TUNGTEX (HOLDINGS) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00518)

INTERIM RESULTS ANNOUNCEMENT
SIX MONTHS ENDED SEPTEMBER 30, 2007

FINANCIAL HIGHLIGHTS

1. Group turnover decreased by 3.2% to HK$1,088 million

2. Profit attributable to equity holders of the Company rose by 13.4% to HK$46.8 million

3. Profit attributable to equity holders of the Company as a percentage of turnover improved 0.6% point to 4.3%

4. Net cash went up from HK$93 million to HK$166 million in the past six months

5. The Board of Directors has declared an interim dividend of HK6.25 cents per share

RESULTS

The Board of Directors is pleased to announce that the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended September 30, 2007 (the "period") are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended September 30, 2007

	Notes	Six months ended September 30, 2007 HK$'000 (unaudited)	2006 HK$'000 (unaudited)
Revenue	3	**1,087,831**	1,123,873
Cost of sales		**(834,849)**	(865,787)
Gross profit		**252,982**	258,086
Increase in fair value of an investment property		**3,591**	–
Other income		**5,215**	4,328
Selling and distribution costs		**(51,008)**	(49,433)
Administrative expenses		**(139,683)**	(143,714)
Finance costs		**(2,890)**	(2,700)
Share of results of associates		**(1,407)**	(139)
Profit before tax	4	**66,800**	66,428
Income tax expense	5	**(15,339)**	(13,367)
Profit for the period		**51,461**	53,061
Attributable to:			
Equity holders of the Company		**46,806**	41,273
Minority interests		**4,655**	11,788
		51,461	53,061
Dividends	6		
Final dividend of HK12.5 cents per share (2006: HK11.5 cents per share)		**44,017**	40,496
		HK cents	*HK cents*
Earnings per share	7		
– Basic		**13.3**	11.7
– Diluted		**13.2**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

At September 30, 2007

	Notes	September 30, 2007 HK$'000 (unaudited)	March 31, 2007 HK$'000 (audited)
Non-current assets			
Investment properties	*8*	**45,984**	68,284
Property, plant and equipment	*8*	**130,901**	132,382
Prepaid lease payments		**26,388**	27,230
Intangible asset		**364**	398
Interests in associates		**3,695**	7,919
Deferred tax assets		**717**	1,031
		208,049	237,244
Current assets			
Inventories		**178,034**	231,799
Trade and other receivables	*9*	**344,673**	374,818
Prepaid lease payments		**731**	731
Amounts due from associates		**12,176**	5,231
Tax recoverable		**2,314**	2,123
Pledged bank deposits		**–**	262
Bank balances and cash		**204,180**	179,637
		742,108	794,601
Asset classified as held for sale	*8*	**25,891**	–
		767,999	794,601
Current liabilities			
Trade and other payables	*10*	**314,362**	329,334
Tax liabilities		**41,299**	35,467
Obligations under finance leases – due within one year		**336**	305
Bank borrowings		**37,746**	86,186
		393,743	451,292
Net current assets		**374,256**	343,309
Total assets less current liabilities		**582,305**	580,553
Non-current liabilities			
Obligations under finance leases – due after one year		**248**	344
Deferred tax liabilities		**10,552**	14,281
		10,800	14,625
		571,505	565,928
Capital and reserves			
Share capital		**70,428**	70,428
Reserves		**440,352**	436,773
Equity attributable to equity holders of the Company		**510,780**	507,201
Minority interests		**60,725**	58,727
		571,505	565,928

Notes:

1. **Basis of preparation**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. **Principal accounting policies**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended March 31, 2007.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial period beginning April 1, 2007. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the new standards or interpretations that have been issued but are not yet effective. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented. 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 its results and financial position are prepared and presented.

3. **Segment information**

The Group is principally engaged in the manufacture and sale of garments. Accordingly, no business segment analysis of financial information is provided. The Group's manufacture and sale of garments business is principally located in the United States of America ("USA"), Canada, Asia and Europe and others. The Group reports its primary segment information on geographical location of its customers and the segment information about these geographical markets is presented below:

Six months ended September 30, 2007

	USA	Canada	Asia	Europe and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
Sales of goods – external	**923,705**	**18,669**	**74,008**	**71,449**	**1,087,831**
SEGMENT RESULT	**83,358**	**1,477**	**4,571**	**9,038**	**98,444**
Unallocated corporate income					**8,806**
Unallocated corporate expense					**(39,043)**
Share of results of associates	**(1,323)**	**(30)**	**(40)**	**(14)**	**(1,407)**
Profit before tax					**66,800**
Income tax expense					**(15,339)**
Profit for the period					**51,461**

Six months ended September 30, 2006

	USA *HK$'000*	Canada *HK$'000*	Asia *HK$'000*	Europe and others *HK$'000*	Consolidated *HK$'000*
REVENUE					
Sales of goods – external	986,556	12,979	65,125	59,213	1,123,873
SEGMENT RESULT	89,322	1,033	3,460	6,431	100,246
Unallocated corporate income					4,328
Unallocated corporate expense					(38,007)
Share of results of associates	(109)	(4)	(23)	(3)	(139)
Profit before tax					66,428
Income tax expense					(13,367)
Profit for the period					53,061

4. Profit before tax

	Six months ended September 30, **2007** ***HK$'000***	2006 *HK$'000*
Profit before tax has been arrived at after charging:		
Amortisation of intangible asset	**34**	35
Amortisation of prepaid lease payments	**365**	365
Depreciation of property, plant and equipment	**12,710**	13,549
Share of tax of associates (included in share of results of associates)	**–**	80
and after crediting:		
Bank interest income	**2,941**	1,267
Rental income from properties under operating leases	**1,284**	1,887
Gain on disposal of available-for-sale investments	**–**	171
Gain on disposal of interest in an associate	**657**	–
Gain on disposal of investment property	**–**	948
Gain on disposal of property, plant and equipment	**333**	–

5. Income tax expense

	Six months ended September 30, 2007 HK$'000	2006 HK$'000
Current tax:		
Hong Kong	**9,923**	5,555
The People's Republic of China, other than Hong Kong (the "PRC")	**–**	1,403
Other jurisdictions	**8,877**	6,924
	18,800	13,882
Deferred tax credit	**(3,461)**	(515)
	15,339	13,367

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the period.

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

Two subsidiaries of the Company received protective/additional profits tax assessment from Inland Revenue Department (the "IRD") of approximately HK$5.4 million and HK$23.1 million, respectively, relating to the year of assessment 1998/99 to 2005/06, that is, for the financial years ended March 31, 1999 to 2006. The protective/additional profits tax assessment relates mainly to the subsidiaries' income derived from their manufacturing operations in the PRC. The subsidiaries lodged objections with the IRD and the IRD agreed to holdover the tax claimed subject to tax reserve certificates in the amount of HK$28.5 million being purchased by the subsidiaries.

In the opinion of the directors and the advice from the Group's tax advisors, the subsidiaries' income derived from their manufacturing activities in the PRC is not arising in or derived from Hong Kong, and that sufficient tax provision has been made in the consolidated financial statements in this regard.

6. Dividends

On September 7, 2007, a dividend of HK12.5 cents per share (year ended March 31, 2006: HK11.5 cents per share) amounting to HK$44,017,000 (year ended March 31, 2006: HK$40,496,000) was paid to shareholders as final dividend for the year ended March 31, 2007.

The directors have determined that an interim dividend of HK6.25 cents per share (six months ended September 30, 2006: HK6.0 cents per share) will be paid to the shareholders of the Company whose names appear in the Register of Members on January 7, 2008.

7. Earnings per share

The calculation of the basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

	Six months ended September 30, 2007 HK$'000	Six months ended September 30, 2006 HK$'000
Profit for the period attributable to equity holders of the Company	**46,806**	41,273

	2007	2006
Weighted average number of ordinary shares for the purposes of basic earnings per share	**352,137,298**	352,137,298
Effect of dilutive potential ordinary shares in respect of share options	**2,585,455**	
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**354,722,753**	

For the period ended September 30, 2006, no diluted earning per share was presented because there were no dilutive potential ordinary shares in issue for that period.

8. Movements in investment properties and property, plant and equipment

During the period, the Group entered into a conditional agreement to dispose of an investment property at a consideration of HK$25,891,000. The respective investment property was reclassified as asset held for sale at September 30, 2007 and increase in fair value of HK$3,591,000 was recognised directly in the condensed consolidated income statement. The disposal was completed subsequent to September 30, 2007.

Save as mentioned above, at September 30, 2007, the directors considered the carrying amount of the Group's investment properties carried at their fair values and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no fair value adjustment has been recognised in the current period.

In addition, the Group spent HK$9,259,000 on acquisition of property, plant and equipment for the purposes of regular replacement and business expansion.

9. Trade and other receivables

The Group allows an average credit period ranging from 30 days to 90 days to its trade customers, with a significant portion of 30 days. Included in trade and other receivables are trade receivables, mainly denominated in United States Dollars, with the following aged analysis:

	September 30, 2007 ***HK$'000***	March 31, 2007 *HK$'000*
Up to 30 days	**194,006**	208,437
31 – 60 days	**41,898**	55,189
61 – 90 days	**7,894**	21,211
More than 90 days	**–**	1,083
	243,798	285,920

10. Trade and other payables

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

	September 30, 2007 *HK$'000*	March 31, 2007 *HK$'000*
Up to 30 days	**135,014**	113,985
31 – 60 days	**25,959**	87,962
61 – 90 days	**19,512**	14,015
More than 90 days	**14,508**	13,541
	194,993	229,503

11. Capital commitments

	September 30, 2007 *HK$'000*	March 31, 2007 *HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment	**59**	144
Capital expenditure authorised but not contracted for in respect of the acquisition of property, plant and equipment	**160**	–

INTERIM DIVIDEND

The Board of Directors has declared with delight an interim dividend of HK6.25 cents per share (six months ended September 30, 2006: HK6.0 cents per share) payable on January 15, 2008 to shareholders whose names appear in the Register of Members on January 7, 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from January 3, 2008 to January 7, 2008, both days inclusive, during which no share transfer will be effected. To qualify for the interim dividend, transfers must be lodged with the Company's Registrar, Tricor Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on January 2, 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of operating results

The first half results demonstrated our solid business performance and dedication to cost containment, through the challenges of growing pressure on costs and the uncertainties of the U.S. economy.

During the period under review, turnover slipped moderately by 3.2% to HK$1,088 million. The reduced turnover was attributable to the volatile economic environment in the U.S. and the lower average unit price due to different order mix. In terms of volume, however, our turnover actually recorded a marginal growth. Meanwhile, we have successfully managed our direct costs and achieved a slightly improved gross profit margin at 23.3%, as compared to 23.0% of the same period last year. Spending of overheads was also under good discipline. Administrative expenses were cut down by HK$4.0 million to HK$139.7 million. For selling & distribution expenses, we spent HK$1.6 million more for greater marketing effort that created business value. As a result, profit attributable to equity holders of the Company increased by 13.4% to HK$46.8 million. Earning per share went up by the same percentage and recorded at HK13.3 cents per share. The board of directors has resolved to declare an interim dividend of HK6.25 cents per share.

Business Review

Manufacture and export business

The increased volatility of the U.S. economy has set a softer tone in its local consumption sentiment in the first half year. Having said that, our well-established client base and broad product range helped minimize the impact. As a result, sales to North America came down moderately by 5.7% to HK$942.4 million. Europe and other markets were however growing satisfactorily, with sales grew by 20.7% to HK$71.4 million. Volume of exports to Asia remained relatively low and insignificant.

Our industry was facing a number of challenges that were common to most of the manufacturing sectors in the region. They included appreciation of RMB and other Asian currencies, lowering of export tax rebate rate in China, growing costs in general with labour cost in particular, and the persistently high oil prices. We managed the impact by stringent cost control measures, and by streamlining production flow and operating procedures. In consideration of cost effectiveness, we also rationalized the scale of production capacity in China and certain Asian countries, including the disposal of interest in a PRC associate during the period. On the other hand, we strove to create better value to our buyers throughout their whole buying process in a bid to dilute the impact of price pressure and further cement the partnering relationships. These initiatives all worked together to sustain our business performance.

Mainland China retail business

Benefiting from the high growth rate of the economy, the local consumption of Mainland China was growing swiftly. To tap the opportunities amid keen competition, we have been deepening the execution of a series of strategic measures which included process revamp, enhancement of product design and development, and expansion of distribution network. The progress of adopting franchisee program for the expansion into second and third-tier cities was encouraging, where we could leverage on franchisees' competitive advantage locally in those cities. These action programs were proven to be effective as evidenced by various favourable performance indicators.

Total sales during the period were steady and accounted for about 4% of the group's total turnover. At the end of the period, there were 95 directly managed "Betu" stores and 20 franchisee's stores opened across Mainland China.

USA wholesale label business

The U.S. wholesale label business continued to see good momentum and improvement in business performance. We carefully refined the product line of "Zelda" which helped broaden the client base and achieve better margins. The management also stepped up marketing effort by joining more leading trade shows in order to further expand its sales network.

Prospects

It is a common consensus in the market that, only building on low costs is no longer a viable way out for manufacturers in the region. Instead, management efficiency, creativity, and moving towards higher value-add are the essentials of staying ahead of competition and market changes. These are the committed directions of Tungtex as well. We have been getting lean in all aspects, not only for eliminating wastage and redundancy but also for facilitating speedier response to our customers' needs. We are also making bold but carefully implemented moves in adopting innovative ideas, both for internal process and for customer fulfillment.

Operating environment in the second half year will continue to be under the threats of persistent growth in costs and the negative developments of sub-prime mortgage lending in the U.S. Nevertheless, we also see opportunities on the other side of the coin. Demanding operating environment will naturally eliminate those less-qualified competitors and bring the well-prepared manufacturers closer with the quality buyers. On the strength of our solid foundation and dedication to striving for excellence and continuous improvement, we are confident in sailing through the challenges and growing from strength to strength.

Regarding our Mainland China retail business, we are setting and implementing our strategy right in terms of branding and design, internal system, and expansion plan. Given that these key areas are being orchestrated well towards our goals, we will be in an advantageous position to seize the business opportunities in the blooming economy. As at the report date, the Group is running 99 directly managed "Betu" stores and 27 franchisee's stores in Mainland China.

Our USA wholesale label business is building its strength again after a few years' effort. Both its products and distribution channels are being well developed, and we are optimistic towards its development and sustainability of the improving results.

In conclusion, the management team are steering the whole group to a healthier state for long-term growth. We shall continue to do our utmost for the rest of the year. We believe there is great potential to unlock further value from Tungtex down the road.

Capital expenditure

During the period under review, the Group's capital expenditure amounted to HK$9 million as compared to HK$11 million of the last corresponding period. The capital expenditure mainly represented regular replacement and small scale expansion in production capacity.

Liquidity and financial resources

The Group's financial position remained solid and benign. Working capital cycle was closely monitored and both inventory turnover and trade receivables turnover have quickened. Capital structure was sound with low financial leverage. As at 30 September, 2007, the Group had a cash balance of HK$204 million compared to HK$180 million as at March 31 2007. Most of the cash balance was placed in USD and HKD short term deposits with major banks in Hong Kong. Total bank borrowings, mainly denominated in USD and HKD, were HK$38 million as compared to HK$86 million as at March 31 2007. Total bank borrowings as a percentage of shareholders' funds was 7.4% at the period end date.

As at September 30, 2007, certain land and buildings with an aggregate net book value of approximately HK$15 million and certain investment properties with an aggregate carrying value of approximately HK$15 million were pledged to banks to secure general banking facilities granted to the Group. No additional tangible security was given to banks during the period.

Treasury policies

The Group continued to adopt prudent policies to hedge exchange rate and interest rate risks associated with our core business. It is our Group's policy not to engage in speculative activities. The majority of our export sales are denominated in USD while a tiny portion destined for the European markets is denominated in EURO. The Group entered into a limited number of forward contracts to hedge the risks as deemed appropriate.

Human Resources

As at September 30, 2007, the Group had approximately 8,500 employees globally, as compared to 9,800 as at March 31, 2007. The decrease was mainly due to rationalization of the production capacity in China and certain Asian countries.

The Group puts high emphasis on human resource management. We strive to attract and retain the best people in the industry by offering career development opportunities and competitive remuneration package with reference to the market practice.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period, there was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements. In addition, the Group's external auditors have carried out a review of the unaudited interim results in accordance with the Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the HKICPA.

CORPORATE GOVERNANCE

The Company complied with all requirements set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the review period.

MODEL CODE

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.

PUBLICATION OF INTERIM RESULTS AND REPORT

This results announcement is published on the Company's websites (http://www.tungtex.com) and the Stock Exchange's website (http://www.hkex.com.hk). The interim report containing all the information required by the Listing Rules will be dispatched to the shareholders and available on the same websites in due course.

Benson Tung Wah Wing
Chairman

Hong Kong, December 18, 2007

The directors of the Company as at the date of this announcement are Mr. Benson Tung Wah Wing (Chairman), Mr. Alan Lam Yiu On (Managing Director) and Mr. Raymond Tung Wai Man as Executive Directors; Mr. Tung Siu Wing and Mr. Kevin Lee Kwok Bun as Non-Executive Directors; and Mr. Johnny Chang Tak Cheung, Mr. Tony Chang Chung Kay, Mr. Joseph Wong King Lam and Mr. Robert Yau Ming Kim as Independent Non-Executive Directors.