

Notes to the Financial Statements

For the Year ended March 31, 2003

Tungtex (Holdings) Company Limited . Annual Report 2003

1. GENERAL

The Company is a public limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 16.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group adopted, for the first time, the following new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and inclusion of the statements of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Foreign currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of subsidiaries outside Hong Kong at the closing rate for the period. They are now required to be translated at an average rate. This change in accounting policy has not had any significant effect on the results for the current or prior accounting periods.

Cash flow statements

In the current year, the Group adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest received and paid, which were previously presented under a separate heading, are classified as operating cash flows. Dividends paid, which was previously presented under a separate heading, is classified as financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

Employee benefits

In the current year, the Group adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes and the Hong Kong Mandatory Provident Fund Scheme, the adoption of SSAP 34 has not had any material impact on the financial statements.

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3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties.

The financial statements have been prepared in accordance with accounting policies generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to March 31 each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on acquisitions prior to April 1, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired.

On disposal of a subsidiary or an associate, the attributable amount of goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to April 1, 2001 continues to be held in reserves and will be credited to income statement at the time of disposal of the relevant subsidiary or associate.

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3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Investments in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, the Group's interests in associates are stated at the Group's share of net assets of the associates, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance of the investment property revaluation reserve attributable to the property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease, including the renewal period, is of twenty years or less.

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3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation, amortisation and any accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Freehold land	Nil
Leasehold land and land use rights	Over the terms of the leases or rights
Buildings	4%
Leasehold improvements	Over the shorter of the terms of the leases and five years
Plant, machinery, furniture and fixtures	12.5%-20%
Motor vehicles	12.5%-20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Assets held under finance leases

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group.

Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as finance leases obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight line basis over the relevant lease term.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity debt security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

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3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Textile quota entitlements

The cost of temporary quota entitlements is charged to the income statement in the year in which they are used.

Permanent quota entitlements purchased from outsiders are stated at cost less amortisation and any accumulated impairment losses. The cost of permanent quota entitlements is amortised on a straight line method over the estimated useful lives.

Trademarks

Trademarks are measured initially at cost and amortised on a straight line basis over their estimated useful lives.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Turnover

Turnover represents the net amounts received and receivable for goods sold to outside customers during the year.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Rental income, including rentals invoiced in advance for properties under operating leases, is recognised on a straight line basis over the period of the relevant leases.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

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3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's subsidiaries which are denominated in currencies other than Hong Kong dollars are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the subsidiaries are disposed of.

Retirement benefit costs

Contributions payable by the Group to its defined contribution retirement benefit schemes and the Hong Kong Mandatory Provident Fund Scheme are charged to the income statement in the period in which they become payable.

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4. SEGMENT INFORMATION

Business segments

The Group is principally engaged in the manufacture and sale of garments. Accordingly, no business segments analysis of financial information is provided.

Geographical segments

The Group's manufacture and sale of garments business is principally located in the United States of America ("USA"), Canada, Asia and Europe and others.

The Group reports its primary segment information on geographical location of its customers and the segment information about these geographical markets is presented below:

2003

	USA HK\$'000	Canada HK\$'000	Asia HK\$'000	Europe and others HK\$'000	Consolidated HK\$'000
TURNOVER					
Sales of goods	1,334,277	21,739	138,202	45,795	1,540,013
SEGMENT RESULT	89,473	1,810	12,085	5,160	108,528
Other operating income					7,024
Profit from operations					115,552
Finance costs					(1,063)
Share of results of associates	2,857	58	388	165	3,468
Profit before taxation					117,957
Taxation					(16,459)
Profit after taxation					101,498

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4. SEGMENT INFORMATION *(continued)*

Geographical segments *(continued)*

The following is an analysis of the carrying amount of segment assets and segment liabilities, analysed by the geographical location of the Group's customers:

2003

	USA HK\$'000	Canada HK\$'000	Asia HK\$'000	Europe and others HK\$'000	Consolidated HK\$'000
ASSETS					
Segment assets	450,399	8,717	55,185	15,287	529,588
Interests in associates					14,677
Unallocated corporate assets					356,829
Consolidated total assets					901,094
LIABILITIES					
Segment liabilities	234,280	3,149	17,952	9,063	264,444
Unallocated corporate liabilities					23,431
Consolidated total liabilities					287,875
OTHER INFORMATION					
Capital expenditure	15,048	285	2,196	202	17,731
Depreciation and amortisation	19,101	414	2,445	617	22,577

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4. SEGMENT INFORMATION *(continued)*

Geographical segments *(continued)*

2002

	USA <i>HK\$'000</i>	Canada <i>HK\$'000</i>	Asia <i>HK\$'000</i>	Europe and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER					
Sales of goods	1,231,992	11,307	134,681	30,770	1,408,750
SEGMENT RESULT					
	85,074	815	14,026	2,385	102,300
Other operating income					11,072
Profit from operations					113,372
Finance costs					(1,804)
Share of results of associates	1,715	16	279	50	2,060
Profit before taxation					113,628
Taxation					(13,554)
Profit after taxation					100,074

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4. SEGMENT INFORMATION *(continued)*

Geographical segments *(continued)*

The following is an analysis of the carrying amount of segment assets and segment liabilities, analysed by the geographical location of the Group's customers:

2002

	USA <i>HK\$'000</i>	Canada <i>HK\$'000</i>	Asia <i>HK\$'000</i>	Europe and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS					
Segment assets	391,196	3,848	60,322	9,800	465,166
Interests in associates					9,392
Unallocated corporate assets					351,686
Consolidated total assets					826,244
LIABILITIES					
Segment liabilities	185,769	1,783	22,808	6,016	216,376
Unallocated corporate liabilities					21,165
Consolidated total liabilities					237,541
OTHER INFORMATION					
Capital expenditure	9,427	75	1,773	149	11,424
Depreciation and amortisation	18,385	212	3,306	434	22,337

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4. SEGMENT INFORMATION *(continued)*

Geographical segments *(continued)*

In addition to the analysis by the geographical location of the Group's customers, the following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital expenditure	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
USA	98,702	89,360	3,446	396
Hong Kong	498,728	472,454	2,997	2,296
People's Republic of China, other than Hong Kong (the "PRC")	262,892	223,750	6,863	6,069
Others	40,772	40,680	4,425	2,663
	901,094	826,244	17,731	11,424

5. OTHER OPERATING INCOME

	2003 HK\$'000	2002 HK\$'000
Bank interest income	3,348	7,162
Gain on disposal of property, plant and equipment	196	-
Interest from debt securities	-	79
Rental income from properties under operating leases, net of outgoings of HK\$199,000 (2002: HK\$234,000)	3,480	3,831
	7,024	11,072

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6. PROFIT FROM OPERATIONS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Directors' emoluments (<i>note 8</i>)		
Fees	240	245
Other emoluments	12,443	14,748
Retirement benefits scheme contributions	58	60
	12,741	15,053
Other staff costs	217,368	204,809
Retirement benefits scheme contributions, excluding directors	5,682	3,130
Total staff costs	235,791	222,992
Amortisation of intangible assets (HK\$77,000 (2002: Nil) included in administrative expenses, HK\$51,000 (2002: HK\$51,000) included in cost of sales)	128	51
Auditors' remuneration	955	907
Depreciation and amortisation of property, plant and equipment		
Owned assets	22,371	22,249
Assets held under finance leases	78	37
Loss on disposal of property, plant and equipment	-	176
Impairment loss on investments in securities	281	-
Loss on dissolution of a subsidiary	-	2
Temporary quota expenses	34,677	27,431

7. FINANCE COSTS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest on borrowings wholly repayable within five years:		
Bank borrowings and bills discounted	1,042	1,784
Finance leases	21	20
	1,063	1,804

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8. DIRECTORS' EMOLUMENTS

Particulars of the emoluments of the directors are as follows:

	2003 HK\$'000	2002 HK\$'000
Directors' fees:		
Executive directors	-	-
Non-executive directors		
Independent	180	185
Other	60	60
	240	245
Other emoluments:		
Executive directors		
Salaries and other benefits	8,955	9,225
Performance related incentive payments	2,730	4,823
Retirement benefits scheme contributions	58	60
Non-executive directors		
Independent	-	-
Other, being salaries and other benefits	758	700
Retirement benefits scheme contributions	-	-
	12,501	14,808
	12,741	15,053

The aggregate emoluments of each of the directors were within the following bands:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	6	7
HK\$1,500,001 to HK\$2,000,000	-	1
HK\$2,000,001 to HK\$2,500,000	1	-
HK\$2,500,001 to HK\$3,000,000	1	-
HK\$3,500,001 to HK\$4,000,000	-	1
HK\$6,000,001 to HK\$6,500,000	1	-
HK\$7,500,001 to HK\$8,000,000	-	1

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9. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included three directors (2002: three directors), details of whose emoluments are set out in note 8 above. The emoluments of the remaining two (2002: two) highest paid individuals are as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Salaries and other benefits	6,220	5,080
Performance related incentive payments	400	250
Retirement benefits scheme contributions	12	12
	6,632	5,342

The aggregate emoluments of each of the employees were within the following bands:

	Number of employees	
	2003	2002
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$3,000,001 to HK\$3,500,000	-	1
HK\$4,000,001 to HK\$4,500,000	1	-

During the years ended March 31, 2003 and 2002, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors has waived any emoluments during the years ended March 31, 2003 and 2002.

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10. TAXATION

	2003 HK\$'000	2002 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	12,171	9,909
Taxation in other jurisdictions	4,272	3,684
Share of taxation on results of associates	386	376
	16,829	13,969
Deferred taxation (<i>note 25</i>)	(370)	(415)
	16,459	13,554

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No provision has been made for taxes which would arise on the remittance of accumulated profits of overseas companies to Hong Kong as it is not anticipated that these amounts will be remitted in the near future.

Details of deferred taxation for the year are set out in note 25.

11. DIVIDENDS

	2003 HK\$'000	2002 HK\$'000
2003 interim dividend of HK5.5 cents (2002: HK5 cents) per share paid	19,368	17,607
2003 special dividend of HK1 cent (2002: Nil) per share paid	3,521	-
2002 final dividend of HK11.5 cents (2001: HK15 cents) per share paid	40,496	52,821
2002 special dividend of HK2 cents (2001: Nil) per share paid	7,043	-
	70,428	70,428

The final dividend of HK12 cents (2002: HK11.5 cents) per share and a special dividend of HK3 cents (2002: HK2 cents) per share have been proposed by the directors and is subject to approval by the shareholders in the next general meeting.

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12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of HK\$91,328,000 (2002: HK\$87,889,000) and on the number of 352,137,298 shares (2002: 352,137,298 shares) in issue during the year.

There were no potential ordinary shares outstanding during the years presented.

13. INVESTMENT PROPERTIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
VALUATION		
Balance brought forward	12,100	12,100
Revaluation decrease	(360)	-
Balance carried forward	11,740	12,100

The investment properties of the Group were revalued at March 31, 2003 on the open market value basis by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers. The deficit arising on revaluation amounting to HK\$360,000 has been debited to the investment property revaluation reserve. All of the investment properties of the Group are rented out under operating leases.

The investment properties of the Group are held under medium-term leases and are situated in Hong Kong.

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14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	Leasehold improvements, plant, machinery, furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP				
COST				
At April 1, 2002	135,864	186,120	5,008	326,992
Currency realignment	144	180	3	327
Additions	191	16,055	634	16,880
Acquisition of business	-	77	-	77
Disposals	-	(2,366)	(300)	(2,666)
At March 31, 2003	136,199	200,066	5,345	341,610
DEPRECIATION AND AMORTISATION				
At April 1, 2002	30,410	123,869	3,328	157,607
Currency realignment	10	59	1	70
Provided for the year	4,300	17,575	574	22,449
Eliminated on disposals	-	(1,860)	(228)	(2,088)
At March 31, 2003	34,720	139,643	3,675	178,038
NET BOOK VALUES				
At March 31, 2003	101,479	60,423	1,670	163,572
At March 31, 2002	105,454	62,251	1,680	169,385

Land and buildings include medium-term land use rights and buildings situated in the PRC with an aggregate net book value amounting to HK\$50,786,000 (2002: HK\$53,307,000) and freehold land and buildings situated overseas with an aggregate net book value amounting to HK\$14,321,000 (2002: HK\$14,441,000). All other land and buildings of the Group are situated in Hong Kong and held under medium-term leases.

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14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The net book value of property, plant and equipment includes an amount of HK\$479,000 (2002: HK\$200,000) in respect of assets held under finance leases.

	Leasehold improvements, plant, machinery, furniture and fixtures	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE COMPANY			
COST			
At April 1, 2002	6,957	710	7,667
Additions	297	-	297
Disposals	(27)	-	(27)
At March 31, 2003	7,227	710	7,937
DEPRECIATION			
At April 1, 2002	6,292	154	6,446
Provided for the year	201	142	343
Eliminated on disposals	(2)	-	(2)
At March 31, 2003	6,491	296	6,787
NET BOOK VALUES			
At March 31, 2003	736	414	1,150
At March 31, 2002	665	556	1,221

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15. INTANGIBLE ASSETS

	Permanent textile quota entitlements <i>HK\$'000</i>	Trademarks <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP			
COST			
At April 1, 2002	255	–	255
Acquisition of business	–	774	774
At March 31, 2003	255	774	1,029
AMORTISATION			
At April 1, 2002	102	–	102
Provided for the year	51	77	128
At March 31, 2003	153	77	230
CARRYING AMOUNT			
At March 31, 2003	102	697	799
At March 31, 2002	153	–	153

Permanent quota entitlements and trademarks are amortised on a straight line basis over a period of five and ten years respectively.

16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Unlisted shares, at cost	78,817	78,817

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16. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries at March 31, 2003 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Paid up issued share capital/ common stock/ registered capital (HK\$ unless otherwise indicated)	Class of share held	Proportion of nominal value of issued share capital/ common stock/ registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Attune New York Inc.	USA (a)	US\$90,000	Ordinary	-	100	Garment trading
Do Do Fashion Limited	Hong Kong (a)	720,000	Ordinary	100	-	Garment manufacture
Dorcash Industrial Limited	Hong Kong (a)	20	Ordinary	100	-	Property holding
Fashiontex Sdn. Bhd.	Malaysia (a)	M\$3,000,000	Ordinary	100	-	Garment manufacture
Golden Fountain Industrial Company Limited	Hong Kong (a)	500,000	Ordinary	100	-	Property holding
Golden Will Fashions Limited	Hong Kong (a)	10,000	Ordinary	-	60	Garment trading
Golden Will Fashions Phils., Inc.	The Philippines (a)	P\$30,000,000	Ordinary	-	60	Garment manufacture
Sing Yang (Overseas) Limited	Hong Kong* (a)	100,000	Ordinary	100	-	Garment manufacture
Sing Yang Services Limited	Hong Kong (a)	100,000	Ordinary	100	-	Management services
Sing Yang Trading Limited	Hong Kong (a)	100,000	Ordinary	100	-	Garment trading
THL Inc.	USA (a)	US\$10,000	Ordinary	-	100	Garment trading
Tung Thai Fashions Limited	Thailand (a)	Baht100,000,000	Ordinary	100	-	Garment manufacture
Tungtex Trading Company Limited	Hong Kong (a)	6,000,000	Ordinary	100	-	Garment manufacture
Tungtex (UK) Limited	United Kingdom (a)	£10,000	Ordinary	100	-	Provision of agency services in garment
Tungtex (U.S.A.) Inc.	USA (a)	US\$838,802	Ordinary	100	-	Investment holding
West Pacific Enterprises Corporation	USA (a)	US\$3,217,836	Ordinary	-	100	Garment design and trading
Winnertex Fashions Limited	Hong Kong (a)	100	Ordinary	-	75	Garment manufacture
Yellow River, Inc.	USA (a)	US\$80,000	Ordinary	-	51	Garment design and trading
中山同得仕絲綢服裝有限公司	PRC (b)	22,800,000	Registered capital	-	90	Garment manufacture
華裳服裝(深圳)有限公司	PRC (c)	5,000,000	Registered capital	-	100	Garment manufacture
深圳華富織造印染有限公司	PRC (b)	US\$2,000,000	Registered capital	-	88	Garment manufacture
深圳百多爾時裝有限公司	PRC (b)	Rmb2,500,000	Registered capital	-	95	Garment manufacture

* Sing Yang (Overseas) Limited operates in the PRC.

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16. INVESTMENTS IN SUBSIDIARIES (continued)

Notes:

- (a) These companies are private limited companies.
- (b) These companies are sino-foreign equity joint venture enterprises.
- (c) This company is a wholly owned foreign investment enterprise.

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the particulars of those subsidiaries which principally affect the results or assets of the Group.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

17. INTERESTS IN ASSOCIATES

	2003 HK\$'000	2002 HK\$'000
THE GROUP		
Share of net assets	14,677	9,392
THE COMPANY		
Capital contribution, at cost	3,889	1,686

Particulars of the Group's associates at March 31, 2003, which are registered and operated in the PRC as sino-foreign equity joint venture enterprises, are as follows:

Name of associate	Class of share held	Proportion of registered capital held by the Group %	Principal activities
深圳浙絲服裝有限公司	Registered capital	36	Garment manufacture
番禺市金源時裝有限公司	Registered capital	30	Garment manufacture
嵊州同泰絲服飾有限公司	Registered capital	30	Garment manufacture
德清華高時裝有限公司	Registered capital	25	Garment manufacture
杭州錦標時裝有限公司	Registered capital	25	Garment manufacture

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18. INVESTMENTS IN SECURITIES

	THE GROUP AND THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Non-current investments		
Investment securities, being listed shares overseas, at cost	581	581
Less: Impairment loss	(281)	-
	300	581
Other investments	1,548	1,548
	1,848	2,129
Market value of listed shares at March 31	146	305

19. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials	36,539	27,466
Work in progress	58,728	44,366
Finished goods	38,078	35,848
	133,345	107,680

Included above are raw materials of HK\$1,645,000 (2002: HK\$1,522,000) and finished goods of HK\$2,939,000 (2002: HK\$2,744,000) which are carried at net realisable values.

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20. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers. Included in trade and other receivables are trade receivables with the following aged analysis:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Up to 30 days	149,406	141,796
31 – 60 days	45,684	21,704
61 – 90 days	8,463	3,719
	203,553	167,219

21. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following aged analysis:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Up to 30 days	96,935	65,204
31 – 60 days	36,581	25,543
61 – 90 days	15,232	7,738
More than 90 days	2,061	3,721
	150,809	102,206

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22. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Amount payable under finance leases:				
Within one year	205	88	181	64
In the second to fifth year inclusive	259	148	242	108
	464	236	423	172
<i>Less: Future finance charges</i>	<i>(41)</i>	<i>(64)</i>	N/A	N/A
Present value of lease obligations	423	172	423	172
<i>Less: Amount due within one year shown under current liabilities</i>			<i>(181)</i>	<i>(64)</i>
Amount due after one year			242	108

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is three years. For the year ended March 31, 2003, the effective borrowing rate was 6%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

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23. BANK BORROWINGS

	THE GROUP	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Bank borrowings comprise the following:		
Bank overdrafts	5,739	3,915
Trust receipt loans	10,399	12,937
	16,138	16,852
Analysed as:		
Secured	16,138	16,108
Unsecured	-	744
	16,138	16,852

All bank borrowings at the balance sheet date are repayable within one year or upon demand and are included under current liabilities. The outstanding bank borrowings as at balance sheet date bear interest at market rates.

24. SHARE CAPITAL

	Number of shares	Value <i>HK\$'000</i>
<i>Authorised:</i>		
Ordinary shares of HK\$0.20 each		
At April 1, 2001, March 31, 2002 and 2003	500,000,000	100,000
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.20 each		
At April 1, 2001, March 31, 2002 and 2003	352,137,298	70,428

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25. DEFERRED TAXATION

THE GROUP		
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Balance brought forward	2,528	2,943
Credit for the year (<i>note 10</i>)	(370)	(415)
Balance carried forward	2,158	2,528

At the balance sheet date, the major components of the deferred taxation liabilities (assets), provided and unprovided, are as follows:

	Provided		Unprovided	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
THE GROUP				
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation and amortisation	3,725	3,879	419	421
Unutilised taxation losses	(1,226)	(932)	(3,506)	(2,451)
Other timing differences	(341)	(419)	-	-
	2,158	2,528	(3,087)	(2,030)

The amount of the unprovided deferred tax (credit) charge for the year is as follows:

THE GROUP		
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Tax effect of timing differences because of:		
Difference between depreciation and amortisation and tax allowances	(2)	82
Tax losses arising	(1,055)	(149)
	(1,057)	(67)

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

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26. ACQUISITION OF BUSINESS

On October 23, 2002, the Group acquired a business operation which also engaged in trading of garments. The acquisition has been accounted for by the acquisition method of accounting.

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net assets acquired:		
Property, plant and equipment	77	-
Trademarks	774	-
Inventories	1,084	-
Total consideration satisfied by cash and cash outflow arising on acquisition	1,935	-

The business acquired during the year did not have any significant impact on the Group's cash flows or operating results.

27. DISSOLUTION OF A SUBSIDIARY

During the year ended March 31, 2002, the Group had dissolved an inactive subsidiary. The net assets of the subsidiary at the date of dissolution were as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net assets deconsolidated on dissolution:		
Trade and other payables	-	(1,817)
Minority interest	-	4
Capital reserve realised on dissolution	-	(1,813)
Waiver of amount due from the subsidiary being dissolved	-	3
Loss on dissolution of a subsidiary	-	1,812
	-	(2)
	-	-

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28. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease contracts of approximately HK\$369,000 (2002: HK\$183,000).

29. OPERATING LEASES COMMITMENTS

The Group as lessee

The Group made minimum lease payments paid under operating leases during the year in respect of rented premises amounting to approximately HK\$19,467,000 (2002: HK\$16,149,000).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Within one year	21,653	17,323
In second to fifth year inclusive	32,655	27,086
Over five years	15,976	2,532
	70,284	46,941

Operating lease payments represented rentals payable by the Group for certain of its office properties and retail shops. Leases are negotiated for an average term of four years and rentals are fixed for an average of one year.

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29. OPERATING LEASES COMMITMENTS *(continued)*

The Group as lessor

Property rental income earned during the year was HK\$3,679,000 (2002: HK\$4,065,000). The properties held have committed tenants for an average term of three years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	2,150	1,982
In second to fifth year inclusive	2,272	736
	4,422	2,718

30. CAPITAL COMMITMENTS

At the balance sheet date, the Group had capital expenditure committed as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Contracted for but not provided for in the financial statements relating to property, plant and equipment	466	380

The Company did not have any capital commitments at the balance sheet date.

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31. CONTINGENT LIABILITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Bills discounted with recourse	86,842	42,506

The Company has issued guarantees to banks to secure general banking facilities granted to certain subsidiaries to the extent of HK\$147 million (2002: HK\$147 million). The Company has also issued unlimited guarantees to banks to secure banking facilities granted to certain subsidiaries. The extent of all the above facilities utilised by the subsidiaries at March 31, 2003 amounted to approximately HK\$16 million (2002: HK\$17 million).

32. PLEDGE OF ASSETS

At the balance sheet date, certain land and buildings with an aggregate net book value of approximately HK\$35 million (2002: HK\$36 million) were pledged to banks to secure general banking facilities granted to the Group.

33. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes the lower of 5% or HK\$1,000 of the relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees in the Group's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the government in the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

In addition, certain subsidiaries of the Company are required to contribute amounts based on employees' salaries to the retirement benefit schemes as stipulated by relevant local authorities. The employees are entitled to the Company's contributions subject to the regulations of the relevant local authorities.

The total cost charged to the income statement of HK\$5,740,000 (2002: HK\$3,190,000) represents contributions payable to these schemes by the Group.

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34. RELATED PARTIES TRANSACTIONS

During the year, the Group had significant transactions with related parties, details of which are set out as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Purchase of raw materials and finished goods from associates	19,487	20,161

The above transactions were carried out at cost plus a percentage of profit mark up and the balances with associates were unsecured, non-interest bearing and had no fixed repayment terms.

Save as disclosed above, there were no other significant transactions with related parties during the year.