TUNGTEX (HOLDINGS) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Website: http://www.tungtex.com
http://www.irasia.com/listco/hk/tungtex

ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED MARCH 31, 2003

The Board of Directors is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended March 31, 2003 together with comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT
For the Year ended March 31, 2003

	2003	2002
	HK$'000	*HK$'000*
Turnover *(Note 2)*	**1,540,013**	1,408,750
Cost of sales	**(1,139,983)**	(1,042,845)
Gross profit	**400,030**	365,905
Other operating income	**7,024**	11,072
Selling and distribution expenses	**(71,046)**	(54,864)
Administrative expenses	**(220,456)**	(208,741)
Profit from operations *(Note 3)*	**115,552**	113,372
Finance costs	**(1,063)**	(1,804)
Share of results of associates	**3,468**	2,060
Profit before taxation	**117,957**	113,628
Taxation *(Note 4)*	**(16,459)**	(13,554)
Profit after taxation	**101,498**	100,074
Minority interests	**(10,170)**	(12,185)
Profit attributable to shareholders	**91,328**	87,889
Dividends, paid		
– Interim	**19,368**	17,607
– Interim special	**3,521**	–
	22,889	17,607
Dividends, proposed		
– Final	**42,256**	40,496
– Final special	**10,564**	7,043

	52,820	47,539
Earnings per share - Basic *(Note 5)*	**25.9 cents**	25.0 cents

Notes:

1. Adoption of Statements of Standard Accounting Practice

In the current year, the Group adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants.

SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these SSAPs has resulted in a change in the format of preparation of the cash flow statement and inclusion of the statement 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.

2. Segment information

Geographical segments

The Group's manufacture and sale of garments business accounted for more than 90% of the Group's turnover and operating profit for the year. Accordingly, no business segment analysis of financial information is provided. 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**	**Canada**	**Asia**	**Europe and others**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***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**

2002	**USA**	**Canada**	**Asia**	**Europe and others**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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

3. Profit from operations

	2003	2002
	HK$'000	*HK$'000*
Profit from operations has been arrived at after charging:		
Total staff costs including directors' emoluments	**235,791**	222,992
Amortisation of intangible assets	**128**	51
Depreciation and amortisation of property, plant and equipment	**22,449**	22,286

4. Taxation

	2003	2002
	HK$'000	*HK$'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	**(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.

5. Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to shareholders 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.

FINAL AND SPECIAL DIVIDEND

The Board of Directors has resolved with delight to recommend at the forthcoming Annual General Meeting a final dividend of HK12 cents per share (2002: HK11.5 cents per share) and a special dividend of HK3 cents per share (2002: HK2 cents per share). These dividends are payable on September 10, 2003 to shareholders whose names appear on the Register of Members on September 3, 2003. Including the interim and special dividend of HK6.5 cents in total paid (2002: HK5 cents per share), the total dividends for the year will be HK21.5 cents per share (2002: HK18.5 cents per share), representing an increase of 16%.

The Register of Members will be closed from August 28, 2003 to September 3, 2003 both days inclusive, during which no share transfer will be effected. To qualify for the proposed final and special dividend, transfers must be lodged with the Company's Registrar, Secretaries Limited, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on August 27, 2003.

RESULTS AND BUSINESS REVIEW

The fiscal year ended March 31, 2003 was still a year of difficulties.

Despite the challenge of weak global economies and uncertainties prevailed in the year, the Group improved the results on turnover and net profit, maintained a strong balance sheet and continued effective cash flow management.

During the year, the turnover of the Group recorded a 9% growth to HK$1.54 billion. Audited profit attributable to shareholders and earnings per share increased by 4% to HK$91 million and HK25.9 cents respectively. Shareholders' funds increased by 4% to HK$554 million or HK$1.57 per share. Return on average equity remained at 17%.

Manufacture and export business

The recovery of the economies of our global export markets especially the United States wavered in the year under review, and was further impeded by the anticipation of war in the second half of the year. Consumer confidence and apparel retail sales were depressed. Our customers rationally performed tight control on inventory management, with unprecedented demand on procurement efficiency and cost effectiveness. Under such challenging business environment, the Group continued to perform quality management on all fundamentals, with focus on the enhancement of productivity, the capability and flexibility of production capacities, and the dimensions of product development. As a result, total export business posted an annual growth of 8% in sales and gross profit margin is fairly stable when compared to last year.

In terms of geographical segment, the Group achieved to increase the export sales to North America market by 11% to HK$754 million in the second half of the year, compared to a 7% increase in the first half-year period. Accordingly, total annual export sales to North America market increased by 9% to HK$1,356 million, representing 88% of the turnover of the Group. Export sales to Europe and other markets recorded a substantial growth of 49% to HK$46 million. However, export sales to the dismal Japan market was still disappointing and fell by 40%.

US wholesale business

As stated in our last interim report, the Group acquired a wholesale apparel label named "Zelda" and certain related assets at a total consideration of about HK$2 million in October 2002. The Group re-launched this label line immediately in the market and set the first primary focus on designing and developing the Fall 2003 collection, with delivery of products commencing June 2003. Due to the lack of sufficient sales income to match the operating costs, the start-up loss for "Zelda" up to the year end date was about HK$4 million. During the year, total wholesale label business sales through the "Fashion Active Laboratory" label and the "Zelda" label in the United States accounted for about 1.5 % of the turnover of the Group.

China retail business

In the year under review, the economy of China kept a robust momentum and the apparel retail market competition was keen and accelerated. In September 2002, the Group broadened the retail product line by launching a more sophisticated "Zariah" label line and opened 2 new stores in Shanghai. For "Betu" label line, the Group opened 30 new stores and closed 3 underperforming stores, making a total of 85 stores in operation at the year end date. For "Zariah" label line, a total of 6 stores were opened and in operation up to the year end date. During the year, total retail sales in China grew by 23% with profit contribution decreased by 17%, due to the dilution effect of the start-up loss of "Zariah" label line.

Investment in associates

As stated in our last interim report, the Group strategically increased the investment by HK$2.2 million to HK$3.9 million in our 30% owned associate, Tungtess Fashions Company Limited (Shengzhou) ("Tungtess"), in July 2002. Tungtess is a silk-knit apparel manufacturing company based in Zhejiang Province in China. This investment will benefit the Group in widening our product mix and providing better service platform to our customers.

The Group's share of results of the total five associates for the year increased to HK$3.5 million, representing an increase of 68% compared to last year.

PROSPECTS

Under the current uncertain and lackluster economic outlook in the United States and around our export markets in the world, the Group is performing conservative measures in all business segments' operation. The Group keeps focus on enhancement of business fundamentals, operational efficiency and effectiveness and incessant cost control. As a long-term mission, we are always to offer more competitive products and services to customers, and are positioned to deliver upgraded performance to our shareholders.

Our export sales and margin prospect for 2003/04 remains prudent. Nevertheless, based on our strenuous efforts dedicated on product development and selling service, the present order book indicates a high single-digit growth in the export sales for the 6 months ended September 30, 2003. While remaining our strong emphasis on the Unites States market as the core turnover and profit driver, the Group targets to increase our exports to Europe and Japan market as a long-term strategy.

The market reaction to the Fall collection of "Zelda" label line is positive. Coupled with the new sales target for "Fashion Active Laboratory" label line, the total sales for US wholesale business will account for about 3% of the turnover of the Group in the 6 months ended September 30, 2003, and the operating loss will narrow gradually.

The apparel retail performance in China during April to June 2003 was devastated by the Severe Acute Respiratory Syndrome (SARs) epidemic. To mitigate the loss, the Group put through a series of spontaneous control measures, inter alia, putting on hold the expansion plan of "Betu" and "Zariah" label line, lowering of inventories through special discounts, and cost reduction actions. Since the final removal of the whole mainland China from World Health Organisation's list of SARs infected areas in late June, normal economic order has gradually restored and the consumer sentiment is improving. Nevertheless, the Group rationally foresees that the apparel retailing in China will remain extremely price-competitive for a short period and our retail operation may record a loss for the 6 months ended September 30, 2003, in contrast to the normal profit plan.

In the long term, the Group is full of confidence on the retail business development in China. Our strategy is to keep refining and expanding the well established "Betu" label line and to explore new concepts at contained cost in parallel. We have added new professional retail management to launch a more fashionable and trendy "T+T" label line since April 2003. As at report date, the Group is operating 85 "Betu" label stores, 5 "Zariah" label stores and 4 "T+T" label stores in China.

CAPITAL EXPENDITURE

During the year, the Group invested HK$17 million on the acquisition of property, plant machinery and equipment, compared to HK$11 million last year. Recurring additions and replacement of production facilities were made in China and Asia, while fixed assets were acquired for new business projects. Furthermore, the Group increased the investment by HK$2.2 million in the associate company "Tungtess" and spent HK$0.8 million in acquisition of the trademark "Zelda".

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a solid balance sheet throughout the year. At the year-end date, the Group had total cash balance of HK$341 million, with the majority of which in USD and HKD short-term deposits placed with major banks in Hong Kong. Total bank borrowings amounted to HK$16 million, representing 3% of the shareholders' funds. Those were trust receipt loans and bank overdrafts in nature, denominated in both USD and HKD. Based on the net cash balance of HK$325 million and sufficient banking facilities, the Group has very strong liquidity and financial resources to meet its operation and investment needs.

The Group continued to adopt tight control on receivable collection and inventory level. The current ratio and quick ratio still maintained at a sound level of 2.5 and 2.0 respectively at the year end. The increase in year-end inventory by HK$26 million to HK$133 million was correlated to the higher order book value at the balance sheet date than that at one year ago. Accordingly, inventory turnover period increased from 28 days to 32 days this year. The increase in total receivable balance by HK$43 million could be explained by the increase of sales turnover of approximately HK$60 million in the last quarter of the year over the same period last year. As a result, receivable turnover period increased to 55 days compared with 49 days last year.

The Group adopts prudent policy to hedge the fluctuation of exchange rates. The sales of the Group, except for the retail sales which are denominated in Renminbi, are principally denominated in USD. Purchases and operating expenses are transacted mainly in USD, HKD and Renminbi. During the year, the Group entered into a limited number of forward contracts to hedge the receivables and payables denominated in foreign currency, mainly Euro, against the exchange fluctuation.

At March 31, 2003, certain land and buildings with an aggregate net book value of approximately HK$35 million (2002: HK$36 million) were pledged to bank to secure general banking facilities granted to the Group. At March 31, 2003, bills discounted with recourse were HK$87 million (2002: HK$43 million).

HUMAN RESOURCES

The Group is committed to invest in human resources capital to ensure our continuous growth and profitability in the long run. We recognize and appreciate the positive contribution of our existing people and culture, yet we re-engineer our human resources management processes to recruit, retain, train and develop new professionals and talents at all levels with competence and self-compelling initiatives. We are determined to upgrade the value of every one of us in the Group and further strengthen our team spirit to ensure that we are able to embrace the challenge of this new era.

The Group, excluding the associates, had about 7,400 employees in Hong Kong, the United States, the United Kingdom, China and other Asian countries at the year end as compared with 6,700 last year. The increase was mainly due to hiring more factory workers in Asia and employing more staff for China retail operation. The Group adopts a competitive remuneration package for its employees, by reference to market terms, individual merits and performance evaluation.

PURCHASE, SALE AND REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

A detailed announcement of results containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website (http://www.hkex.com.hk) in due course.

Benson Tung Wah Wing
Chairman

Hong Kong, July 9, 2003

NOTICE OF ANNUAL GENERAL MEETING

Notice is Hereby Given that the Annual General Meeting of the Members of the Company will be held at Inter-Continental VI, Hotel Inter-Continental Hong Kong, 18 Salisbury Road, Tsimshatsui, Kowloon on Wednesday, September 3, 2003 at 11:00 a.m. for the following purposes:

1. To receive and consider the Financial Statements and the Reports of the Directors and Auditors for the year ended March 31, 2003.

2. To declare a Final and Special Dividend for the year ended March 31, 2003.

3. To re-elect Directors and fix their fees.

4. To reappoint Auditors and authorise the Directors to fix their remuneration.

As special business to consider and, if thought fit, pass with or without modification the following resolutions as Ordinary Resolutions:

5. **THAT:**

   (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

   (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue, shall not exceed:

      (i) in the case of an issue and allotment of shares for cash, 5% of the issued shares of the Company at the date of passing of such resolution; and

      (ii) in the case of an issue and allotment of shares other than for cash, 20% of the issued shares of the Company at the date of passing of such resolution (less shares (if any) issued pursuant to the general mandate granted pursuant to sub-paragraph (i) above), and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).

6. **THAT:**

(a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK$0.20 each in the capital of the Company in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time, be and is hereby generally and unconditionally approved;

(b) The aggregate nominal amount of shares of the Company which may be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution, and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.

By Order of the Board
Lee Siu Mei
Secretary

Hong Kong, July 9, 2003

Notes:

1. A Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a Member of the Company.

2. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited at the registered office of the Company at 12/F., Tungtex Building, 203 Wai Yip Street, Kwun Tong, Kowloon not less than 48 hours before the time appointed for the Meeting or adjourned Meeting.

3. The Register of Members will be closed from August 28, 2003 to September 3, 2003, both days inclusive, during which period no share transfer will be effected. In order to qualify for the proposed final dividend and special dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar, Secretaries Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on August 27, 2003.

"Please also refer to the published version of this announcement in The Standard"