Horwath Hong Kong CPA Limited was appointed as auditor of the Company.

The financial statements have been audited by Horwath Hong Kong CPA Limited who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Horwath Hong Kong CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Cheung Keng Ching

Chairman

Hong Kong, 25 July 2007