



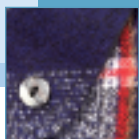
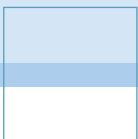
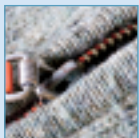
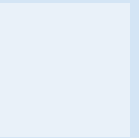
# RONTEX

**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



2007  
Interim Report

\* For identification only

## CORPORATE INFORMATION

### Directors

#### Executive Directors

Cheung Keng Ching (*Chairman*)  
Chou Mei  
Li Wing Sang (appointed on 6 September 2007)

#### Independent Non-executive Directors

Lo Siu Tong, Alfred  
Tam Tak Wah (appointed on 11 June 2007)  
Wong Lai Wah, Ada

#### Company Secretary

Chan Hung Kwan (resigned on 4 April 2007)  
Lo Suet Fan (appointed on 4 April 2007)

#### Authorised Representatives

Cheung Keng Ching  
Chan Hung Kwan (resigned on 4 April 2007)  
Lo Suet Fan (appointed on 4 April 2007)

#### Audit Committee

Lo Siu Tong, Alfred  
Tam Tak Wah (appointed on 11 June 2007)  
Wong Lai Wah, Ada

#### Remuneration Committee

Cheung Keng Ching  
Lo Siu Tong, Alfred  
Tam Tak Wah (appointed on 1 September 2007)

#### Auditor

Shu Lun Pan Horwath Hong Kong CPA  
Limited

#### Principal Bankers

The Hongkong and Shanghai Banking  
Corporation Limited  
Standard Chartered Bank  
(Hong Kong) Limited  
DBS Bank (Hong Kong) 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  
23-29 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  
Cayman Islands  
British West Indies

### Hong Kong Branch Share Registrar and Transfer Office

Tricor 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 (collectively the “Group”) for the six months ended 30 September 2007 together with the comparative figures as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30 September 2007*

|   | Notes | Six months ended<br>30 September |   |
|---|-------|----------------------------------|---|
|   |       | 2007<br>(unaudited)<br>HK\$'000  | 2006<br>(unaudited<br>and restated)<br>HK\$'000 |
| <b>Turnover</b>                                       | 2     | <b>65,543</b>                    | 88,392  |
| Cost of sales   |       | <b>(54,300)</b>                  | (75,520)  |
| <b>Gross profit</b>                                   |       | <b>11,243</b>                    | 12,872  |
| Other revenue   |       | <b>167</b>                       | 471   |
| Selling and distribution costs                        |       | <b>(4,228)</b>                   | (4,288)   |
| Administrative expenses                               |       | <b>(12,929)</b>                  | (8,167)   |
| <b>(Loss)/profit from operations</b>                  | 3     | <b>(5,747)</b>                   | 888   |
| Finance costs   | 4     | <b>(1,090)</b>                   | (1,505)   |
| Gain on disposal of available-for-sale<br>investments | 3     | <b>1,536</b>                     | —   |
| Impairment loss on available-for-sale<br>investments  |       | <b>—</b>                         | (205)   |
| Share of results of associates                        |       | <b>34</b>                        | 633   |
| Share of results of a jointly-controlled entity       |       | <b>(711)</b>                     | —   |
| <b>Loss before taxation</b>                           |       | <b>(5,978)</b>                   | (189)   |
| Taxation  | 5     | <b>129</b>                       | (10,025)  |
| <b>Loss for the period</b>                            |       | <b>(5,849)</b>                   | (10,214)  |

# CONDENSED CONSOLIDATED INCOME STATEMENT (continued)

For the six months ended 30 September 2007

|   |   | <b>Six months ended<br/>30 September</b> |   |
|---|---|--|---|
|   |   | <b>2007<br/>(unaudited)<br/>HK\$'000</b> | 2006<br>(unaudited<br>and restated)<br>HK\$'000 |
| Notes   |   |  |   |
| <b>Attributable to:</b>   |   |  |   |
| <b>Equity holders of the Company</b>                                    |   | <b>(5,918)</b>                           | (9,154)   |
| <b>Minority interest</b>  |   | <b>69</b>                                | (1,060)   |
|   |   | <b>(5,849)</b>                           | (10,214)  |
| <b>Dividend</b>   | 6 | —  | —   |
| <b>Loss per share attributable to<br/>equity holders of the Company</b> | 7 |  |   |
| Basic   |   | <b>(0.30) cents</b>                      | (0.56) cents                                    |
| Diluted   |   | <b>N/A</b>                               | N/A   |

## CONDENSED CONSOLIDATED BALANCE SHEET

|  | Notes      | As at<br>30 September<br>2007<br>(unaudited)<br>HK\$'000 | As at<br>31 March<br>2007<br>(audited)<br>HK\$'000 |
|--|------------|--|--|
| <b>ASSETS AND LIABILITIES</b>                  |            |  |  |
| <b>Non-current assets</b>                      |            |  |  |
| Leasehold land and land use rights             |            | <b>12,629</b>  | 12,646   |
| Properties, plant and equipment                |            | <b>11,993</b>  | 12,146   |
| Interests in associates                        | 8          | <b>14,817</b>  | 15,110   |
| Interest in a jointly-controlled entity        |            | <b>1,992</b>   | 2,631  |
| Available-for-sale investments                 | 3          | —  | 1,573  |
|  |            | <b>41,431</b>  | 44,106   |
| <b>Current assets</b>                          |            |  |  |
| Inventories                                    |            | <b>3,371</b>   | 2,961  |
| Trade receivables                              | 9          | <b>19,213</b>  | 14,401   |
| Amounts due from related parties               | 16(a)(iii) | —  | 2,490  |
| Prepayments, deposits and other<br>receivables |            | <b>1,123</b>   | 5,169  |
| Cash and cash equivalents                      |            | <b>10,933</b>  | 5,426  |
|  |            | <b>34,640</b>  | 30,447   |

## CONDENSED CONSOLIDATED BALANCE SHEET (continued)

|   | Notes     | As at<br>30 September<br>2007<br>(unaudited)<br>HK\$'000 | As at<br>31 March<br>2007<br>(audited)<br>HK\$'000 |
|---|-----------|--|--|
| <b>Current liabilities</b>                              |           |  |  |
| Interest-bearing bank borrowings,<br>secured            |           | 11,220   | 16,064   |
| Current tax payable                                     |           | 474  | 3,833  |
| Tax penalty and surcharge payables                      |           | 469  | 2,939  |
| Trade payables  | 10        | 11,147   | 4,213  |
| Other payables and accrued expenses                     |           | 5,232  | 7,657  |
| Amounts due to related parties                          | 16(a)(ii) | 4,487  | 4,256  |
|   |           | <b>33,029</b>  | 38,962   |
| <b>Net current assets/(liabilities)</b>                 |           | <b>1,611</b>   | (8,515)  |
| <b>Net assets</b>                                       |           | <b>43,042</b>  | 35,591   |
| <b>Equity</b>   |           |  |  |
| Share capital   | 11        | 20,190   | 18,075   |
| Reserves  |           | 20,224   | 15,028   |
| Equity attributable to equity holders<br>of the Company |           | 40,414   | 33,103   |
| Minority interest                                       |           | 2,628  | 2,488  |
|   |           | <b>43,042</b>  | 35,591   |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the six months ended 30 September 2007

| The Group  | Share capital<br>(unaudited)<br>HK\$'000<br>(Note 11) | Share premium<br>(unaudited)<br>HK\$'000 | Contributed surplus<br>(unaudited)<br>HK\$'000<br>(Note below) | Translation reserve<br>(unaudited)<br>HK\$'000 | Capital reserve<br>(unaudited)<br>HK\$'000 | Available-<br>for-sale<br>investments          | Accumulated losses<br>(unaudited)<br>HK\$'000 | Sub-total<br>(unaudited)<br>HK\$'000 | Minority interest<br>(unaudited)<br>HK\$'000 | Total equity<br>(unaudited)<br>HK\$'000 |
|--|---|--|--|--|--|--|---|--------------------------------------|--|---|
|  |   |  |  |  |  | revaluation reserve<br>(unaudited)<br>HK\$'000 |   |                                      |  |   |
| As at 1 April 2007   | 18,075  | 22,594                                   | 918  | 1,455  | 5,991                                      | 885  | (16,815)                                      | 33,103                               | 2,488  | 35,591                                  |
| Recognised in the income statement on disposal of available-for-sale investments | -   | -  | -  | -  | -  | (885)  | -   | (885)                                | -  | (885)                                   |
| Issue of new shares on exercise of warrants                                      | 1,700   | 7,099                                    | -  | -  | (1,501)                                    | -  | -   | 7,298                                | -  | 7,298                                   |
| Issue of new shares on exercise of share options                                 | 415   | 1,668                                    | -  | -  | (257)                                      | -  | -   | 1,826                                | -  | 1,826                                   |
| Grant of share options   | -   | -  | -  | -  | 4,566                                      | -  | -   | 4,566                                | -  | 4,566                                   |
| Exchange difference arising on translation of overseas operations                | -   | -  | -  | 424  | -  | -  | -   | 424                                  | 71   | 495                                     |
| Net loss for the period  | -   | -  | -  | -  | -  | -  | (5,918)                                       | (5,918)                              | 69   | (5,849)                                 |
| As at 30 September 2007  | 20,190  | 31,361                                   | 918  | 1,879  | 8,799                                      | -  | (22,733)                                      | 40,414                               | 2,628  | 43,042                                  |





# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

|   | Six months ended<br>30 September |                                 |
|---|----------------------------------|---------------------------------|
|   | 2007<br>(unaudited)<br>HK\$'000  | 2006<br>(unaudited)<br>HK\$'000 |
| <b>Net cash (outflow)/inflow from operating activities</b>  | <b>(4,019)</b>                   | 7,366                           |
| <b>Net cash inflow/(outflow) from investing activities</b>  | <b>2,876</b>                     | (7,102)                         |
| <b>Net cash inflow from financing activities</b>            | <b>8,232</b>                     | 5,645                           |
| Effect on foreign exchange rate changes                     | <b>(120)</b>                     | (193)                           |
| <b>Net increase in cash and cash equivalents</b>            | <b>6,969</b>                     | 5,716                           |
| <b>Cash and cash equivalents at beginning of the period</b> | <b>3,964</b>                     | 3,777                           |
| <b>Cash and cash equivalents at end of the period</b>       | <b>10,933</b>                    | 9,493                           |
| <b>Analysis of the balance of cash and cash equivalents</b> |                                  |                                 |
| Cash and bank balances                                      | <b>7,625</b>                     | 9,568                           |
| Fixed deposits  | <b>3,308</b>                     | —                               |
| Bank overdrafts   | —                                | (75)                            |
|   | <b>10,933</b>                    | 9,493                           |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1.1 Basis of preparation and accounting policies

The unaudited condensed consolidated 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 of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis modified by the revaluation of available-for-sale investments which are carried at fair value.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2007. The accounting policies and method of computation used in the preparation of unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 March 2007.

In the current interim period, the Group has applied, for the first time, new Hong Kong Financial Reporting Standards (“HKFRSs”) (which also included HKASs and Interpretations) issued by the HKICPA, which are effective for the current accounting period. The adoption of the new standards, amendments and interpretations had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required arising from adoption of these new HKFRSs.

### Impact of issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the financial statements of the Group.

|                   |  |
|-------------------|--|
| HKFRS 8           | Operating segments <sup>1</sup>              |
| HKAS 23 (Revised) | Borrowing Costs <sup>1</sup>                 |
| HK(IFRIC)-INT 12  | Service Concession Arrangements <sup>2</sup> |

<sup>1</sup> Effective for accounting periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for accounting periods beginning on or after 1 January 2008.

These unaudited condensed consolidated interim financial statements have not been audited by the Company’s auditor, but have been reviewed by the Audit Committee of the Company and were approved by the Board on 20 December 2007.

## 1.2 Prior period adjustment

During the period, the Board obtained additional information about the accounting treatment on the tax liabilities indemnified by the equity holders (the “indemnifiers”) and considered that there was an overstatement of other income for the six months ended 30 September 2006 and an understatement of capital reserve of the Group as at 30 September 2006 by the amount of approximately HK\$9,632,000. A prior period adjustment has been made in restating the financial statements of the Group. The effect is to increase the consolidated loss for the six months ended 30 September 2006 and the consolidated capital reserve as at that date by approximately HK\$9,632,000, and to reduce the consolidated retained profits of the Group as at 30 September 2006 by the same amount. There is no tax effect in respect of this adjustment.

## 2. Turnover and 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 location in which the customer is located.

### (a) Business segments

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

|  | Six months ended 30 September 2007 |                                     |                                    |                                    |                                  |
|--|------------------------------------|-------------------------------------|------------------------------------|------------------------------------|----------------------------------|
|  | Woven<br>(unaudited)<br>HK\$’000   | Knitting<br>(unaudited)<br>HK\$’000 | Sweater<br>(unaudited)<br>HK\$’000 | Premium<br>(unaudited)<br>HK\$’000 | Total<br>(unaudited)<br>HK\$’000 |
| Segment revenue                                    | 25,921                             | 15,520                              | 18,844                             | 5,258                              | 65,543                           |
| Segment results                                    | (2,847)                            | (1,477)                             | (1,194)                            | (229)                              | (5,747)                          |
| Finance costs                                      |                                    |                                     |                                    |                                    | (1,090)                          |
| Gain on disposal of available-for-sale investments |                                    |                                     |                                    |                                    | 1,536                            |
| Share of results of associates                     |                                    |                                     |                                    |                                    | 34                               |
| Share of results of a jointly-controlled entity    |                                    |                                     |                                    |                                    | (711)                            |
| Loss before taxation                               |                                    |                                     |                                    |                                    | (5,978)                          |
| Taxation   |                                    |                                     |                                    |                                    | 129                              |
| Loss for the period                                |                                    |                                     |                                    |                                    | (5,849)                          |

## 2. Turnover and segment information (continued)

### (a) Business segments (continued)

|   | Six months ended 30 September 2006 |                         |                        |                        |                                      |
|---|------------------------------------|-------------------------|------------------------|------------------------|--------------------------------------|
|   | Woven<br>(unaudited)               | Knitting<br>(unaudited) | Sweater<br>(unaudited) | Premium<br>(unaudited) | Total<br>(unaudited<br>and restated) |
|   | HK\$'000                           | HK\$'000                | HK\$'000               | HK\$'000               | 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)                              |
| Impairment loss on available-for-sale investments |                                    |                         |                        |                        | (205)                                |
| Share of results of associates                    |                                    |                         |                        |                        | 633                                  |
| Loss before taxation                              |                                    |                         |                        |                        | (189)                                |
| Taxation  |                                    |                         |                        |                        | (10,025)                             |
| Loss for the period                               |                                    |                         |                        |                        | (10,214)                             |

### (b) Geographical segments

|                 | Six months ended 30 September 2007   |                            |                       |                      |
|-----------------|--------------------------------------|----------------------------|-----------------------|----------------------|
|                 | The People's<br>Republic of<br>China |                            |                       | Total<br>(unaudited) |
|                 | Chile<br>(unaudited)                 | (the "PRC")<br>(unaudited) | Others<br>(unaudited) |                      |
|                 | HK\$'000                             | HK\$'000                   | HK\$'000              | HK\$'000             |
| Segment revenue | 34,449                               | 15,972                     | 15,122                | 65,543               |
| Segment results | (3,893)                              | (1,038)                    | (816)                 | (5,747)              |
|                 | Six months ended 30 September 2006   |                            |                       |                      |
|                 | Chile<br>(unaudited)                 | PRC<br>(unaudited)         | Others<br>(unaudited) | Total<br>(unaudited) |
|                 | HK\$'000                             | HK\$'000                   | HK\$'000              | HK\$'000             |
| Segment revenue | 43,644                               | 13,069                     | 31,679                | 88,392               |
| Segment results | 1,120                                | (1,016)                    | 784                   | 888                  |

### 3. (Loss)/profit from operations and gain on disposal of available-for-sale investments

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

|   | <b>Six months ended<br/>30 September</b> |                                 |
|---|--|---------------------------------|
|   | <b>2007<br/>(unaudited)<br/>HK\$'000</b> | 2006<br>(unaudited)<br>HK\$'000 |
| Amortisation                                      | 63                                       | 61                              |
| Depreciation                                      | 428                                      | 965                             |
| Interest income                                   | (112)                                    | (40)                            |
| Employees' expenses — share option expense        | 4,566                                    | —                               |
| Exchange (gains)/losses, net                      | (11)                                     | 24                              |
| Loss on disposal of property, plant and equipment | —  | 121                             |

During the period, the Group disposed of its available-for-sale investments, resulting in a gain on disposal of approximately HK\$1,536,000.

### 4. Finance costs

|  | <b>Six months ended<br/>30 September</b> |                                 |
|--|--|---------------------------------|
|  | <b>2007<br/>(unaudited)<br/>HK\$'000</b> | 2006<br>(unaudited)<br>HK\$'000 |
| <b>Interest expenses on</b>                                  |  |                                 |
| Bank loans and overdrafts wholly repayable within five years | 218                                      | 579                             |
| Import and export loans wholly repayable within five years   | 275                                      | 161                             |
| Other interest   | 5  | 60                              |
|  | 498                                      | 800                             |
| <b>Bank charges</b>  | 592                                      | 681                             |
| <b>Exchange losses, net</b>                                  | —  | 24                              |
|  | 1,090                                    | 1,505                           |

## 5. Taxation

|   | <b>Six months ended<br/>30 September</b> |                                 |
|---|--|---------------------------------|
|   | <b>2007<br/>(unaudited)<br/>HK\$'000</b> | 2006<br>(unaudited)<br>HK\$'000 |
| Current tax: Hong Kong                  |  |                                 |
| Provision for the period                | —  | 378                             |
| (Over)/under-provision in prior periods | <b>(129)</b>                             | 9,643                           |
|   | <b>(129)</b>                             | 10,021                          |
| Deferred tax                            | —  | 4                               |
|   | <b>(129)</b>                             | 10,025                          |

No provision had been made for Hong Kong profits tax as the Group sustained a loss for the current period. Provision for Hong Kong profits tax was calculated at 17.5% on the estimated assessable profits for the prior period. No provision for overseas taxation has been made in the financial statements as the overseas subsidiaries sustained losses during the current and prior periods.

## 6. Dividend

The Board do not recommend payment of a dividend for the six months ended 30 September 2007 (2006: Nil).

## 7. Loss per share

The calculation of basic loss per share is based on the following data:

|   | <b>Six months ended<br/>30 September</b> |   |
|---|--|---|
|   | <b>2007<br/>(unaudited)<br/>HK\$'000</b> | 2006<br>(unaudited<br>and restated)<br>HK\$'000 |
| Loss attributable to equity holders of<br>the Company | <b>(5,918)</b>                           | (9,154)   |

| <b>Number of shares</b>   | <b>30 September</b>  |               |
|---|----------------------|---------------|
|   | <b>2007</b>          | 2006          |
| Weighted average number of ordinary shares for<br>the purpose of basic loss per share | <b>1,943,413,867</b> | 1,629,497,200 |

## 7. Loss per share (continued)

Diluted loss per share amount for the six months ended 30 September 2007 and 2006 have not been disclosed, as the warrants and the share options outstanding during these periods had an anti-dilutive effect on the basic loss per share for both periods.

## 8. Interests in associates

|                         | <b>As at<br/>30 September<br/>2007<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 March<br>2007<br>(audited)<br>HK\$'000 |
|-------------------------|---|--|
| Share of net assets     | <b>14,817</b>   | 14,053   |
| Advance to an associate | —   | 1,057  |
|                         | <b>14,817</b>   | 15,110   |

Advance to the associate was unsecured, interest free and in substance represented the Group's interest in the associate in the form of a quasi-equity loan. The carrying amount of the advance to the associate approximated to its fair value.

Particulars of the Group's associates, all of which are unlisted entities, are as follows:—

| Name                                 | Form of<br>business<br>structure | Place of<br>incorporation<br>and operation | Percentage of equity<br>interest and voting<br>power held by<br>the Company |                           | Principal activity                                |
|--------------------------------------|----------------------------------|--|---|---------------------------|---|
|                                      |                                  |  | 30 September<br>2007<br>%   | 30 September<br>2006<br>% |   |
| Beijing Rontex Garments<br>Co., Ltd. | Corporate                        | The PRC                                    | 44  | 40                        | Manufacturing and<br>sales of garment<br>products |
| Rontex Longkun<br>Garments Co., Ltd. | Corporate                        | The PRC                                    | 30  | 30                        | Manufacturing and<br>sales of garment<br>products |

In June 2007, the Group acquired an additional 4% equity interest in Beijing Rontex Garments Co. Ltd. at a consideration of HK\$455,000 from an independent third party.

## 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:

|   | <b>As at<br/>30 September<br/>2007<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 March<br>2007<br>(audited)<br>HK\$'000 |
|---|---|--|
| 0 – 30 days   | <b>11,402</b>   | 2,278  |
| 31 – 60 days  | <b>3,457</b>  | 6,828  |
| 61 – 90 days  | <b>2,796</b>  | 4,071  |
| Over 90 days  | <b>1,903</b>  | 1,578  |
|   | <b>19,558</b>   | 14,755   |
| Less: Provision of impairment loss of trade receivables | <b>(345)</b>  | (354)  |
|   | <b>19,213</b>   | 14,401   |

The Board considers that the carrying amounts of the Group's trade receivables approximate to their fair value.

## 10. 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:

|              | <b>As at<br/>30 September<br/>2007<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 March<br>2007<br>(audited)<br>HK\$'000 |
|--------------|---|--|
| 0 – 30 days  | <b>10,111</b>   | 1,161  |
| 31 – 60 days | <b>220</b>  | 1,358  |
| 61 – 90 days | <b>705</b>  | 427  |
| Over 90 days | <b>111</b>  | 1,267  |
|              | <b>11,147</b>   | 4,213  |

The Board considers that the carrying amounts of the Group's trade payables approximate to their fair value.



## 11. Share capital

|   | Number of shares                             |  | Nominal value  |  |
|---|--|--|--|--|
|   | As at<br>30 September<br>2007<br>(unaudited) | As at<br>31 March<br>2007<br>(audited) | As at<br>30 September<br>2007<br>(unaudited)<br>HK\$'000 | As at<br>31 March<br>2007<br>(audited)<br>HK\$'000 |
| <b>Ordinary shares of<br/>HK\$0.01 each</b> |  |  |  |  |
| <b>Authorised:</b>                          | <b>10,000,000,000</b>                        | 10,000,000,000                         | <b>100,000</b>   | 100,000  |
| <b>Issued and fully paid:</b>               |  |  |  |  |
| At beginning of the period/year             | <b>1,807,497,200</b>                         | 1,629,497,200                          | <b>18,075</b>  | 16,295   |
| Exercise of warrants (note (i))             | <b>170,000,000</b>                           | 90,000,000                             | <b>1,700</b>   | 900  |
| Exercise of share options (note (ii))       | <b>41,500,000</b>                            | 88,000,000                             | <b>415</b>   | 880  |
| At end of the period/year                   | <b>2,018,997,200</b>                         | 1,807,497,200                          | <b>20,190</b>  | 18,075   |

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

Note:

- (i) During the period ended 30 September 2007, 170,000,000 new ordinary shares of par value HK\$0.01 each were issued at a subscription price of HK\$0.043 each on exercise of 170,000,000 warrants with an aggregate consideration of HK\$7,298,000 (net of issue expenses), of which HK\$1,700,000 was credited to share capital and the remaining balance of HK\$5,598,000 was credited to the share premium account. In addition, the related net premium of HK\$1,501,000 received on issue of warrants has been transferred from capital reserve to the share premium account.
- (ii) During the period ended 30 September 2007, 41,500,000 new ordinary shares of par value HK\$0.01 each were issued at a subscription price of HK\$0.044 each on exercise of 41,500,000 share options with an aggregate consideration of HK\$1,826,000, of which HK\$415,000 was credited to share capital and the remaining balance of HK\$1,411,000 was credited to the share premium account. In addition, amount of HK\$257,000 attributable to the related share options has been transferred from capital reserve to the share premium account.

## 12. Operating lease arrangements

As at 30 September 2007 and 31 March 2007, the Group did not have any significant operating lease commitments.

### 13. Pledge of assets

As at 30 September 2007, the Group's banking facilities were secured by the following:

- (1) Pledge of certain of the Group's leasehold land and buildings with aggregate net book values of approximately HK\$10,987,000 (31 March 2007: HK\$11,030,000) and HK\$5,515,000 (31 March 2007: HK\$10,258,000) respectively;
- (2) Cross guarantees among the subsidiaries of the Company;
- (3) Assignment of documentary credit issued in favour of a subsidiary;
- (4) Corporate guarantee executed by a third party; and
- (5) Corporate guarantee executed by the Company.

### 14. Contingent liabilities

As at 30 September 2007, there were contingent liabilities in respect:

|                       | <b>As at<br/>30 September<br/>2007<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 March<br>2007<br>(audited)<br>HK\$'000 |
|-----------------------|---|--|
| Long service payments | <b>229</b>  | 204  |

The Group is liable to make long service payments 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 therefor in the financial statements as it is not probable that the amounts will crystallise in the foreseeable future.

### 15. Capital commitments

As at 30 September 2007 and 31 March 2007, the Group did not have any significant capital commitments.

## 16. Related party transactions

### (a) Transactions and amounts with related parties

- (i) During the period, the Group purchased goods of HK\$200,000 (six months ended 30 September 2006: HK\$Nil).
- (ii) As at 30 September 2007, the Group has aggregate amounts due to directors of approximately HK\$4,284,000 (31 March 2007: HK\$4,256,000). The amounts are unsecured, interest free and have no fixed terms of repayment.
- (iii) During the year ended 31 March 2007, the Group enforced the tax indemnity of HK\$4,233,000 from the indemnifiers which are shareholders of the Company with the unsettled amount of HK\$2,490,000 as at 31 March 2007. The indemnifiers had fully settled this amount as at 30 September 2007.

### (b) Compensation of key management personnel of the Group

|                                       | <b>Six months ended<br/>30 September</b> |  |
|---------------------------------------|--|--|
|                                       | <b>2007<br/>(unaudited)<br/>HK\$'000</b> | <b>2006<br/>(unaudited)<br/>HK\$'000</b> |
| <b>Directors remuneration</b>         |  |  |
| — Executive directors                 | <b>1,393</b>                             | 372                                      |
| — Independent non-executive directors | <b>97</b>                                | 81                                       |
|                                       | <b>1,490</b>                             | 453                                      |

## 17. Significant post balance sheet events

- (a) The controlling shareholder of the Company has granted an option over the shares it holds in the Company to the extent of 820,000,000 shares. Exercise of the option may lead to a change in control of the Company, details of which are disclosed in the announcements of the Company dated 16 October 2007 and 20 December 2007.
  
- (b) As disclosed in the announcement of the Company dated 15 November 2007, the Company entered into a placing agreement with the placing agent on 13 November 2007 pursuant to which the Company appointed the placing agent as sole and exclusive placing agent to procure not less than six placees to subscribe for 391,000,000 warrants, on a fully underwritten basis, at the issue price of HK\$0.01 each.

The warrants entitle the placees to subscribe for the subscription shares at an initial subscription price of HK\$0.21 per subscription share for a period of 24 months commencing from the date of issue of the warrants. Each warrant carries the right to subscribe for one subscription share. The subscription shares will be issued under the general mandate.

It is expected that the net proceeds of approximately HK\$3,600,000 will be raised by the placing and the same will be utilised by the Group as its general working capital.

Assuming the full exercise of the subscription rights attaching to the warrants, it is expected an additional amount of HK\$82,110,000 will be raised. The net proceeds of approximately HK\$82,110,000 will be utilised by the Group for its general working capital and as funds for future development of the existing business of the Group and other businesses when investment opportunities arise.

## FINANCIAL REVIEW

For the six months ended 30 September 2007, the Group recorded a turnover of approximately HK\$65,543,000 (2006: HK\$88,392,000), a decrease of approximately 25.8% as compared to the corresponding period in previous year. Intense competition in the garment industry has made the Group having to face a general trend of fall in the selling prices of garment products which reduced its turnover. The overall gross profit also fell by 12.7%. It is expected that the trends will continue.

Loss from operations was recorded at approximately HK\$5,747,000 (2006: profit of HK\$888,000). The increase in operational loss was mainly due to an increase in staff costs and other administrative expenses.

During the period under review, the Group recorded a net loss attributable to equity holders of HK\$5,918,000 (2006: loss of HK\$9,154,000). The improvement was mainly because there is a gain on disposal of available-for-sale investments in the current period and there was an under-provision of tax in prior period which was an isolated event and did not recur again in the current period.

## OPERATION REVIEW

### Garment Products

Garment products continue to be the major business of the Group, which are responsible for 92.0% (2006: 94.5%) of the Group's turnover. Revenue derived from the garment product business decreased by 27.8% to HK\$60,285,000. The decrease in turnover was mainly due to (1) the reduction of garment products' selling prices resulting from the keen competition with competitors and (2) the change in accounting treatment as a result of the change of status of Rontex Co., Ltd from a subsidiary into a jointly-controlled entity since 1 October 2006. The turnover of Rontex Co. Ltd was not incorporated in the Group's turnover since that date. However, profit margin of garment products improves slightly during the period.

## OPERATION REVIEW *(continued)*

### Premium Products

For the six months ended 30 September 2007, premium products accounted for approximately 8.0% (2006: 5.5%) of the Group's turnover. The revenue and loss from operations of premium products business were approximately HK\$5,258,000 (2006: HK\$4,853,000) and HK\$229,000 (2006: profit HK\$741,000) respectively.

### PROSPECTS

The global economic environment is improving which provides an opportunity for the Group to grow. Apart from focusing on its core business, the Group will explore new business opportunities with a view to enhance the return to equity and provide a long-term stable income to the Group. The Group will adopt a conservative investment strategy and will keep the business risks at a manageable level.

The Board also noted that the high operating costs in both Hong Kong and the PRC are eroding our profit margin. The Group will continue to tighten its cost control measures so as to improve the efficiency in operation and minimize operating costs.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2007, the Group had net current assets of HK\$1,611,000 (31 March 2007: net current liabilities of HK\$8,515,000). The Group's current ratio, as a ratio of current assets to current liabilities, increased to 104.9% (31 March 2007: 78.1%) and the Group's gearing ratio, the ratio of total interest-bearing borrowings to total assets, reduced to the lowest level of 14.7% (31 March 2007: 21.5%).

The Group generally finances its operations with internally generated cash flow, facilities provided by its banks in Hong Kong and the PRC and through capital market available to listed companies in Hong Kong. During the period under review, the Group recorded a net cash inflow of HK\$6,969,000 (2006: cash inflow HK\$5,716,000), which increased its total cash and cash equivalents to HK\$10,933,000 (2006: HK\$9,493,000) as at 30 September 2007.

## **EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES**

Interest-bearing bank borrowings of the Group as at 30 September 2007 included bank loans of approximately HK\$5.7 million (31 March 2007: HK\$5.8 million), which were denominated in Renminbi. The bank borrowings are at interest rates of 5.58% to 7.26% per annum. 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 dollars will likely to continue in the near future; the exposure to foreign exchange fluctuation is minimal, however, the use of financial instruments for hedging purpose will be considered when necessary.

## **CONTINGENT LIABILITIES**

As at 30 September 2007, the Group had contingent liabilities arising from long service payments of approximately HK\$0.2 million (31 March 2007: HK\$0.2 million).

## **CAPITAL COMMITMENT**

The Group had no material commitment as at 30 September 2007.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2007, the Group had 150 staff and workers (31 March 2007: 150) working in Hong Kong and the PRC. The Group remunerates its employees largely based on industry practice. Remuneration packages comprise salary, commissions and bonuses based on individual performance. Share options may also be granted to eligible employees of the Group.

## **PLEDGE OF ASSETS**

The Group's banking facilities were secured against the Group's land and buildings located in Hong Kong and the PRC with a total carrying value of approximately HK\$16.5 million as at 30 September 2007 (31 March 2007: HK\$21.3 million).

## DIRECTORS' INTERESTS IN SHARES

At 30 September 2007, 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 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

| <b>Name of director</b>                              | <b>Capacity</b>  | <b>Number of shares held</b> | <b>Percentage of shareholding</b> |
|--|------------------|------------------------------|-----------------------------------|
| <b><i>Executive directors:</i></b>                   |                  |                              |                                   |
| Mr. Cheung Keng Ching<br>("Mr. Cheung") (Note 1 & 2) | Corporate        | 920,800,000<br>Long position | 45.61%                            |
| Ms. Chou Mei ("Ms. Chou")<br>(Note 1 & 3)            | Corporate        | 920,800,000<br>Long position | 45.61%                            |
|  | Beneficial owner | 200,000<br>Long position     | 0.01%                             |
| <b><i>Independent non-executive director:</i></b>    |                  |                              |                                   |
| Mr. Lo Siu Tong, Alfred                              | Beneficial owner | 96,000<br>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 7,400,000 shares 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 the section "Share Option Scheme" below.



## DIRECTORS' INTERESTS IN SHARES *(continued)*

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

Note 3: Ms. Chou also owns 7,400,000 shares 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 the section "Share Option Scheme" below.

Note 4: Mr. Li Wing Sang ("Mr. Li") owns 19,560,000 shares options under the share option scheme of the Company which have the rights to acquire 19,560,000 shares, details of which are separately disclosed in the section "Share Option Scheme" below.

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

| <b>Name of director</b>           | <b>Capacity</b>  | <b>Number of shares held</b> | <b>Percentage of shareholding</b> |
|-----------------------------------|------------------|------------------------------|-----------------------------------|
| <b><i>Executive director:</i></b> |                  |                              |                                   |
| Mr. Cheung                        | Corporate (Note) | 920,800,000<br>Long position | 45.61%                            |
| Ms. Chou                          | Corporate (Note) | 920,800,000<br>Long position | 45.61%                            |

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 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 OPTION 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 2007. The detailed terms of the Scheme were disclosed in the 2007 annual report of the Company.

Movements in the Company’s share options during the period under review are as follows:

| Name or category of participant       | As at 1 April 2007 | Granted during period | Exercised during period | Lapsed during period | As at 30 September 2007 | Date of grant of share option* | Exercise period of share options | Adjusted exercise price of share options<br>HK\$ |
|---------------------------------------|--------------------|-----------------------|-------------------------|----------------------|-------------------------|--------------------------------|----------------------------------|--|
| <b>Directors</b>                      |                    |                       |                         |                      |                         |                                |                                  |  |
| Mr. Cheung                            | 7,400,000          | —                     | —                       | —                    | 7,400,000***            | 04/11/2003                     | 04/11/2003<br>to<br>03/11/2008   | 0.3325**   |
|                                       | 5,500,000          | —                     | (5,500,000)             | —                    | —                       | 20/01/2007                     | 20/01/2007<br>to<br>19/01/2010   | 0.044  |
| Ms. Chou                              | 7,400,000          | —                     | —                       | —                    | 7,400,000***            | 04/11/2003                     | 04/11/2003<br>to<br>03/11/2008   | 0.3325**   |
| Mr. Li                                | —                  | 19,560,000            | —                       | —                    | 19,560,000              | 10/09/2007                     | 10/09/2007<br>to<br>09/09/2017   | 0.2226   |
| <b>Employees other than directors</b> |                    |                       |                         |                      |                         |                                |                                  |  |
| In aggregate                          | 13,704,000         | —                     | —                       | —                    | 13,704,000              | 04/11/2003                     | 04/11/2003<br>to<br>03/11/2008   | 0.3325**   |
|                                       | —                  | 97,800,000            | —                       | —                    | 97,800,000              | 10/09/2007                     | 10/09/2007<br>to<br>09/09/2017   | 0.2226   |
| <b>Consultants</b>                    |                    |                       |                         |                      |                         |                                |                                  |  |
| In aggregate                          | 36,000,000         | —                     | (36,000,000)            | —                    | —                       | 20/01/2007                     | 20/01/2007<br>to<br>19/01/2010   | 0.044  |
|                                       | 70,004,000         | 117,360,000           | (41,500,000)            | —                    | 145,864,000             |                                |                                  |  |

## SHARE OPTION SCHEME (continued)

- \* 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 Ms. Chou are respectively deemed to have interest in the share options held by each other.

Each option gives the holder the right to subscribe for one share. As at 30 September 2007, the Company has 145,864,000 share options outstanding under the Scheme. The exercise of the entire outstanding share options would, under the capital structure of the Company as at 30 September 2007, result in the issue of 145,864,000 additional ordinary shares of HK\$0.01 each of the Company and additional share capital of 1,458,640 and share premium account of HK\$34,143,000 (before issue expenses).

The fair value of the share options granted during the period ended 30 September 2007 was estimated at approximately HK\$4,566,000 which was recognised as a share option expenses during the period.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2007 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>Capacity</b>  | <b>Number of shares held</b> | <b>Percentage of shareholding</b> |
|-----------------------------|------------------|------------------------------|-----------------------------------|
| Star Master (Note)          | Beneficial owner | 920,800,000<br>Long position | 45.61%                            |

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.

## **SUBSTANTIAL SHAREHOLDERS *(continued)***

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. Tam Tak Wah (Chairman), Mr. Lo Siu Tong, Alfred and Ms. Wong Lai Wah, Ada. 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 2007.

The Remuneration Committee of the Company comprises Mr. Cheung Keng Ching (Chairman), Mr. Lo Siu Tong, Alfred and Mr. Tam Tak Wah. 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.

## CORPORATE GOVERNANCE *(continued)*

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 due to his strong leadership and experience in the industry. The Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Group with strong and consistent leadership, (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. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance are no less exacting than those in the Code, and (iii) pursuant to Rules 3.10 and 3.21 of the Listing Rules, the Board and Audit Committee must include at least one independent non-executive director who must have appropriate professional qualifications or accounting or related financial management expertise. The Company was unable to comply with these rules during the period when Mr. Wan Ngar Yin, David resigned on 30 March 2007 until the appointment of Mr. Tam Tak Wah on 11 June 2007.

## 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, 20 December 2007