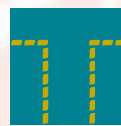


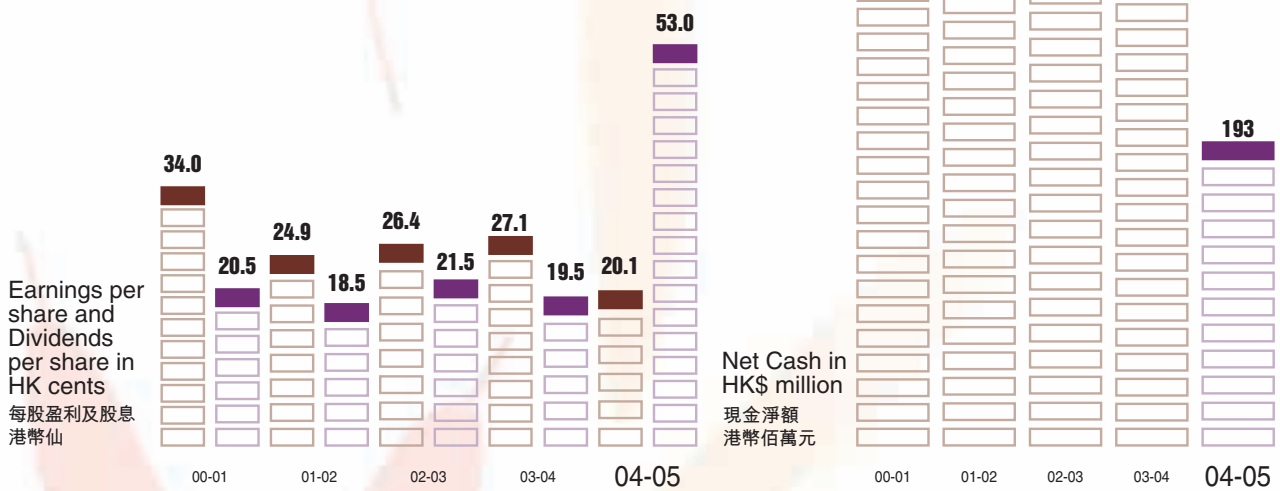
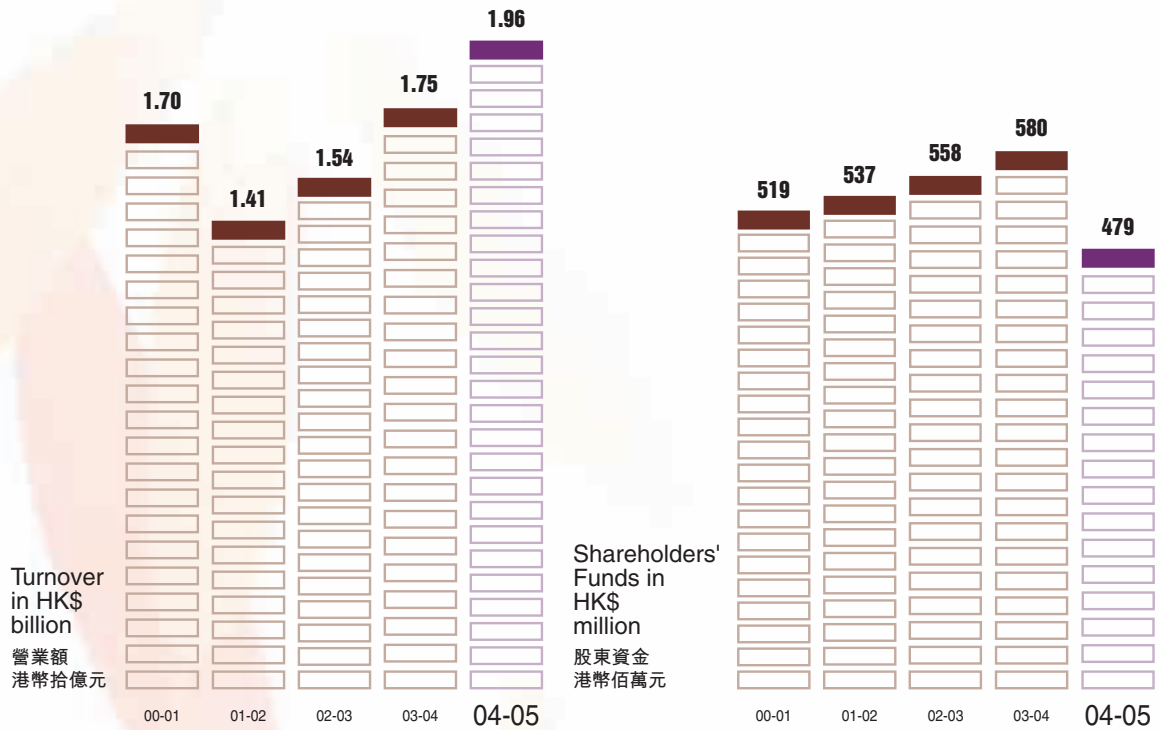
# Tungtex

(Holdings) Company Limited

同得仕（集團）有限公司



Annual Report 2005 年報



■ Earnings per share 每股盈利

■ Dividends per share 每股股息

# Financial 財務 Highlights 資料概要



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## Corporate Information

### DIRECTORS

#### Executive Directors

Benson Tung Wah Wing  
(Chairman)

Alan Lam Yiu On  
(Managing Director)

Raymond Tung Wai Man

#### Non-Executive Directors

Tung Siu Wing  
Kevin Lee Kwok Bun

#### Independent Non-Executive Directors

Johnny Chang Tak Cheung  
Tony Chang Chung Kay  
Woo Kwong Hon  
Joseph Wong King Lam

### AUDIT COMMITTEE

Joseph Wong King Lam (Chairman)  
Woo Kwong Hon  
Tony Chang Chung Kay

### REMUNERATION COMMITTEE

Benson Tung Wah Wing (Chairman)  
Joseph Wong King Lam  
Tony Chang Chung Kay

### SECRETARY

Lee Siu Mei

### QUALIFIED ACCOUNTANT

Lee Siu Mei

### REGISTERED OFFICE

12th Floor, Tungtex Building  
203 Wai Yip Street  
Kwun Tong  
Kowloon  
Telephone: 2797 7000  
Fax: 2343 9668

### AUDITORS

Deloitte Touche Tohmatsu  
Certified Public Accountants

### PRINCIPAL BANKERS

Citibank N.A.  
Standard Chartered Bank  
The Hongkong & Shanghai Banking  
Corporation Limited

### SHARE REGISTRARS AND TRANSFER OFFICE

Secretaries Limited  
G/F., Bank of East Asia  
Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

### WEBSITE

<http://www.tungtex.com>  
<http://www.irasia.com/listco/hk/tungtex>



# Head Office & Major Factories

Head Office - HK



Shenzhen - China



Shenzhen - China



Panyu-China



Hangzhou- China



Zhongshan- China



Malaysia



Thailand



Philippines

## Chairman's Statement

### RESULTS

The fiscal year ended March 31, 2005 was a year of difficulties to the Group.

The Group entered the year with a prudently optimistic outlook, bearing in mind that global uncertainty and volatility still prevailed. Based on our core strength of high product value and flexible multi-country production capacities, the Group achieved a double-digit growth in the manufacture and export sales. However, the Group encountered during the year a number of adverse factors, inter alia, the reorganization of an unprofitable manufacturing plant in the first half of the year, the increase in materials, labor and production costs, the market chaos emerged from the post quota era and the deeper than expected price deflation imposed by customers especially in the second half of the year. The combined negative impacts of these factors eroded the gross profit margin for the year. Coupled with the unsatisfactory operating results of both USA wholesale label business and China retail business, the Group's net profit for the year was much lower than last year. Anticipating the possible significant decrease of profit for the second-half year ended March 31, 2005, the Group issued a profit warning statement in the interim report dated December 17, 2004.

For the fiscal year ended March 31, 2005, the turnover of the Group increased 12% to approximately HK\$2 billion. Audited profit attributable to shareholders and earnings per share decreased 26% to HK\$71 million and 20.1 HK cents respectively. Thanks to the payment of a special cash dividend in March 2005 in addition to the normal interim dividend paid in January 2005, the shareholders' funds decreased 17% to HK\$479 million or HK\$1.36 per share. As a result, return on average equity for the year decreased to 13.4%.

### FINAL DIVIDEND

As stated in the interim report dated December 17, 2004, the Group will fully distribute the total net profit for the year ended March 31, 2005 to our shareholders, in view of the foreseeable downturn of profitability. The Board of Directors has hereby resolved to recommend at the forthcoming Annual General Meeting a final dividend of 14.0 HK cents per share (2004: 13.5 HK cents per share), payable on September 13, 2005 to shareholders whose names appear on the Register of Members on September 6, 2005. Together with an interim dividend of 6.0 HK cents per share (2004: 6.0 HK cents per share) and a special dividend of 33.0 HK cents per share already paid, the total dividends for the year will be 53.0 HK cents per share (2004: 19.5 HK cents per share).

### BUSINESS REVIEW

#### Manufacture and export business

During the year, the trading conditions for the core manufacture and export business of the Group were unfavorable. Global uncertainties and volatilities caused by the rising oil price and interest rates prevailed and suppressed the economic growth. The Group adhered to the strategic focus of building a closer alliance relationship with customers and offered the market a high value and quality products with strong and flexible multi-country manufacturing capacities in China and Asia. As a result, the Group achieved a 15% growth in export sales for the year. However, the uncertainties and chaos emerged from the post quota era accelerated the overall price deflation and also dampened the sourcing plan of our customers on certain most sensitive categories of garment in China.

## Chairman's Statement

For the year under review, sales to North America increased 14% to HK\$1,755 million, representing 89% of the turnover of the Group. Export sales to Europe and other markets increased 9% to HK\$71 million, representing about 4% of the turnover of the Group.

As stated in the interim report, in order to enhance productivity and competitiveness, the Group reorganized the management and operation of an unprofitable manufacturing plant in the second zone of Shenzhen in China in the first half of the year. After the reorganization, such manufacturing operation has turned around its loss situation and has started to make profit in the last quarter of the year. Total loss incurred by that manufacturing operation for the year amounted to approximately HK\$5 million.

### USA wholesale label business

The wholesale label business experienced great challenge throughout the year. Both labels diversified the original collections but were ultimately not well received by the customers. The total sales for the year were much below plan and dropped drastically by 33% compared to last year, attributable to the loss of orders from department-store customers. The Group reorganized certain management and rationalized the scale structure of the operation. Due to the significant sales shortfall, total sales for the year accounted for less than 2% of the turnover of the Group and the operating loss of the wholesale label business enlarged.

### China retail business

China's macro-economic measures continued to well adjust the overheated economy during the year, but did not have any significant adverse impact on the highly competitive retail market. The Group continued to exercise a cautious approach in operating China retail business, and rationalized the underperforming stores and opened new stores as adhered to plan. Attributable to the losses incurred by the Zariah and T+T brands, and the increased promotional activities as a whole, the retail operation incurred a loss for the year. At the year end date, the Group operated 89 Betu label stores, 11 Zariah label stores and 10 T+T label stores. Total retail sales amount in China for the year was similar to last year and accounted for about 6% of the turnover of the Group.

## PROSPECTS

### Manufacture and export business

Based on our existing solid platform of value products, interdependent customer relationship, high productivity and flexibility of multi-country manufacturing capacities, and our leading edge in silk garment production in China, the Group will persist in continuous improvement and is confident to gain increased market share in the medium and long term. On the other hand, the Group will streamline our organization and tighten controls on production costs and expenses.

In the coming year, the global economic growth, clouded with rising oil price and interest rates, is expected to slow down. Global garment export trading conditions will continue to be unfavorable and price deflation pressure is expected to prevail. Uncertainties and chaos, including the short-term challenges of safeguards, quota embargoes and trade disputes, especially between the USA and China, will continue to prevail. However, the Group is well positioned to capitalize on core strength of multi-location production capacities well established in China, Thailand, the Philippines, Vietnam and Hong Kong and make flexible and effective production capacity planning, in order to alleviate the negative impact of such challenges on the quota garment export business. Meanwhile, the Group will keep upgrading our product design and development capability and continue to grow our core silk garment manufacture business strategically.





# North America

New York

# Europe

London


According to the current order projection and barring any unforeseen circumstances, the Group anticipates a slight decrease for the total export turnover in the first half of the coming year.

### **USA wholesale label business**


The Group has been implementing corrective measures on the operating management and strategies on products and designs, marketing and sourcing of the wholesale collections. Since Fall 2005, we have re-started to sell to department-store customers but sell-through performance in the stores is yet to be confirmed. The Group is committed to improve the operating result of the wholesale label business in the coming year.

### **China retail business**

In the short term, retail climate in China is still intensively competitive and the Group will continue to run the operations cautiously. Rationalization of the retail outlet composition will be continued and underperforming stores will be closed. Subsequent to the year end date, a total of 19 stores were closed and 10 stores were opened. As at report date, there are 80 Betu stores, 12 Zariah stores and 9 T+T stores are in operation. The Group is having plans underway to improve the operating results by enriching our products and designs, evolving our in-store environment and enhancing our marketing. The Group targets to open about 20 stores in the balance of the coming year.

Major Factories/ Offices



Wholesale labels in the United States



Retail Stores in China

## HUMAN RESOURCES

The Group's long-term growth and prosperity depends on our continuous investment and proactive re-engineering process in our human resources. We recognize and offer opportunities for competent, talented people who have great enthusiasm to keep up with our corporate value and long-term growth. We are determined to upgrade the value of every one of us in the Group to embrace every challenge in future.

## ACKNOWLEDGEMENT

I would like to express gratitude to our valued customers, business associates and shareholders for their continuous trust and support. I would like to thank our global management team and staff force for their hard work, loyal service and commitment for our long-term growth. Last but not least, I appreciate deeply all members of the Board for their diligent guidance and support.

**Benson Tung Wah Wing**  
Chairman

Hong Kong, July 12, 2005

B E T U





ZARIAH



## Profile of Directors and Senior Management

### DIRECTORS

#### Executive Directors:

##### **Benson Tung Wah Wing** (*Chairman*)

Aged 54, is the principal founder of the Group and has been involved in the garment industry since 1967. Under his leadership, the Group was listed on The Stock Exchange of Hong Kong Limited in 1988. He is the brother of Mr. Tung Siu Wing and the father of Mr. Martin Tung and Mr. Billy Tung.

##### **Alan Lam Yiu On** (*Managing Director*)

Aged 43, was appointed as a director of the Company in 1995, the deputy managing director in 2001 and then the managing director in 2003. Prior to joining the Company in 1988, he worked for an international accounting firm for over 3 years. He holds a professional diploma in Accountancy from the Hong Kong Polytechnic University.

##### **Raymond Tung Wai Man**

Aged 40, joined the Group in 1988 and was appointed as a director in 2000. He is also an executive director of Tungtex Trading Company Limited. He holds a post-experience certificate in Engineering Business Management from the Hong Kong Polytechnic University.

#### Non-executive Directors:

##### **Tung Siu Wing**

Aged 56, is a co-founder of the Group. He changed his directorship from executive director to non-executive director of the Company in 2002. He has been involved in the garment industry for over 39 years. He is the brother of Mr. Benson Tung.

##### **Kevin Lee Kwok Bun**

Aged 55, was appointed as a director in 1987. Prior to joining the Company, he worked for an international accounting firm for 10 years and held the position of chief financial officer at two local listed companies. He is a fellow member of the Association of Chartered Certified Accountants, a member of the Canadian Institute of Chartered Accountants and the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Social Science degree from the University of Hong Kong.

#### Independent Non-executive Directors:

##### **Johnny Chang Tak Cheung**

Aged 62, has been a director of the Company since the listing of the Company's shares in 1988. He has 37 years' experience in the garment business and is currently a director of a famous shirt making company.

## Profile of Directors and Senior Management

### **Tony Chang Chung Kay**

Aged 49, was appointed as an independent non-executive director of the Company in 1994. He is a director of a famous shirt making company and has 28 years' experience in the garment industry. He holds a Bachelor of Science degree from the McGill University.

### **Woo Kwong Hon**

Aged 67, was appointed as an independent non-executive director of the Company in 2002. He had been a director of a renowned garment group for 23 years and has over 45 years' experience in the garment industry.

### **Joseph Wong King Lam**

Aged 53, was appointed as an independent non-executive director in 2004. He had been the company secretary of the Company from 1987 to 1991 and had been the financial controller of the Company from 1987 to 1992. He is currently the chief executive officer of a renowned automobile services company in Hong Kong. He has more than 25 years' extensive experience in auditing, corporate and financial management with a number of companies in different business sectors which include an international accounting firm and a local listed company. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

## SENIOR MANAGEMENT

### **Frankie Kwok Yan Chi**

Aged 52, is the president of Tungtex (U.S.A.) Inc.. Prior to joining the Group in 1989, he held senior position at a number of garment companies. He has 29 years' experience in the garment industry. He holds a higher diploma in Textile Technology from the Hong Kong Polytechnic University.

### **Peter Kan Mui**

Aged 52, is the minority partner of Yellow River, Inc.. He is a well known fashion designer in the United States and has 27 years' experience in the garment industry. He holds a Bachelor of Arts degree from the Trinity University.

### **Tammy Wong Ming Hung**

Aged 47, is a director of Yellow River, Inc.. Prior to joining Yellow River, Inc. in 1986, she worked for Do Do Fashion Limited for 9 years. She has 28 years' experience in the garment industry.

### **Michael Palumbo**

Aged 49, is the president of West Pacific Enterprises Corporation. Prior to joining the Group in 1990, he worked for a famous garment manufacturing company in New York of the United States for over 10 years. He holds a Bachelor of Arts degree from the Rutgers University.

## Profile of Directors and Senior Management

### **Dixon Ng Po Chuen**

Aged 50, is the managing director of Golden Will Fashions Limited. He joined the Group in 1991 and has 30 years' experience in the garment industry. He holds a certificate in Clothing from the Institute of Vocational Education (Kwun Tong).

### **Martin Tung Hau Man**

Aged 30, is an assistant director of the Company and the general manager of Sing Yang Trading Limited. He joined the Company in 2000 and has about 5 years' experience in the garment industry. He is a son of Mr. Benson Tung and the brother of Mr. Billy Tung. He holds a Bachelor of Arts degree in Economics from the Simon Fraser University and a Master of Science degree in Engineering Business Management from the University of Warwick.

### **Billy Tung Chung Man**

Aged 28, is an assistant director of the Company. He joined the Company in 2001 and has about 4 years' experience in the garment industry. He is a son of Mr. Benson Tung and the brother of Mr. Martin Tung. He holds a Bachelor of Engineering degree in Civil Engineering from the University of Warwick and a Master of Science degree in Information Technology from the University College London.

### **Eugene Cheng Kam Fai**

Aged 45, is an assistant general manager of the Company and the group human resources manager. He joined the Company in 2003 and has 16 years' experience in professional human resources management in various industries, including banking, manufacturing and service. He holds a Bachelor of Arts degree and a Master of Business Administration degree from the Executive MBA programme at the Chinese University of Hong Kong.

### **Ray Chan Pui Wai**

Aged 35, is an assistant general manager of the Company and the group treasurer. Prior to joining the Company in 2004, he worked for an international bank for over 10 years. He holds a Bachelor of Social Science degree from the University of Hong Kong.

### **Lee Siu Mei**

Aged 31, is the company secretary and the group financial controller. She is a member of the Association of Chartered Certified Accountants. Prior to joining the Company in 1999, she worked for an international accounting firm for about 3 years. She holds a Bachelor of Business Administration degree in Professional Accountancy from the Chinese University of Hong Kong and a Master of Science degree in Engineering Business Management from the University of Warwick.

### **Lydia So Siu Chun**

Aged 44, is the general manager – production of the Group. She joined the Group in 2000 and has 24 years' experience in the garment industry.



## Profile of Directors and Senior Management

### **Chan Chung Choi**

Aged 60, is an in-house consultant on quality production management of the Group. He joined the Company in 2002 and has 34 years' experience in the garment industry. He holds a certificate in Apparel Engineering from Kurt Salmon Associates Inc. and a Bachelor of Social Science degree from the Chinese University of Hong Kong.

### **Wei Kwok**

Aged 59, is an in-house consultant on quality production management of the Group. He joined the Company in 2002 and has 38 years' experience in the garment industry.

### **Amy Kwok Yiu Hung**

Aged 42, is the general manager of the Hong Kong office of Yellow River Inc. She joined the Group in 1988 and has 21 years' experience in the garment industry. She holds a higher diploma in Fashion and Clothing from the Hong Kong Polytechnic University.

### **Joe Hui Siu Ngor**

Aged 42, is the general manager of Do Do Fashion Limited in charge of Sales and Marketing. She joined the Group in 1987 and has 18 years' experience in the garment industry.

### **Monnie Tong Lai Ying**

Aged 45, is the general manager of Do Do Fashion Limited in charge of Finance and Administration. She joined the Group in 1988 and has 21 years' experience in the garment industry.

### **Dong Zhong Hui**

Aged 51, is the assistant general manager of China operation and a director of Sing Yang (Overseas) Limited. He joined the Group in 1983 and has 25 years' experience in the garment industry. He graduated from the Physics Department of Shanghai Fudan University.

### **Johnson Yeung Kong Sang**

Aged 51, is the general manager of 中山同得仕絲綢服裝有限公司. Prior to joining the Group in 2004, he was a director of an overseas listed company and had held senior position at two international companies for over 20 years.

### **Frank Sze Fuk Kong**

Aged 58, is a general manager of the retail operation of the Group. He joined the Group in 1992 and has 42 years' experience in the garment industry.

### **Rita Man Miu Chu**

Aged 37, is a general manager of the retail operation of the Group. Prior to joining the Group in 1998, she worked for various local and international apparel companies and has 15 years' experience in brand management and retail marketing. She holds a diploma in Marketing from The Chartered Institute of Marketing and an honor diploma in Marketing from the Lingnan University.



**T** + **T**

## Management Discussion and Analysis

### OPERATING RESULTS

The turnover of the Group for the year increased 12% to HK\$1,963 million. Audited net profit for the year and earnings per share decreased 26% to HK\$71 million and HK20.1 cents respectively.

The increase in turnover was caused by the combined effect of 14% increase of export sales to North America, 1% decrease in sales in Asia and 9% increase in sales to Europe and other export markets. The segment result of each of the geographical markets posted a negative growth. The pre-tax contribution from North America segment decreased 19% to HK\$87 million. The pre-tax contribution from Asia segment and Europe and other market segment decreased 95% and 15% respectively. As a result, the consolidated pre-tax contribution recorded a decrease of 24% to HK\$94 million. The segment information of the Group is set out in note 4 to the financial statements.

Due to the following adverse impacts: (i) the reorganization of an unprofitable manufacturing plant; (ii) the increase in materials, labor and production costs; (iii) the price deflation pressure from customers of export business and (iv) the unsatisfactory operating results of both USA wholesale brand business and China retail business, the consolidated cost of sales as a percentage of sales increased from 73.5% to 76.6%. To support a higher level of turnover, selling and distribution expenses increased from HK\$88.8 million to HK\$103.3 million, representing an increase from 5.1% to 5.3% as a percentage of sales. Administrative expenses, though increased from HK\$250.5 million to HK\$262.5 million, dropped from 14.3% to 13.4% as a percentage of sales. Finance cost increased HK\$0.5 million to HK\$1.4 million. Other income decreased slightly from HK\$5.0 million to HK\$4.8 million.

### CAPITAL EXPENDITURE

During the year, the Group spent approximately HK\$49 million on the acquisition of fixed assets, compared to HK\$19 million last year. Of which, about HK\$24 million was used for the purchases of factory premises and production facilities and machineries for the setting up of the new garment factory in Hangzhou. The remaining balance of HK\$25 million was attributed to the recurring addition and replacement of fixed assets in the Group.

On March 31, 2005, the investment properties situated in Hong Kong were revalued. Resulting from the revaluation, an additional surplus of approximately HK\$13.4 million was generated and transferred to investment property revaluation reserve.

## Management Discussion and Analysis

### LIQUIDITY AND FINANCIAL RESOURCES

The financial position of the Group remained solid throughout the year and at the balance sheet date. After paying special cash dividend to shareholders and funding internally the production capacity expansion projects during the year, the Group's cash balance has been lowered to a level of HK\$206 million at the year end date, compared to HK\$330 million last year. Most of the cash balance was placed in USD and HKD short-term deposits with major banks in Hong Kong. Total bank borrowings of HK\$13 million were trust receipt loans, bank overdrafts and bank loan in nature, denominated in USD, HKD and Renminbi, and represented 3% of the shareholders' funds at the year end date. Based on the net cash balance of HK\$193 million and sufficient banking facilities, the Group has adequate liquidity and financial resources to meet the operation and investment needs.

The Group continued to adopt prudent financial policy and implement tight control on inventories and receivables throughout the year. The inventory turnover was 31 days compared with 34 days last year. Receivable turnover also improved to 50 days compared with 53 days last year. Due to the impact of paying special cash dividend to shareholders, current ratio and quick ratio were 2.1 and 1.5 respectively, compared to 2.6 and 2.0 respectively last year. Such ratios fully reflect that the Group is still operating at a very healthy working capital and liquidity level.

At March 31, 2005 certain land and buildings with an aggregate net book value of about HK\$20 million (2004: HK\$21 million), certain investment properties with an aggregate carrying value of approximately HK\$8 million (2004: HK\$6 million) and certain bank deposits of HK\$0.2 million (2004: Nil) were pledged to banks to secure general banking facilities granted to the Group. At March 31, 2005, bills discounted with recourse were HK\$67 million (2004: HK\$61 million).

### TREASURY POLICY

The Group adopts prudent treasury policies to hedge the fluctuation of exchange rates and manage interest rates on interest bearing loans. It is the policy of the Group not to engage in speculative activities. Except for the retail sales which are denominated in Renminbi, most of the export sales of the Group are denominated in USD, with a very minor portion denominated in Euros. Purchases and operating expenses are mostly denominated in USD, HKD and Renminbi. During the year, the Group entered into a limited number of forward contracts to hedge its receivables and payables denominated in foreign currency against the exchange fluctuation.

### HUMAN RESOURCES

The Group, excluding the associates, had approximately 8,800 employees world-wide at the year-end date as compared with 8,100 last year. The rise was mainly due to hiring more factory workers in China and Asia during the year. The Group adopts a competitive remuneration package for its employees, by reference to industry terms, prevailing market conditions, individual merits and performance evaluation.



**FALL**



ZELDA



## Directors' Report

The directors present their annual report and the audited financial statements of the Group and of the Company for the year ended March 31, 2005.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activity of its subsidiaries is the manufacture and sale of garments, which accounted for more than 90% of the Group's turnover and operating profit for the year. Details of the principal activities of the Company's principal subsidiaries and associates are set out in notes 16 and 17 respectively to the financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest and five largest customers were 20% and 49% respectively. The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in the five largest customers or suppliers.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended March 31, 2005 are set out in the consolidated income statement on page 30 of the annual report.

Interim and special dividends of HK6.0 cents and HK33.0 cents per share amounting to approximately HK\$21,128,000 and HK\$116,205,000, respectively, were paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK14.0 cents per share to the shareholders whose names appear on the register of members on September 6, 2005, amounting to approximately HK\$49,299,000.

### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 72 of the annual report.

### INVESTMENT PROPERTIES

The investment properties of the Group were revalued on March 31, 2005 by a firm of independent professional valuers on an open market value basis. The surplus arising on revaluation, which has been credited to the investment property revaluation reserve, amounted to HK\$13,366,000. Details of the investment properties of the Group are set out in note 13 to the financial statements.

## Directors' Report

### PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK\$49,271,000 on the acquisition of property, plant and equipment for the purpose of expanding the Group's business.

Details of these and other movements in the property, plant and equipment of the Group and the Company during the year are set out in note 14 to the financial statements.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

### DIRECTORS

The directors of the Company during the year and up to the date of this report were:

#### Executive directors:

Benson Tung Wah Wing	<i>(Chairman)</i>
Alan Lam Yiu On	<i>(Managing Director)</i>
Raymond Tung Wai Man	

#### Non-executive directors:

Tung Siu Wing	
Kevin Lee Kwok Bun	
Johnny Chang Tak Cheung*	
Tony Chang Chung Kay*	
Woo Kwong Hon*	
Joseph Wong King Lam*	<i>(appointed on August 18, 2004, retired on September 6, 2004 and re-appointed subsequently on the same date)</i>

\* Independent non-executive director

Pursuant to Article 84(A) of the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third shall retire from office, but notwithstanding any other provision of the Articles the Chairman and the Managing Director of the Company shall not whilst holding office be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. Accordingly, Messrs. Tung Siu Wing and Woo Kwong Hon retire by rotation and, being eligible, offer themselves for re-election. In the spirit of good corporate governance practice, Mr. Benson Tung Wah Wing who is the Chairman of the Company and Mr. Alan Lam Yiu On who is the Managing Director of the Company will voluntarily retire from their offices and offer themselves for re-election at the forthcoming annual general meeting notwithstanding that they are not required by the Articles of Association to do so.



## Directors' Report

### DIRECTORS (continued)

In accordance with Article 87 of the Company's Articles of Association, Mr. Joseph Wong King Lam retires and, being eligible, offers himself for re-election.

The term of office of each of the non-executive directors is the period up to his retirement by rotation in accordance with Articles 84(A) and 87 of the Company's Articles of Association.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At March 31, 2005, the interests and short positions of the directors, the chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange were as follows:

#### Long positions (Ordinary shares of HK\$0.20 each of the Company)

Name of director	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Benson Tung Wah Wing	Interest of controlled corporation (note a)	125,049,390	35.51%
Alan Lam Yiu On	Beneficial owner	250,000	0.07%
Raymond Tung Wai Man	Beneficial owner	300,000	0.09%
Kevin Lee Kwok Bun	Beneficial owner	9,000,000	2.56%
Johnny Chang Tak Cheung	Beneficial owner/ Beneficiary of a trust (note b)	3,241,680	0.92%
Tony Chang Chung Kay	Beneficial owner	3,494,760	0.99%
Joseph Wong King Lam	Beneficial owner	1,390	0.000395%

## Directors' Report

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

*Notes:*

- (a) Mr. Benson Tung Wah Wing has an equity interest of 100% in Corona Investments Limited, which owned 125,049,390 ordinary shares in the Company as at March 31, 2005, representing 35.51% of the issued share capital of the Company.
- (b) Mr. Johnny Chang Tak Cheung is the beneficiary owner, who owned 651,680 ordinary shares in the Company as at March 31, 2005. He is also a beneficiary of a trust, Chaco International Limited, which owned 2,590,000 ordinary shares in the Company as at March 31, 2005.

Save as disclosed above, as at March 31, 2005, none of the directors or the chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept, pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Directors' Report

### SUBSTANTIAL SHAREHOLDERS

At March 31, 2005, shareholders who had interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Commonwealth Bank of Australia	Interest of controlled corporation	17,688,000 ( <i>note a</i> )	5.02%
Corona Investments Limited	Beneficial owner	125,049,390 ( <i>note b</i> )	35.51%

*Notes:*

- (a) These shares are indirectly held by Commonwealth Bank of Australia through a chain of 100% owned companies, namely Colonial Ltd, Colonial Holding Company Limited, Colonial Holding Company (No. 2) Pty Limited, The Colonial Mutual Life Assurance Society Ltd, Colonial First State Group Ltd, First State Investment Managers (Asia) Ltd, First State Investments (UK Holdings) Limited, First State Investments (Bermuda) Ltd, First State (Hong Kong) LLC, First State Investments (Hong Kong) Limited, SI Holdings Limited and First State Investment Management (UK) Limited.
- (b) These shares have been disclosed in the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above.

Other than as disclosed above, the Company has not been notified of any other interests representing 5% or more of the Company's issued share capital as at March 31, 2005.

### CONNECTED TRANSACTIONS

Details of the discloseable connected transactions for the year are set out in note 33 to the financial statements. In the opinion of the independent non-executive directors, these transactions entered into by the Group were:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either (a) on normal commercial terms; or (b) where there is no available comparison, on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
- (iii) either (a) in accordance with the terms of the agreements; or (b) where there are no such agreements, on terms no less favourable than those available to or from independent third parties;
- (iv) within the relevant cap amounts as agreed by the Stock Exchange; and
- (v) in accordance with the pricing policies of the Group which the price is determined by reference to the patterns and the colours of the products.

## Directors' Report

### CONNECTED TRANSACTIONS *(continued)*

Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

### SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended March 31, 2005.

### DONATIONS

During the year, the Group made charitable and other donations of approximately HK\$39,000.

### CORPORATE GOVERNANCE

The Company has complied throughout the year ended March 31, 2005 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

### AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board  
**Benson Tung Wah Wing**  
CHAIRMAN

Hong Kong, July 12, 2005

## Auditors' Report

# Deloitte.

## 德勤

**TO THE SHAREHOLDERS OF  
TUNGTEX (HOLDINGS) COMPANY LIMITED**  
*(incorporated in Hong Kong with limited liability)*

We have audited the financial statements on pages 30 to 71 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

## Auditors' Report

### OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at March 31, 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong, July 12, 2005

## Consolidated Income Statement

For the year ended March 31, 2005

	NOTES	2005 HK\$'000	2004 HK\$'000
Turnover	4	1,962,598	1,745,660
Cost of sales		(1,502,632)	(1,282,684)
Gross profit		459,966	462,976
Other operating income	5	4,827	5,003
Selling and distribution expenses		(103,283)	(88,827)
Administrative expenses		(262,501)	(250,474)
Profit from operations	6	99,009	128,678
Finance costs	7	(1,365)	(835)
Loss on disposal of interests in associates		(310)	(466)
Share of results of associates		727	1,168
Profit before taxation		98,061	128,545
Income tax expenses	10	(18,344)	(23,668)
Profit after taxation		79,717	104,877
Minority interests		(9,019)	(9,409)
Net profit for the year		70,698	95,468
Dividends	11	184,872	73,948
Earnings per share – Basic	12	20.1 cents	27.1 cents

## Consolidated Balance Sheet

At March 31, 2005

	NOTES	2005 HK\$'000	2004 HK\$'000
<b>Non-current assets</b>			
Investment properties	13	35,664	22,298
Property, plant and equipment	14	170,572	148,176
Intangible assets	15	545	669
Interests in associates	17	6,159	9,774
Investments in securities	18	2,278	2,191
Deferred tax assets	26	1,093	1,975
Deposit paid for acquisition of property, plant and equipment		–	2,269
		<b>216,311</b>	<b>187,352</b>
<b>Current assets</b>			
Inventories	19	167,094	164,160
Trade and other receivables	20	266,396	251,559
Amount due from an associate	33	735	735
Tax recoverable		1,601	183
Pledged bank deposits		232	–
Bank balances and cash		205,452	329,579
		<b>641,510</b>	<b>746,216</b>
<b>Current liabilities</b>			
Trade and other payables	21	282,559	255,884
Amount due to an associate	33	11,699	7,605
Tax liabilities		2,953	4,710
Obligations under finance leases – due within one year	22	186	198
Bank borrowings	23	12,899	17,483
		<b>310,296</b>	<b>285,880</b>
<b>Net current assets</b>		<b>331,214</b>	<b>460,336</b>
		<b>547,525</b>	<b>647,688</b>
<b>Capital and reserves</b>			
Share capital	24	70,428	70,428
Reserves		408,660	509,637
<b>Shareholders' funds</b>		<b>479,088</b>	<b>580,065</b>
<b>Minority interests</b>		<b>64,834</b>	<b>64,081</b>
<b>Non-current liabilities</b>			
Obligations under finance leases – due after one year	22	172	178
Deferred tax liabilities	26	3,431	3,364
		<b>3,603</b>	<b>3,542</b>
		<b>547,525</b>	<b>647,688</b>

The financial statements on pages 30 to 71 were approved and authorised for issue by the Board of Directors on July 12, 2005 and are signed on its behalf by:

**Benson Tung Wah Wing**  
DIRECTOR

**Alan Lam Yiu On**  
DIRECTOR



## Balance Sheet

At March 31, 2005

	NOTES	2005 HK\$'000	2004 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	14	851	1,164
Investments in subsidiaries	16	90,040	78,817
Investment in an associate	17	1,686	1,686
Investments in securities	18	2,278	2,191
Deferred tax assets	26	377	1,325
		<b>95,232</b>	85,183
<b>Current assets</b>			
Other receivables		2,413	2,544
Amounts due from subsidiaries	33	237,107	185,907
Bank balances and cash		7,115	37,623
		<b>246,635</b>	226,074
<b>Current liabilities</b>			
Other payables		6,240	5,033
Amounts due to subsidiaries	33	21,813	2,763
		<b>28,053</b>	7,796
<b>Net current assets</b>		<b>218,582</b>	218,278
		<b>313,814</b>	303,461
<b>Capital and reserves</b>			
Share capital	24	70,428	70,428
Reserves	25	243,386	233,033
		<b>313,814</b>	303,461

Benson Tung Wah Wing  
DIRECTOR

Alan Lam Yiu On  
DIRECTOR

## Consolidated Statement of Changes in Equity

For the year ended March 31, 2005

	Share capital	Share premium account	Investment property revaluation reserve	Capital redemption reserve	Goodwill	Negative goodwill	Exchange reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at April 1, 2003	70,428	84,880	396	3,848	(12,378)	19,636	(7,065)	398,557	558,302
Surplus arising on revaluation of investment properties	-	-	1,555	-	-	-	-	-	1,555
Exchange differences arising on consolidation	-	-	-	-	-	-	(1,312)	-	(1,312)
Net gain not recognised in the consolidated income statement	-	-	1,555	-	-	-	(1,312)	-	243
Net profit for the year	-	-	-	-	-	-	-	95,468	95,468
Dividends (note 11)	-	-	-	-	-	-	-	(73,948)	(73,948)
Balance at March 31, 2004	70,428	84,880	1,951	3,848	(12,378)	19,636	(8,377)	420,077	580,065
Surplus arising on revaluation of investment properties	-	-	13,366	-	-	-	-	-	13,366
Exchange differences arising on consolidation	-	-	-	-	-	-	(169)	-	(169)
Net gain not recognised in the consolidated income statement	-	-	13,366	-	-	-	(169)	-	13,197
Net profit for the year	-	-	-	-	-	-	-	70,698	70,698
Dividends (note 11)	-	-	-	-	-	-	-	(184,872)	(184,872)
<b>Balance at March 31, 2005</b>	<b>70,428</b>	<b>84,880</b>	<b>15,317</b>	<b>3,848</b>	<b>(12,378)</b>	<b>19,636</b>	<b>(8,546)</b>	<b>305,903</b>	<b>479,088</b>

The accumulated profits of the Group included an accumulated loss of HK\$2,631,000 (2004: a profit of HK\$461,000) attributable to associates of the Group.

## Consolidated Cash Flow Statement

For the year ended March 31, 2005

	2005 HK\$'000	2004 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit from operations	99,009	128,678
Adjustments for:		
Amortisation of intangible assets	124	130
Bank interest income	(1,843)	(1,810)
Depreciation and amortisation of property, plant and equipment	26,473	26,369
Loss (gain) on disposal of property, plant and equipment	91	(10)
Unrealised holding gain on other unlisted investments	(87)	(343)
Operating cash flows before movements in working capital	123,767	153,014
Increase in inventories	(2,926)	(30,789)
Increase in trade and other receivables	(14,818)	(20,391)
Increase in trade and other payables	26,644	641
Increase (decrease) in amount due to an associate	4,094	(4,103)
Cash generated from operations	136,761	98,372
Hong Kong Profits Tax paid	(11,720)	(15,751)
Taxation in other jurisdictions paid	(9,176)	(2,871)
Hong Kong Profits Tax refunded	406	-
Bank interest received	1,843	1,810
Interest paid	(1,365)	(835)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>116,749</b>	<b>80,725</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(46,653)	(18,912)
Increase in pledged bank deposits	(232)	-
Proceeds from disposal of interests in associates	3,505	2,089
Dividend received from an associate	447	1,125
Proceeds from disposal of property, plant and equipment	397	440
Deposit paid for acquisition of property, plant and equipment	-	(2,269)
Return of capital from an associate	-	2,203
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(42,536)</b>	<b>(15,324)</b>

## Consolidated Cash Flow Statement

For the year ended March 31, 2005

	2005 HK\$'000	2004 HK\$'000
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(184,872)	(73,948)
Dividends paid by subsidiaries to minority shareholders	(8,276)	(4,000)
Repayment of bank borrowings	(6,907)	(10,399)
Repayment of obligations under finance leases	(367)	(210)
New bank borrowings raised	3,746	10,376
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(196,676)</b>	<b>(78,181)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(122,463)</b>	<b>(12,780)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>322,472</b>	<b>335,199</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>9</b>	<b>53</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>200,018</b>	<b>322,472</b>
<b>ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	205,452	329,579
Bank overdrafts	(5,434)	(7,107)
	<b>200,018</b>	<b>322,472</b>

## Notes to the Financial Statements

For the year ended March 31, 2005

### 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 and associates are set out in notes 16 and 17, respectively.

### 2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after January 1, 2005 except for HKFRS 3 "Business combinations". The Group has not early adopted these new HKFRSs in the financial statements for the year ended March 31, 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after January 1, 2005. The Group has not entered into any business combination for which the agreement date is on or after January 1, 2005. Therefore HKFRS 3 did not have any impact on the Group for the year ended March 31, 2005.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

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.

## Notes to the Financial Statements

For the year ended March 31, 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **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.

#### **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.

## Notes to the Financial Statements

For the year ended March 31, 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Investment properties *(continued)*

Investment properties are stated at their open market values 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.

#### 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, as follows:

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

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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where, shorter, the period of the relevant lease.

## Notes to the Financial Statements

For the year ended March 31, 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **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.

#### **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 liabilities to the lessors, net of interest charges, are included in the balance sheet as finance lease obligations. 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.



## Notes to the Financial Statements

For the year ended March 31, 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Investments in securities** *(continued)*

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.

#### **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 prior to the abolishment of the quota system 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 their estimated useful lives of five years up to the date of abolishment of the quota system.

#### **Trademarks**

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

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and conditions. 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.

#### **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' rights to receive payment have been established.

## Notes to the Financial Statements

For the year ended March 31, 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### **Foreign currencies**

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies 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 year.

## Notes to the Financial Statements

For the year ended March 31, 2005

### 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Foreign currencies** *(continued)*

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 year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the year 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.

### 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.

## Notes to the Financial Statements

For the year ended March 31, 2005

### 4. SEGMENT INFORMATION (continued)

#### Geographical segments (continued)

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

#### 2005

	USA HK\$'000	Canada HK\$'000	Asia HK\$'000	Europe and others HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>					
Sales of goods	1,733,850	21,514	136,130	71,104	1,962,598
<b>SEGMENT RESULT</b>					
	86,352	835	443	6,552	94,182
Other operating income					4,827
Profit from operations					99,009
Finance costs					(1,365)
Loss on disposal of interests in associates					(310)
Share of results of associates	626	10	85	6	727
Profit before taxation					98,061
Income tax expenses					(18,344)
Profit after taxation					79,717

## Notes to the Financial Statements

For the year ended March 31, 2005

### 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, as at March 31, 2005:

#### 2005

	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>
<b>ASSETS</b>					
Segment assets	491,953	10,984	80,791	21,845	605,573
Interests in associates	5,577	58	495	29	6,159
Unallocated corporate assets					246,089
Consolidated total assets					857,821
<b>LIABILITIES</b>					
Segment liabilities	250,948	4,154	28,785	10,729	294,616
Unallocated corporate liabilities					19,283
Consolidated total liabilities					313,899
<b>OTHER INFORMATION</b>					
Capital expenditure	31,765	1,732	14,621	1,153	49,271
Depreciation and amortisation	21,299	517	3,761	1,020	26,597

## Notes to the Financial Statements

For the year ended March 31, 2005

### 4. SEGMENT INFORMATION (continued)

#### Geographical segments (continued)

2004

	USA HK\$'000	Canada HK\$'000	Asia HK\$'000	Europe and others HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>					
Sales of goods	1,523,680	19,632	136,860	65,488	1,745,660
<b>SEGMENT RESULT</b>					
	105,594	1,629	8,724	7,728	123,675
Other operating income					5,003
Profit from operations					128,678
Finance costs					(835)
Loss on disposal of interests in associates					(466)
Share of results of associates	693	40	400	35	1,168
Profit before taxation					128,545
Income tax expenses					(23,668)
Profit after taxation					104,877

## Notes to the Financial Statements

For the year ended March 31, 2005

### 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, as at March 31, 2004:

2004

	USA HK\$'000	Canada HK\$'000	Asia HK\$'000	Europe and others HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>					
Segment assets	465,651	8,903	69,390	23,624	567,568
Interests in associates	8,076	142	1,453	103	9,774
Unallocated corporate assets					356,226
Consolidated total assets					933,568
<b>LIABILITIES</b>					
Segment liabilities	227,693	3,154	21,867	11,151	263,865
Unallocated corporate liabilities					25,557
Consolidated total liabilities					289,422
<b>OTHER INFORMATION</b>					
Capital expenditure	15,216	329	2,732	798	19,075
Depreciation and amortisation	20,857	512	4,051	1,079	26,499

## Notes to the Financial Statements

For the year ended March 31, 2005

### 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 additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
USA	92,096	90,600	740	3,399
Hong Kong	416,049	529,086	2,236	2,250
People's Republic of China, other than Hong Kong (the "PRC")	295,766	268,423	39,419	11,580
Others	53,910	45,459	6,876	1,846
	<b>857,821</b>	<b>933,568</b>	<b>49,271</b>	<b>19,075</b>

### 5. OTHER OPERATING INCOME

	2005	2004
	HK\$'000	HK\$'000
Bank interest income	1,843	1,810
Gain on disposal of property, plant and equipment	–	10
Rental income from properties under operating leases, net of outgoings of HK\$88,000 (2004: HK\$109,000)	2,897	2,840
Unrealised holding gain on other unlisted investments	87	343
	<b>4,827</b>	<b>5,003</b>



## Notes to the Financial Statements

For the year ended March 31, 2005

### 6. PROFIT FROM OPERATIONS

	2005 HK\$'000	2004 HK\$'000
Profit from operations has been arrived at after charging:		
Directors' emoluments ( <i>note 8</i> )		
Fees	340	300
Other emoluments	11,217	10,814
Retirement benefits scheme contributions	36	48
	<b>11,593</b>	11,162
Other staff costs	<b>285,538</b>	268,565
Retirement benefits scheme contributions, excluding directors	<b>7,169</b>	6,863
Total staff costs	<b>304,300</b>	286,590
Amortisation of intangible assets (HK\$73,000 (2004: HK\$79,000) included in administrative expenses, HK\$51,000 (2004: HK\$51,000) included in cost of sales)	<b>124</b>	130
Auditors' remuneration	<b>1,182</b>	1,062
Depreciation and amortisation of property, plant and equipment	<b>26,473</b>	26,369
Loss on disposal of property, plant and equipment	<b>91</b>	-
Temporary quota expenses	<b>22,950</b>	31,097

### 7. FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Interest on borrowings wholly repayable within five years:		
Bank borrowings and bills discounted	1,338	805
Finance leases	27	30
	<b>1,365</b>	835

## Notes to the Financial Statements

For the year ended March 31, 2005

### 8. DIRECTORS' EMOLUMENTS

Particulars of the emoluments of the directors are as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Directors' fees:		
Executive directors	-	-
Non-executive directors		
Independent	220	180
Other	120	120
	<b>340</b>	300
Other emoluments:		
Executive directors		
Salaries and other benefits	8,607	8,381
Performance related incentive payments	1,674	1,452
Retirement benefits scheme contributions	36	48
Non-executive directors		
Independent	-	-
Other, being salaries and other benefits	936	981
Retirement benefits scheme contributions	-	-
	<b>11,253</b>	10,862
	<b>11,593</b>	11,162

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

	Number of directors	
	2005	2004
Nil to HK\$1,000,000	6	5
HK\$1,000,001 to HK\$1,500,000	-	1
HK\$2,000,001 to HK\$2,500,000	1	-
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$5,000,001 to HK\$5,500,000	1	-
HK\$5,500,001 to HK\$6,000,000	-	1

## Notes to the Financial Statements

For the year ended March 31, 2005

### 9. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included three directors (2004: two), details of whose emoluments are set out in note 8 above. The emoluments of the remaining two (2004: three) highest paid individuals were as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Salaries and other benefits	9,268	9,249
Performance related incentive payments	802	4,194
Retirement benefits scheme contributions	12	23
	<b>10,082</b>	<b>13,466</b>

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

	Number of employees	
	2005	2004
HK\$2,000,001 to HK\$2,500,000	–	2
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$7,000,001 to HK\$7,500,000	1	–
HK\$8,500,001 to HK\$9,000,000	–	1

During the years ended March 31, 2005 and 2004, 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, 2005 and 2004.

## Notes to the Financial Statements

For the year ended March 31, 2005

### 10. INCOME TAX EXPENSES

	2005 HK\$'000	2004 HK\$'000
Taxation attributable to the Company and its subsidiaries:		
Current tax:		
Hong Kong	14,460	14,631
PRC	576	1,380
Other jurisdictions	1,763	3,128
	<b>16,799</b>	19,139
Underprovision in prior years	516	1,178
	<b>17,315</b>	20,317
Deferred tax charge (credit) (note 26):		
Current year	949	3,320
Attributable to a change in Hong Kong Profits Tax rate	–	(157)
	<b>949</b>	3,163
Share of taxation attributable to associates	80	188
	<b>18,344</b>	23,668

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the year.

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

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are exempted from PRC enterprise income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years ("Tax Holidays"). Two (2004: two) of the subsidiaries of the Company is subject to enterprise income tax in the PRC at a reduction rate of 50% during the year ended March 31, 2005.

## Notes to the Financial Statements

For the year ended March 31, 2005

### 10. INCOME TAX EXPENSES (continued)

During the year ended March 31, 2005, a subsidiary of the Company received protective profits tax assessment from Inland Revenue Department (the "IRD") of approximately HK\$2.6 million relating to the year of assessment 1998/99, that is, for the financial year ended March 31, 1999. The protective profits tax assessment relates mainly to the subsidiary's income derived from its manufacturing operations in the PRC. The subsidiary lodged an objection with the IRD and the IRD agreed to holdover the tax claimed subject to tax reserve certificate in the amount of HK\$2.6 million being purchased by the subsidiary. The subsidiary had purchased the tax reserve certificate during the year.

In the opinion of the directors, the subsidiary's income derived from its manufacturing activities in the PRC is not arising in or derived from Hong Kong and accordingly not subject to Hong Kong Profits Tax. No tax provision in respect of the protective assessments is considered necessary.

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2005		2004	
	HK\$'000	%	HK\$'000	%
Profit before taxation	<b>98,061</b>		128,545	
Tax at the domestic income tax rate	<b>17,161</b>	<b>17.5</b>	22,495	17.5
Tax effect of expenses that are not deductible in determining taxable profit	<b>3,917</b>	<b>4.0</b>	2,985	2.3
Tax effect of income that is not taxable in determining taxable profit	<b>(8,581)</b>	<b>(8.7)</b>	(7,088)	(5.5)
Tax effect of tax losses not recognised	<b>4,043</b>	<b>4.1</b>	6,680	5.2
Tax effect of other deferred tax assets not recognised	–	–	45	–
Utilisation of tax losses previously not recognised	<b>(401)</b>	<b>(0.4)</b>	(262)	(0.2)
Increase in opening deferred tax liability resulting from an increase in applicable tax rate	–	–	(157)	(0.1)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>1,689</b>	<b>1.7</b>	(2,190)	(1.7)
Underprovision in prior years	<b>516</b>	<b>0.5</b>	1,178	0.9
Others	–	–	(18)	–
Tax expenses and effective tax rate for the year	<b>18,344</b>	<b>18.7</b>	23,668	18.4

Details of deferred taxation for the year are set out in note 26.

## Notes to the Financial Statements

For the year ended March 31, 2005

### 11. DIVIDENDS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interim dividends paid in respect of year ended:		
– March 31, 2005 (HK6.0 cents per share)	21,128	–
– March 31, 2004 (HK6.0 cents per share)	–	21,128
Special dividends paid in respect of year ended:		
– March 31, 2005 (HK33.0 cents per share)	116,205	–
– March 31, 2003 (HK3.0 cents per share)	–	10,564
Final dividends paid in respect of year ended:		
– March 31, 2004 (HK13.5 cents per share)	47,539	–
– March 31, 2003 (HK12.0 cents per share)	–	42,256
	<b>184,872</b>	<b>73,948</b>

The final dividend of HK14.0 cents per share (2004: HK13.5 cents per share) has been proposed by the directors and is subject to approval by the shareholders in the next general meeting.

### 12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of HK\$70,698,000 (2004: HK\$95,468,000) and on the number of 352,137,298 shares (2004: 352,137,298 shares) in issue during the year.

There were no potential dilutive ordinary shares for the years presented.

## Notes to the Financial Statements

For the year ended March 31, 2005

### 13. INVESTMENT PROPERTIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
VALUATION		
Balance brought forward	22,298	11,740
Transferred from property, plant and equipment	–	9,003
Revaluation increase	13,366	1,555
	<hr/>	<hr/>
Balance carried forward	35,664	22,298

The investment properties of the Group were revalued at March 31, 2005 on the open market value basis by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers. This valuation gave rise to a revaluation increase of HK\$13,366,000 (2004: HK\$1,555,000) which has been credited 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.

## Notes to the Financial Statements

For the year ended March 31, 2005

### 14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	Leasehold improvements, plant and machinery, furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>				
<b>COST</b>				
At April 1, 2004	124,821	216,977	5,295	347,093
Currency realignment	73	82	1	156
Additions	20,675	27,562	1,034	49,271
Disposals	-	(4,647)	(842)	(5,489)
<b>At March 31, 2005</b>	<b>145,569</b>	<b>239,974</b>	<b>5,488</b>	<b>391,031</b>
<b>DEPRECIATION AND AMORTISATION</b>				
At April 1, 2004	35,262	159,693	3,962	198,917
Currency realignment	10	59	1	70
Provided for the year	4,237	21,586	650	26,473
Eliminated on disposals	-	(4,247)	(754)	(5,001)
<b>At March 31, 2005</b>	<b>39,509</b>	<b>177,091</b>	<b>3,859</b>	<b>220,459</b>
<b>NET BOOK VALUES</b>				
<b>At March 31, 2005</b>	<b>106,060</b>	<b>62,883</b>	<b>1,629</b>	<b>170,572</b>
At March 31, 2004	89,559	57,284	1,333	148,176

Land and buildings include medium-term land use rights and buildings situated in the PRC with an aggregate net book value amounting to approximately HK\$65,329,000 (2004: HK\$48,265,000) and freehold land and buildings situated overseas with an aggregate net book value amounting to approximately HK\$15,370,000 (2004: HK\$14,929,000). All other land and buildings of the Group are situated in Hong Kong and held under medium-term leases.

The net book value of property, plant and equipment includes an amount of approximately HK\$491,000 (2004: HK\$502,000) in respect of assets held under finance leases.



## Notes to the Financial Statements

For the year ended March 31, 2005

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

	Leasehold improvements, plant and machinery, furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE COMPANY</b>			
COST			
At April 1, 2004	7,624	710	8,334
Additions	86	-	86
<b>At March 31, 2005</b>	<b>7,710</b>	<b>710</b>	<b>8,420</b>
DEPRECIATION			
At April 1, 2004	6,732	438	7,170
Provided for the year	257	142	399
<b>At March 31, 2005</b>	<b>6,989</b>	<b>580</b>	<b>7,569</b>
NET BOOK VALUES			
<b>At March 31, 2005</b>	<b>721</b>	<b>130</b>	<b>851</b>
At March 31, 2004	892	272	1,164

## Notes to the Financial Statements

For the year ended March 31, 2005

### 15. INTANGIBLE ASSETS

	Permanent textile quota entitlements <i>HK\$'000</i>	Trademarks <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>			
COST			
At April 1, 2004 and March 31, 2005	255	774	1,029
AMORTISATION			
At April 1, 2004	204	156	360
Provided for the year	51	73	124
<b>At March 31, 2005</b>	<b>255</b>	<b>229</b>	<b>484</b>
CARRYING AMOUNT			
<b>At March 31, 2005</b>	<b>–</b>	<b>545</b>	<b>545</b>
At March 31, 2004	51	618	669

## Notes to the Financial Statements

For the year ended March 31, 2005

## 16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares/investments, at cost	90,040	78,817

Particulars of the Company's principal subsidiaries at March 31, 2005 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 garments
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
深圳百多爾時裝有限公司	PRC (c)	Rmb2,500,000	Registered capital	-	100	Garment manufacture
同得仕(杭州)時裝有限公司	PRC (c)	US\$1,450,000	Paid up capital	100	-	Garment manufacture

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

## Notes to the Financial Statements

For the year ended March 31, 2005

### 16. INVESTMENTS IN SUBSIDIARIES (continued)

Notes:

- (a) These companies are private limited companies.
- (b) These companies are sino-foreign equity enterprises.
- (c) These companies are wholly foreign owned enterprises.

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

	2005 HK\$'000	2004 HK\$'000
<b>THE GROUP</b>		
Share of net assets	6,159	9,774
<b>THE COMPANY</b>		
Capital contribution, at cost	1,686	1,686

Particulars of the Group's associates at March 31, 2005, which are registered and operated in the PRC as sino-foreign equity enterprises, are as follows:

Name of associate	Class of share held	Proportion of registered capital held by the Group		Principal activities
		Directly %	Indirectly %	
番禺市金源時裝有限公司	Registered capital	-	30	Garment manufacture
嵯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

During the year ended March 31, 2005, the Group disposed of its entire 25% equity interest in 深圳浙絲服裝有限公司.

## Notes to the Financial Statements

For the year ended March 31, 2005

### 18. INVESTMENTS IN SECURITIES

	THE GROUP AND THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Non-current investments		
Investment securities, being overseas listed shares, at cost	581	581
Less: Impairment loss	(281)	(281)
	300	300
Other unlisted investments, at fair value	1,978	1,891
	2,278	2,191
Market value of listed shares at March 31	344	335

### 19. INVENTORIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Raw materials	48,428	43,028
Work in progress	68,117	69,422
Finished goods	50,549	51,710
	167,094	164,160

Included above are raw materials of HK\$2,216,000 (2004: HK\$1,354,000), work in progress of HK\$289,000 (2004: Nil) and finished goods of HK\$972,000 (2004: HK\$1,832,000) which are carried at net realisable values.

## Notes to the Financial Statements

For the year ended March 31, 2005

### 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	
	2005	2004
	HK\$'000	HK\$'000
Up to 30 days	180,806	164,369
31 – 60 days	32,345	44,923
61 – 90 days	7,470	10,135
	<b>220,621</b>	<b>219,427</b>

### 21. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Up to 30 days	80,649	103,926
31 – 60 days	58,167	42,703
61 – 90 days	22,675	13,385
More than 90 days	7,604	2,295
	<b>169,095</b>	<b>162,309</b>

## Notes to the Financial Statements

For the year ended March 31, 2005

## 22. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount payable under finance leases:				
Within one year	207	223	186	198
In the second to fifth year inclusive	203	193	172	178
	410	416		
Less: Future finance charges	(52)	(40)		
Present value of lease obligations	358	376	358	376
Less: Amount due within one year shown under current liabilities			(186)	(198)
Amount due after one year			172	178

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, 2005, the effective borrowing rate was 6% (2004: 14.6%). 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.

## Notes to the Financial Statements

For the year ended March 31, 2005

### 23. BANK BORROWINGS

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Bank borrowings comprise the following:		
Bank overdrafts	5,434	7,107
Trust receipt loans	3,746	10,376
Bank loan	3,719	–
	<b>12,899</b>	<b>17,483</b>
Analysed as:		
Secured	9,179	16,376
Unsecured	3,720	1,107
	<b>12,899</b>	<b>17,483</b>

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 the balance sheet date bear interest at prevailing market rates.

### 24. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised:		
Ordinary shares of HK\$0.20 each		
At April 1, 2003, March 31, 2004 and 2005	500,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK\$0.20 each		
At April 1, 2003, March 31, 2004 and 2005	352,137,298	70,428



## Notes to the Financial Statements

For the year ended March 31, 2005

### 25. RESERVES

	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE COMPANY</b>				
Balance at April 1, 2003	84,880	3,848	114,444	203,172
Net profit for the year	–	–	103,809	103,809
Dividends ( <i>note 11</i> )	–	–	(73,948)	(73,948)
Balance at March 31, 2004	84,880	3,848	144,305	233,033
Net profit for the year	–	–	195,225	195,225
Dividends ( <i>note 11</i> )	–	–	(184,872)	(184,872)
<b>Balance at March 31, 2005</b>	<b>84,880</b>	<b>3,848</b>	<b>154,658</b>	<b>243,386</b>

The Company's reserves available for distribution to shareholders as at March 31, 2005 comprise the accumulated profits of HK\$154,658,000 (2004: HK\$144,305,000).

## Notes to the Financial Statements

For the year ended March 31, 2005

### 26. DEFERRED TAXATION

#### THE GROUP

The major deferred tax (liabilities) assets recognised and movements thereon during the current and prior reporting years are as follows:

	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At April 1, 2003	(3,331)	3,877	1,228	1,774
Credited (charged) to income for the year	505	(3,198)	(627)	(3,320)
Effect of change in tax rate (charged) credited to the income statement	(312)	363	106	157
At March 31, 2004	(3,138)	1,042	707	(1,389)
Charged to income for the year	(332)	(275)	(342)	(949)
<b>At March 31, 2005</b>	<b>(3,470)</b>	<b>767</b>	<b>365</b>	<b>(2,338)</b>

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Deferred tax assets	1,093	1,975
Deferred tax liabilities	(3,431)	(3,364)
	<b>(2,338)</b>	<b>(1,389)</b>

At the balance sheet date, the Group has unused tax losses of HK\$111 million (2004: HK\$92 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$4 million (2004: HK\$6 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$107 million (2004: HK\$86 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$48 million (2004: HK\$41 million) that can be carried forward for five years and losses of HK\$32 million (2004: HK\$22 million) that can be carried forward for twenty years. Other losses may be carried forward indefinitely.

## Notes to the Financial Statements

For the year ended March 31, 2005

### 26. DEFERRED TAXATION (continued)

No provision for deferred tax 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.

#### THE COMPANY

	Differences between accounting and tax depreciation HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At April 1, 2003	151	887	-	1,038
Credited (charged) to income for the year	13	188	(11)	190
Effect of change in tax rate credited to the income statement	14	83	-	97
At March 31, 2004	178	1,158	(11)	1,325
Credited (charged) to income for the year	25	(958)	(15)	(948)
<b>At March 31, 2005</b>	<b>203</b>	<b>200</b>	<b>(26)</b>	<b>377</b>

At March 31, 2005, the Company has unused tax losses of HK\$1,145,000 (2004: HK\$6,618,000) available for offset against future profits and the respective deferred tax asset has been recognised due to predictability of future profit streams.

### 27. 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 HK\$349,000 (2004: HK\$163,000).

## Notes to the Financial Statements

For the year ended March 31, 2005

### 28. OPERATING LEASES COMMITMENTS

#### The Group as lessee

During the year, the Group made minimum lease payments under operating leases of HK\$20,700,000 (2004: HK\$22,158,000) in respect of rented premises.

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	
	2005	2004
	HK\$'000	HK\$'000
Within one year	16,235	16,191
In second to fifth year inclusive	29,647	24,381
Over five years	15,645	12,907
	<b>61,527</b>	<b>53,479</b>

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

#### The Group as lessor

Property rental income earned during the year was HK\$2,985,000 (2004: HK\$2,949,000). The properties held have committed tenants for an average term of two years.

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

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Within one year	2,142	2,009
In second to fifth year inclusive	1,615	2,106
	<b>3,757</b>	<b>4,115</b>

## Notes to the Financial Statements

For the year ended March 31, 2005

### 29. CAPITAL COMMITMENTS

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

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Contracted but not provided for in the financial statements in respect of acquisition of property, plant and equipment	1,155	86	889	-
Capital investment in respect of capital contribution in a subsidiary contracted but not provided for in the financial statements	-	-	27,477	-

### 30. CONTINGENT LIABILITIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Bills discounted with recourse	67,315	60,943

The Company has issued guarantees to banks to secure general banking facilities granted to certain subsidiaries to the extent of HK\$147 million (2004: HK\$147 million). The Company has also issued unlimited guarantees to banks to secure banking facilities granted to certain subsidiaries. The extent of the above facilities utilised by the subsidiaries at March 31, 2005 amounted to HK\$13 million (2004: HK\$17 million).

## Notes to the Financial Statements

For the year ended March 31, 2005

### 31. PLEDGE OF ASSETS

At the balance sheet date, the following assets have been pledged to banks to secure general banking facilities granted to the Group:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Land and buildings	19,875	20,664
Investment properties	8,198	6,019
Pledged bank deposits	232	-

### 32. 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, for each of the employees every month, 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\$7,205,000 (2004: HK\$6,911,000) represents contributions payable to these schemes by the Group in respect of the current accounting year.

## Notes to the Financial Statements

For the year ended March 31, 2005

### 33. CONNECTED TRANSACTIONS AND RELATED PARTIES TRANSACTIONS

- (a) During the year, the Group had transactions with connected persons and related parties, details of which are set out as follows:

#### (I) Connected transactions

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Fabric print and artwork services from Fine Print Studio Inc. ("Fine Print")	<b>3,514</b>	2,199
Rental income received from Fine Print	<b>292</b>	231

Fine Print is wholly owned by Mr. Peter Kan Mui, a minority shareholder of a subsidiary, and his associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange).

The above transactions were carried out in accordance with the terms agreed by both parties.

#### (II) Related party transactions

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Purchase of raw materials and finished goods from the Group's associates	<b>36,884</b>	15,937

The above transactions were carried out at cost plus a percentage of profit mark up.

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

## Notes to the Financial Statements

For the year ended March 31, 2005

### 33. CONNECTED TRANSACTIONS AND RELATED PARTIES TRANSACTIONS *(continued)*

- (b) The Group and the Company have the following balances with related parties at the balance sheet date:

#### **The Group**

- (I) Amount due from an associate of HK\$735,000 (2004: HK\$735,000) which is unsecured, non-interest bearing and has no fixed repayment terms.
- (II) Amount due to an associate of HK\$11,699,000 (2004: HK\$7,605,000) which represents trading balance and is aged within 60 days.

#### **The Company**

- (I) Amounts due from subsidiaries of HK\$237,107,000 (2004: HK\$185,907,000) which are unsecured and have no fixed repayment terms. Included in the amount is a balance of HK\$37,120,000 (2004: HK\$22,110,246) which bears interest at Hong Kong Prime Rate and the remaining balances are non-interest bearing.
- (II) Amounts due to subsidiaries of HK\$21,813,000 (2004: HK\$2,763,000) which are unsecured and have no fixed repayment terms. Included in the amount is a balance of HK\$19,035,000 (2004: Nil) which bears interest at 3% per annum and the remaining balances are non-interest bearing.



## Financial Summary

For the year ended March 31, 2005

### RESULTS

	For the year ended March 31,				
	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Turnover	1,697,403	1,408,750	1,540,013	1,745,660	<b>1,962,598</b>
Profit before taxation	150,099	113,628	117,957	128,545	<b>98,061</b>
Profit attributable to shareholders	119,842	87,674	93,034	95,468	<b>70,698</b>

### ASSETS AND LIABILITIES

	As at March 31,				
	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Total assets	858,108	831,525	906,020	933,568	<b>857,821</b>
Total liabilities	(292,188)	(240,722)	(288,869)	(289,422)	<b>(313,899)</b>
Minority interests	(46,487)	(53,907)	(58,849)	(64,081)	<b>(64,834)</b>
Shareholders' funds	519,433	536,896	558,302	580,065	<b>479,088</b>

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Tungtex

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