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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

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

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

CONDENSED CONSOLIDATED INCOME STATEMENT *(continued)*

For the six months ended 30 September 2007

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

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 September 2007 (unaudited) HK$'000	As at 31 March 2007 (audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Leasehold land and land use rights		**12,629**	12,646
Properties, plant and equipment		**11,993**	12,146
Interests in associates		**14,817**	15,110
Interest in a jointly-controlled entity		**1,992**	2,631
Available-for-sale investments	*3*	**—**	1,573
		41,431	44,106
Current assets			
Inventories		**3,371**	2,961
Trade receivables	*8*	**19,213**	14,401
Amounts due from related parties		**—**	2,490
Prepayments, deposits and other receivables		**1,123**	5,169
Cash and cash equivalents		**10,933**	5,426
		34,640	30,447
Current liabilities			
Interest-bearing bank borrowings, secured		**11,220**	16,064
Current tax payable		**474**	3,833
Tax penalty and surcharge payables		**469**	2,939
Trade payables	*9*	**11,147**	4,213
Other payables and accrued expenses		**5,232**	7,657
Amounts due to related parties		**4,487**	4,256
		33,029	38,962
Net current assets/(liabilities)		**1,611**	(8,515)
Net assets		**43,042**	35,591
Equity			
Share capital		**20,190**	18,075
Reserves		**20,224**	15,028
Equity attributable to equity holders of the Company		**40,414**	33,103
Minority interest		**2,628**	2,488
		43,042	35,591

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[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HK(IFRIC)-INT 12	Service Concession Arrangments[2]

1 Effective for accounting periods beginning on or after 1 January 2009.
2 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 (unaudited) *HK$'000*	**Knitting (unaudited)** *HK$'000*	**Sweater (unaudited)** *HK$'000*	**Premium (unaudited)** *HK$'000*	**Total (unaudited)** *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 (unaudited) *HK$'000*	Knitting (unaudited) *HK$'000*	Sweater (unaudited) *HK$'000*	Premium (unaudited) *HK$'000*	Total (unaudited and restated) *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			
	Chile (unaudited) ***HK$'000***	**The People's Republic of China (the "PRC") (unaudited)** ***HK$'000***	**Others (unaudited)** ***HK$'000***	**Total (unaudited)** ***HK$'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 (unaudited) *HK$'000*	PRC (unaudited) *HK$'000*	Others (unaudited) *HK$'000*	Total (unaudited) *HK$'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:

	Six months ended 30 September	
	2007	2006
	(unaudited)	(unaudited)
	HK$'000	*HK$'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

	Six months ended 30 September	
	2007	2006
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest expenses on		
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
Bank charges	**592**	681
Exchange losses, net	**—**	24
	1,090	1,505

5. Taxation

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

	Six months ended 30 September	
	2007	2006
	(unaudited)	(unaudited and restated)
	HK$'000	*HK$'000*
Loss attributable to equity holders of the Company	**(5,918)**	(9,154)

	30 September	
Number of shares	**2007**	2006
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,943,413,867**	1,629,497,200

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

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

9. 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 2007 (unaudited) *HK$'000*	As at 31 March 2007 (audited) *HK$'000*
0 – 30 days	**10,111**	1,161
31 – 60 days	**220**	1,358
61 – 90 days	**705**	427
Over 90 days	**111**	1,267
	11,147	4,213

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

10. 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.

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).

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.

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

As at the date of this announcement, the Board comprises Mr. Cheung Keng Ching, Ms. Chou Mei and Mr. Li Wing Sang as executive directors of the Company and Mr. Lo Siu Tong, Alfred, Mr. Tam Tak Wah and Ms. Wong Lai Wah, Ada as independent non-executive directors of the Company.

** for identification purpose only*