SYMPHONY

SYMPHONY HOLDINGS LIMITED
（新灃集團有限公司）*

(Incorporated in Bermuda with limited liability)
(Stock code: 1223)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER, 2006

GROUP FINANCIAL HIGHLIGHTS

- Group turnover maintained at HK$1,861.6 million in 2006.
- Profit attributable to equity holders of the Company for 2006 was HK$207.3 million.
- The directors have resolved to recommend the payment of a final dividend of HK$0.0613 per share payable on or about Monday, 9 July, 2007, including an interim dividend paid, total dividends for 2006 amount to HK$0.0913 per share.

FINAL RESULTS

The board of directors (the "**Board**") of Symphony Holdings Limited (the "**Company**") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December, 2006 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December, 2006

	2006	2005
	HK$'000	*HK$'000*
Turnover	**1,861,604**	1,852,511
Cost of sales	**(1,462,333)**	(1,428,723)
Gross profit	**399,271**	423,788
Other income	**45,928**	49,388
Distribution costs	**(91,928)**	(73,272)
Administrative expenses	**(166,618)**	(154,696)
Other expenses	**(48,643)**	(3,840)
Reversal of impairment loss on land held for sale	**–**	19,731
Share-based payment expenses	**(29,900)**	–
Increase in fair value of investment properties	**5,000**	9,200
(Deficit) surplus arising on revaluation of buildings	**(190)**	344
Impairment loss on available-for-sale investments	**–**	(76)
Loss on disposal/write-off of property, plant and equipment	**(2,412)**	(34)
Share of loss of an associate	**(26)**	–
Share of results of jointly controlled entities	**111,690**	(12,821)
Interest on bank overdrafts wholly repayable within five years	**–**	(77)
Profit before tax	**222,172**	257,635
Income tax expense	**(7,444)**	(21,888)
Profit for the year	**214,728**	235,747
Attributable to:		
Equity holders of the parent	**207,287**	215,950
Minority interests	**7,441**	19,797
	214,728	235,747
Dividends recognised as distribution during the year	**171,464**	79,906
Earnings per share		
– Basic	**12.5 cents**	15.1 cents
– Diluted	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

At 31 December, 2006

	2006	2005
	HK$'000	*HK$'000*
Non-current assets		
Property, plant and equipment	**256,231**	241,416
Investment properties	**80,000**	75,000
Prepaid lease payments	**58,504**	59,171
Deposit made for acquisition of a property	**489**	–
Goodwill	**57,477**	57,477
Interests in jointly controlled entities	**299,800**	199,763
Available-for-sale investments	**11,218**	11,110
Structured deposits	**62,160**	62,000
Deferred tax assets	**14,106**	5,534
	839,985	711,471
Current assets		
Inventories	**246,560**	251,086
Amounts due from jointly controlled entities	**2,079**	2,182
Promissory notes receivables	**–**	25,009
Trade and other receivables	**305,948**	226,102
Prepaid lease payments	**1,472**	1,428
Bank balances and cash	**627,706**	678,442
	1,183,765	1,184,249
Land classified as held for sale	**–**	19,731
	1,183,765	1,203,980
Current liabilities		
Trade and other payables	**445,767**	421,349
Amount due to a jointly controlled entity	**501**	11,252
Tax payable	**50,179**	40,061
	496,447	472,662
Net current assets	**687,318**	731,318
Total assets less current liabilities	**1,527,303**	1,442,789
Non-current liabilities		
Deferred tax liabilities	**8,724**	7,628
	1,518,579	1,435,161
Capital and reserves		
Share capital	**416,176**	416,176
Reserves	**1,064,692**	988,715
Equity attributable to equity holders of the parent	**1,480,868**	1,404,891
Minority interests	**37,711**	30,270
	1,518,579	1,435,161

Notes:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("**new HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which are either effective for accounting periods beginning on or after 1 December, 2005 or 1 January, 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group, except for HKFRS 8 which may affect the presentation of operating segments effective for annual periods beginning on or after 1 January, 2009.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[8]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) – Int 8	Scope of HKFRS 2[3]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[6]
HK(IFRIC) – Int 12	Service Concession Arrangements[7]

[1] Effective for annual periods beginning on or after 1 January, 2007
[2] Effective for annual periods beginning on or after 1 March, 2006
[3] Effective for annual periods beginning on or after 1 May, 2006
[4] Effective for annual periods beginning on or after 1 June, 2006
[5] Effective for annual periods beginning on or after 1 November, 2006
[6] Effective for annual periods beginning on or after 1 March, 2007
[7] Effective for annual periods beginning on or after 1 January, 2008
[8] Effective for annual periods beginning on or after 1 January, 2009

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values as appropriate.

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

No business segment analysis is presented as less than ten (10) per cent of the Group's turnover and contribution to results are contributed by activities other than the manufacture and sales of footwear products.

Geographical segments

An analysis of the Group's turnover and contribution to segment results, assets and liabilities by geographical markets, irrespective of the origin of the goods, is presented below:

2006

	United States of America *HK$'000*	Canada *HK$'000*	Europe *HK$'000*	Asia *HK$'000*	Australia *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
TURNOVER							
External sales	1,065,789	112,268	351,258	201,764	33,343	97,182	1,861,604
RESULTS							
Segment results	130,178	15,184	44,295	29,365	4,282	11,369	234,673
Unallocated income							41,262
Unallocated expenses							(165,427)
Share of loss of an associate							(26)
Share of results of jointly controlled entities							111,690
Profit before tax							222,172
Income tax expense							(7,444)
Profit for the year							214,728

2005

	United States of America HK$'000	Canada HK$'000	Europe HK$'000	Asia HK$'000	Australia HK$'000	Others HK$'000	Consolidated HK$'000
TURNOVER							
External sales	1,142,435	83,979	357,506	145,683	22,472	100,436	1,852,511
RESULTS							
Segment results	196,395	14,437	61,459	26,319	3,863	17,266	319,739
Unallocated income							67,015
Unallocated expenses							(116,221)
Share of results of jointly controlled entities							(12,821)
Interest on bank overdrafts wholly repayable within five years							(77)
Profit before tax							257,635
Income tax expense							(21,888)
Profit for the year							235,747

The following is an analysis of the carrying amount of assets and capital additions, analysed by the geographical area in which the assets are located:

	Carrying amount of assets		Capital additions	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**1,101,906**	1,165,567	**5,645**	2,997
The People's Republic of China ("PRC")	**522,192**	499,107	**31,898**	38,842
Others	**85,746**	45,480	**12,767**	–
	1,709,844	1,710,154	**50,310**	41,839

5. INCOME TAX EXPENSES

	2006	2005
	HK$'000	*HK$'000*
Current tax:		
Hong Kong		
– current year	**2,938**	3,575
– overprovision in prior years	**(95)**	(78)
Other jurisdictions		
– current year	**11,295**	16,644
– under(over)provision in prior years	**274**	(545)
	14,412	19,596
Deferred tax		
– current year	**(6,968)**	2,292
Taxation attributable to the Company and its subsidiaries	**7,444**	21,888

Hong Kong profits tax is calculated at 17.5% (2005: 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.

6. PROFIT FOR THE YEAR

	2006	2005
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Auditors' remuneration	**1,798**	1,608
Allowance for:		
Bad and doubtful debts	**21,480**	–
Promissory note receivables	**24,295**	–
Amortisation of prepaid lease payments	**1,345**	1,427
Cost of inventories recognised as expense	**1,462,333**	1,428,723
Depreciation	**37,067**	32,146
Write off of moulds	**–**	13,585
Exchange losses	**8,055**	7,137
Research and development expenditure	**46,399**	67,089
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**1,462**	2,285
and after crediting:		
Recovery of bad and doubtful debts	–	6,530
Dividends from equity investments	**34**	37
Exchange gains	**6,348**	5,959
Gross rental income from investment properties	**1,833**	1,769
Less: direct operating expenses from investment properties that generated rental income during the year	**(386)**	(179)
	1,447	1,590
Interest income from:		
Bank deposits	**27,551**	13,680
Available for sale investments	**255**	634
Trade debtors *(note)*	**25**	10,534
Promissory note receivables	**–**	3,195
Loans to a jointly controlled entity	**2,409**	3,763

Note: Interest was charged to trade debtors with extended credit terms.

7. DIVIDENDS

	2006	2005
	HK$'000	*HK$'000*
Ordinary shares:		
2006 Interim dividend of HK$0.03 per share (2005: Nil) paid	**49,941**	–
2005 Final dividend of HK$0.073 per share (2005: 2004 Final dividend of HK$0.072 per share) paid	**121,523**	79,906
	171,464	79,906

The 2006 final dividend of HK$0.0613 per share (2005: HK$0.073) has been proposed by the directors and is subject to the approval by the shareholders in a general meeting.

8. EARNINGS PER SHARE

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

	2006	2005
Earnings:		
Profit for the year attributable to equity holders of the Company for the purposes of basic earnings per share	**HK$207,287,000**	HK$215,950,000
Weighted average number of ordinary shares for the purposes of earnings per share	**1,664,704,773**	1,431,709,348

No diluted earnings per share for the years ended 31 December, 2006 and 2005 are presented because the exercise price of the Company's options was higher than the average market price of the shares for both years.

PROPOSED FINAL DIVIDEND

The Board has proposed a final dividend of HK$0.0613 per share (2005: HK$0.073 per share), payable on or about Monday, 9 July, 2007 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 20 June, 2007 ("**Shareholders**"). The payment of dividends shall be subject to the approval of the Shareholders at the annual general meeting of the Company to be held on Monday, 25 June, 2007 (the "**Annual General Meeting**").

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 21 June, 2007 to Monday, 25 June, 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 20 June, 2007.

CHAIRMAN'S STATEMENT

We are able to report that the Group recorded a comparable level of sales in 2006 amidst a tough competitive environment for manufacturers in China. Profit margin dipped slightly due to rising costs, such as oil and fuel prices. During the year, a significant customer, which accounted for more than ten (10) per cent of our 2005 sales, defaulted, and we had to make provisions for accounts receivable from them. With a valiant effort from our manufacturing division, we are able to make up for the turnover by increasing business from our other customers and from new customers. Gross profit margin declined slightly due to the said cost increases and currency appreciation of the reminbi.

In 2006, we reached an agreement to sell our minority investment in a China sportswear distribution business. This resulted in significant capital gains, of which HK$136.0 million being booked for 2006 and a further HK$19.5 million is expected to be accounted for in 2007.

We continue to believe that the branded consumer goods business represents a major opportunity in China. Competition is stiff, and powerful differentiation is essential. One such differentiation is branding, and global branding is one approach which we take. Having said that, when we invest in branding and consumer retailing in China, we take care to avoid any conflict with our loyal manufacturing customers.

In early 2007, we successfully obtained a long-term exclusive China distributorship for the world's number one swimwear brand, Speedo. The distributorship has 18 years to run. As the Chinese people become more affluent, they are embracing swimming and water based sports and leisure activities. The Chinese government is promoting swimming as a national sport. Subsidies are given to fund building of swimming pools in high schools nationwide. The sale of leisure boat in China is reported to have grown forty (40) per cent in 2006. Around 350 exhibitors have participated in Shanghai's China International Boat Show. As the world leader in swimwear, Speedo will enjoy huge success in China. In addition to its hi-tech swimwear, Speedo is also adding other sports and leisure garments to its product line.

We have a minority interest in the up and coming ladies fashion shoes brand AEE. The brand is gaining momentum and brand awareness. We regard AEE as a shoes equivalent of Zara, as both companies capitalise on consumer demand for a fashion brand which is more in line with the best of international trends at affordable prices. Sales of AEE has grown 135.6 % in 2006.

The Company is also seeking to establish retail channel network for apparel and other consumer goods in China, and is considering a number of investment projects.

In 2005, the Company started investing in passive minority interests in global brands. Haggar, established in Dallas Texas in 1926, produces man's apparel, especially pants. Under new management, the company has re-positioned its pants as a premium-priced, quality product. Every garment sold by Haggar is covered by a "Quality for Life" guarantee. The product line is also being expanded to include suits. The Company is also a passive minority investor in Pony. Under new management, the brand image and product lines are in the process of being re-positioned for the United States market.

As an incentive, stock options were granted to out-performing employees in 2006. Pursuant to the relevant accounting regulations, a charge of HK$29.9 million was made accordingly for those stock options granted.

GENERAL OVERVIEW

For the year ended 31 December, 2006, turnover of the Company maintained at HK$1,861.6 million (2005: HK$1,852.5 million). Profit attributable to equity holders of the Company for 2006 was HK$207.3 million, as compared with HK$216.0 million for 2005.

The largest markets for the Group in 2006 was North America and Europe. With the continual strength in the global economy, footwear sales had been strong. Sales to North America comprised 63.3% and orders to Europe comprised 18.9% of the total sales.

PRODUCTION FACILITIES

The Group has extended its production facilities to Vietnam during the year. The aggregate number of production lines of the Company has increased to thirty-four (34), of which eight (8) are in Panyu, ten (10) are in Zhongshan, eight (8) are in Dongguan, four (4) are in Fuzhou, and a further four (4) are in Vietnam.

CUSTOMER RELATIONSHIP MAINTENANCE AND RESEARCH AND DEVELOPMENT

Our extensive experience and working knowledge of each stage of the manufacturing process and production material use and procurement allows us to work closely with our customers to achieve quality, efficiency and produce cost-effective products. Our close relationship with customers has helped to build in-depth understanding of their needs so that we can anticipate and resolve their problems efficiently and effectively. Our research and development team helps to improve customers' design so as to maximise comfort, endurance and functionality of their products and, where necessary, introduce new technology to enhance their market appeal. Such value-added contributions to our customers' operations enable us to become their long-term partner.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December, 2006, the Group had bank balances and cash of HK$627.7 million (2005: HK$678.4 million). The Group was offered banking facilities amounting to HK$117.0 million (2005: HK$117.0 million), none of which had been utilised, indicating a zero gearing ratio on the basis of total borrowings over shareholders' fund. The banking facilities were secured by corporate guarantees from the Company and certain subsidiaries.

STAFF WELFARE

The total number of employees of the Group as at 31 December, 2006 was approximately 22,000. Employee cost (excluding directors' emoluments) amounted to approximately HK$353.2 million (2005: HK$342.4 million). In addition to competitive remuneration packages, discretionary bonuses and employee options are awarded to eligible staff of the Group based on their performance and individual merits.

OUTLOOK

The outlook for manufacturing business remains competitive. Our manufacturing division has always performed well under adversity, and we expect to see healthy growth of profits from the manufacturing division again in 2007.

North America remains our major export market. Although there are concerns over the United States economic outlook due to problems in the sub-prime mortgage sector, retailing growth remains healthy there. We remain cautiously optimistic.

It is because of the intensifying competition in the manufacturing sector that over the past few years we have taken steps to diversify into apparel related fields. We believe that we have proven skills in the retail markets in China, as evidenced by the amount of premium paid to buy out our China distribution business, which reflects well on the value we built. We intend to devote more of our team effort and resources towards further development of our retail business in China. However, we must anticipate significant investment in the near term to support such ambitious retail development programs. Success in branding and retailing will bring significant profits in the longer term. The Board believes that it is a worthwhile core business to add to our manufacturing business.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December, 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATIONS OF DETAILED RESULTS

The 2006 Annual Report containing financial statements and notes to the financial statements will be published on both the website of the Company (www.symphonyholdings.com) and the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). Shareholders will also receive copies of the same on or before Monday, 30 April, 2007.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December, 2006, only with deviations from code provision A.4.1, C.3.4 and E.1.2 of the Code.

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and are subject to re-election. Directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meeting in accordance with Bye-law 87 of the Bye-law of the Company.

Under the code provision C.3.4. of the Code, the terms of reference of the audit committee are required to be available on request and included on the issuer's website. The terms of reference of the Audit Committee of the Company are currently under review and have yet to be posted on the website of the Company.

Under the code provision E.1.2 of the Code, the Chairman of the Board should attend the annual general meeting. The Chairman of the Board did not attend the annual general meeting held on 24 May, 2006 due to other commitments. However, Mr. Sze Sun Sun Tony, Deputy Chairman and Managing Director of the Company took the chair pursuant to the Bye-law of the Company.

AUDIT COMMITTEE

In compliance with the Listing Rules, the Audit Committee of the Company comprising of three independent non-executive directors and one non-executive director of the Company. The Audit Committee has reviewed with the management and the external auditors the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 December, 2006 of the Group.

REMUNERATION COMMITTEE

In compliance with the Listing Rules, the Board has established a Remuneration Committee. The Remuneration Committee comprises of three independent non-executive directors, who are responsible for advising the Board on the emolument policies towards directors.

GENERAL INFORMATION

The figures in respect of the Group's consolidated income statement, consolidated balance sheet and the related notes thereto for the year ended 31 December, 2006 as set out in the Preliminary Announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 10/F, Island Place Tower, 510 King's Road, North Point, Hong Kong on Monday, 25 June, 2007 at 11.00 a.m. and the notice of Annual General Meeting will be published and dispatched to the Shareholders in the manner as required by the Listing Rules.

APPRECIATION

On behalf of the Board, I would like to express our gratitude to all our customers, suppliers and shareholders for their continuous support. We would also like to thank our team of dedicated staff for their invaluable services and contributions throughout the year.

As at the date of this announcement, the Board comprises Mr. Li Kwok Lung Alfred Ronald (Chairman), Mr. Sze Sun Sun Tony (Deputy Chairman and Managing Director), Mr. Chang Tsung Yuan (Deputy Chairman), Mr. Ku Edward Y., Mr. Chan Lu Min and Dr. Ho Ting Seng as executive directors, Mr. Li I Nan and Mr. Chan Ting Chuen as non-executive directors, Mr. Cheng Kar Shing, Mr. Feng Lei Ming and Mr. Ho Shing Chak as independent non-executive directors.

By Order of the Board
Li Kwok Lung Alfred Ronald
Chairman

Hong Kong, 11 April, 2007

* *For identification purposes only*

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