



SYMPHONY

SYMPHONY HOLDINGS LIMITED

新豐集團有限公司*

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

The board of directors (the “**Board**”) of Symphony Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2007 together with comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

		For the six months ended 30 June,	
	<i>Notes</i>	<u>2007</u> <i>HK\$'000</i> (Unaudited)	<u>2006</u> <i>HK\$'000</i> (Unaudited)
Turnover	3	960,109	997,819
Cost of sales		<u>(773,553)</u>	<u>(772,386)</u>
Gross profit		186,556	225,433
Other income		57,713	19,284
Distribution costs		(43,844)	(51,015)
Administrative expenses		(96,177)	(81,384)
Other expenses		(1,903)	(46,081)
Surplus on revaluation of buildings		-	197
Share of results of jointly controlled entities		<u>(2,009)</u>	<u>84,960</u>
Profit before taxation	4	100,336	151,394
Taxation	5	<u>(8,512)</u>	<u>(10,354)</u>
Profit for the period		<u>91,824</u>	<u>141,040</u>
Attributable to:			
Equity holders of the parent		89,505	136,889
Minority interests		<u>2,319</u>	<u>4,151</u>
		<u>91,824</u>	<u>141,040</u>
Dividends paid	6	<u>-</u>	<u>121,523</u>
Earnings per share	7		
Basic		<u>HK5.36 cents</u>	<u>HK8.22 cents</u>
Diluted		<u>HK5.31 cents</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2007

	At 30 June 2007 HK\$'000 (Unaudited)	At 31 December 2006 HK\$'000 (Audited)
Non-current assets		
Property, plant and equipment	257,832	256,231
Investment properties	80,000	80,000
Prepaid lease payment	66,768	58,504
Deposit made for acquisition of a property	-	489
Goodwill	57,477	57,477
Interests in jointly controlled entities	299,165	299,800
Amount due from a jointly controlled entity	14,040	-
Available-for-sale investments	19,231	11,218
Structured deposits	62,400	62,160
Deferred tax assets	12,398	14,106
	<u>869,311</u>	<u>839,985</u>
Current assets		
Inventories	198,387	246,560
Amounts due from jointly controlled entities	1,756	2,079
Trade and other receivables	339,636	305,948
Deposits paid for acquisition of securities	50,122	-
Held-for-trading investment	527	-
Prepaid lease payments	1,617	1,472
Bank balances and cash	680,007	627,706
	<u>1,272,052</u>	<u>1,183,765</u>
Current liabilities		
Trade and other payables	384,943	445,767
Amount due to a jointly controlled entity	1,815	501
Tax payable	54,970	50,179
Dividend payable	106,867	-
	<u>548,595</u>	<u>496,447</u>
Net current assets	<u>723,457</u>	<u>687,318</u>
Total assets less current liabilities	1,592,768	1,527,303
Non-current liabilities		
Deferred tax liabilities	8,800	8,724
	<u>1,583,968</u>	<u>1,518,579</u>
Capital and reserves		
Share capital	435,836	416,176
Reserves	1,113,440	1,064,692
Equity attributable to equity holders of the parent	<u>1,549,276</u>	<u>1,480,868</u>
Minority interests	34,692	37,711
	<u>1,583,968</u>	<u>1,518,579</u>

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 revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations ("**new HKFRSs**") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: disclosures ¹
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 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

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.

The adoption of these new HKFRSs has 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 following new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs ⁶
HKFRS 8	Operating Segments ⁶
HK(IFRIC) – INT 11	HKFRS 2: Group and Treasury Share Transactions ⁷
HK(IFRIC) – INT 12	Service Concession Arrangement ⁸

⁶ Effective for annual periods beginning on or after 1 January 2009.

⁷ Effective for annual periods beginning on or after 1 March 2007.

⁸ Effective for annual periods beginning on or after 1 January 2008.

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

Geographical segments

An analysis of the Group's turnover and contribution to operating results by geographical segments, irrespective of the origin of the goods, presented in accordance with the location of customers is set out below.

	For the six months ended 30 June,	
	<u>2007</u> HK\$'000	<u>2006</u> HK\$'000
Turnover		
United States of America	499,454	607,916
Europe	203,556	167,761
Asia	105,188	100,897
Canada	54,910	56,322
Others	97,001	64,923
	<u>960,109</u>	<u>997,819</u>
	For the six months ended 30 June,	
	<u>2007</u> HK\$'000	<u>2006</u> HK\$'000
Results		
United States of America	56,440	52,168
Europe	23,003	14,362
Asia	12,694	12,309
Canada	6,205	5,967
Others	10,963	4,864
	<u>109,305</u>	<u>89,670</u>
Unallocated corporate income	48,143	18,644
Unallocated corporate expenses	(55,103)	(41,880)
Share of results of jointly controlled entities	(2,009)	84,960
Profit before taxation	<u>100,336</u>	<u>151,394</u>
Taxation	<u>(8,512)</u>	<u>(10,354)</u>
Profit for the period	<u>91,824</u>	<u>141,040</u>

Business segments

No business segment analysis is presented as less than 10% of the Group's turnover and contribution to results are contributed by activities other than manufacturing and marketing of footwear products.

4. PROFIT BEFORE TAXATION

	For the six months ended 30 June,	
	<u>2007</u> HK\$'000	<u>2006</u> HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Cost of inventories recognised as expense	773,553	772,386
Depreciation and amortisation	19,284	18,403
(Reversal of) allowance for bad and doubtful debts for trade debtors	(9,570)	65,120
Allowance for promissory notes receivable	-	24,295

Amortisation of prepaid lease payments	776	601
Research and development expenses	24,158	30,459
Interest income from:		
Bank deposits	(14,188)	(14,911)
Available-for-sale investments	(84)	(171)
Trade debtors	(267)	-
Loans to a jointly controlled entity	(70)	(2,288)
Dividend income from available-for-sale investments	(437)	(33)
Unclaimed payables written-off	(14,237)	-

5. TAXATION

	For the six months ended 30 June,	
	2007	2006
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	1,502	1,340
Other jurisdictions	5,256	9,450
	<u>6,758</u>	<u>10,790</u>
Deferred tax:		
Current period	1,754	(436)
	<u>1,754</u>	<u>(436)</u>
Taxation attributable to the Company and its subsidiaries	<u>8,512</u>	<u>10,354</u>

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the six months ended 30 June 2007.

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

6. DIVIDENDS

	For the six months ended 30 June,	
	2007	2006
	HK\$'000	HK\$'000
Final dividend declared for 2006 – HK\$0.0613 per share	106,867	-
Final dividend declared and paid for 2005 – HK\$0.073 per share	-	121,523
	<u>106,867</u>	<u>121,523</u>
Interim dividend declared subsequent to period end – HK\$0.0328 (2006: HK\$0.03) per share	<u>57,205</u>	<u>49,941</u>

The Board has determined the payment of an interim dividend in respect of the period ended 30 June 2007 of HK\$0.0328 (2006: HK\$0.03) per ordinary share to shareholders whose names appear in the register of members of the Company at the close of business on Tuesday, 2 October 2007.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the following data:

	For the six months ended 30 June,	
	<u>2007</u>	<u>2006</u>
Profit for the period attributable to equity holders of the parent and earnings for the purposes of basic earnings per share	<u>HK\$89,505,000</u>	<u>HK\$136,889,000</u>
Number of/weighted average number of ordinary shares for the purposes of basic earnings per share	1,670,954,117	1,664,704,773
Effect of dilutive potential ordinary shares issuable under the Company's share option scheme	<u>15,131,304</u>	<u>-</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,686,085,421</u>	<u>1,664,704,773</u>

No diluted earnings per share are presented for the period ended 30 June 2006 because the exercise price of the Company's options was higher than the average market price during the relevant period.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.0328 per ordinary share (2006: HK\$0.03 per ordinary share), payable on or about Friday, 12 October 2007 to the shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 2 October 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company shall be closed from Wednesday, 3 October 2007 to Friday, 5 October 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the branch share register of the Company in Hong Kong, Tricor 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 Tuesday, 2 October 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations

For over six years, the Group has enjoyed significant success in the global retailing industry:

- In 2001, we initiated and led a partnership in the buyout of the then bankrupt Converse Global. Within two years, it was successfully turned around and then sold at full valuation of the brand potential. Converse remains our major manufacturing client today.
- In 2004, the Group formed a partnership to become the exclusive China licensee and distributor of a major global athletic shoe brand. Our retailing team succeeded in meeting every aggressive sales quota, in excess of 50% growth annually. This China brand operation became so valuable and it was sold at over four times the total investment. Immediately prior to the disposal, annual sales reached RMB300 million through a network of over 500 points of sales.
- In 2004, the Group participated in a partnership to launch a new premium shoe brand in China, AEE Italy. It is targeting fashion conscious females in China. AEE has achieved annual sales growth of over 100% for each of its two full years of operations. The sales of AEE is expected to approach RMB200 million in 2007.

Having just completed the disposal of global athletic shoe brand licensee company, 2007 is a transitional year during which the Group does not have significant reportable retailing revenue. Therefore, it is the only year in our recent history when the Group's manufacturing division accounted for almost all the Group's sales and operating profits. In the intensely competitive manufacturing industry in China, all manufacturers have to face the same significant challenges. The Group's sales fell due to the departure of a customer, although much of it was made up for by signing up two new customers, so that sales only fell marginally by 3.8% during the period under review. A comparison of the Group's operating profit of the first half of 2006 and that of 2007, which excluded all exceptional items arising from the disposal of the branded shoe licensee company mentioned above, shows that operating profit declined by 8.0% and gross margin declined from 22.6% to 19.4%. This is in line with many other manufacturers in China. The appreciation of the Renminbi against global currencies and domestic labour cost inflation both increased cost in US dollar terms. Rising oil price increased cost of certain imported raw materials. The slowing US economy meant manufacturing cost escalation could not be passed onto brand customers. We expect such challenges will continue in the foreseeable future. On a full comparison basis, net profit fell by 34.9%, and earnings per share fell by 34.8%, reflecting the absence of exceptional gain during the first half of 2007.

Outlook

The long-term objective of the Group is to grow its brand retailing business into a powerhouse. To this end, following the disposal of our branded shoe licensee company in 2006, the Group embarked on a program to sign exclusive representation of multiple global consumer brands for the China market. We aim to achieve retail sales of over RMB2 billion in the next three years. In view of the intensely competitive nature of the athletic shoe brands, we also intend that they will only comprise a minority of our brand representation portfolio.

The first brand we signed in this program is **Speedo**, the world's leading premium brand of swimwear and accessories. As Chinese people become more affluent, swimming and leisure boating will become a mainstream activity. Speedo has ample potential in China while facing much less competition. We aim to grow Speedo into the number one swimwear brand in China. More brand representations are under negotiation, and they are brands with a real difference.

Meanwhile, the Group has minority interests in two further global brands:

- **Pony** – In 2006, the Group formed a partnership to takeover a US based athletic shoe brand, Pony. This brand was founded 35 years ago. In the 1970s, it became the dominant basketball brand. By the 1980's, it was widely known, with endorsement from the likes of boxing great Mohammed Ali and soccer legend Pele. However, it ran into financial trouble in recent years, and the Group formed a partnership to buyout Pony International. The principals of this global partnership are the same as the one which turned around Converse successfully. Pony is being repositioned and its product lines have been redesigned. Initial response has been good. Meanwhile, we are starting to launch Pony in China and Taiwan.
- **Haggar** – In 2005, the Group participated in a partnership to buyout Haggar, a well-known men's apparel brand. Founded in Texas over 90 years ago, the annual sales of Haggar in 2006 was USD444 million. The main products of Haggar are men's shirts, polo shirts, dressy pants and chino pants. Under new management, the product line has been redesigned and a new marketing campaign has been launched. A line of budget price men's suits has been introduced, and Haggar is sold through a number of major national retail chains across America, including Kohl's, Macy's and J C Penny. Haggar has applied for the registration of certain trademarks in PRC. When the trademark registration has been completed, we intend to launch Haggar in China as a men's total image brand offering an international business and leisure image to Chinese consumers.

Segment information

Sales to North America constituted approximately 58% (2006: 67%) of the Group's total turnover; sales to Europe accounted for 21% (2006: 17%) of sales, and the remaining 21% (2006: 16%) sales were shared between Asia, Africa, Australia, Latin America and the Middle East.

Liquidity and capital resources

As at 30 June 2007, the Group had cash and bank balance of HK\$680.0 million (31 December 2006: HK\$627.7 million). The Group was offered banking facilities amounting to HK\$117.0 million, of which none has been utilised, indicating a zero gearing ratio on the basis of total borrowings over shareholders' fund.

There are currently no charges on group assets and the Group does not have significant exposure to foreign currency fluctuation.

Staff Welfare

The total number of employees as at 30 June 2007 has not changed materially from that of the last financial year. Employee cost (excluding directors' emoluments) amounted to approximately HK\$190.8 million (2006: HK\$170.7 million). In addition to competitive remuneration packages, discretionary bonuses and employee options are awarded to eligible staff based on the Group's performance and individual merits.

Appointment/resignation of directors

At the annual general meeting of the Company held on Monday, 25 June 2007, Mr. Li Kwok Lung Alfred Ronald, Mr. Sze Sun Sun Tony, Mr. Chang Tsung Yuan and Mr. Ho Shing Chak retired as directors of the Company and offered themselves for re-election.

As from 25 June 2007 and up to the date of this announcement, the directors of the Company are:

Executive Directors

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

Dr. Ho Ting Seng

Mr. Chan Ting Chuen

Non-executive Directors

Mr. Li I Nan

Independent Non-executive Directors

Mr. Cheng Kar Shing

Mr. Feng Lei Ming

Mr. Ho Shing Chak

Share Options

On 2 August 2006, the Company granted 166,050,000 share options at a subscription price of HK\$1.032 each to directors and eligible employees. During the period under review, a number of 78,640,000 share options were exercised and 1,450,000 share options had lapsed. As at 30 June 2007, the aggregate number of share options outstanding was 85,960,000.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2007, only with deviations from code provision A.4.1 and C.3.4 of the Code.

Under 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 meetings in accordance with Bye-law 87 of the Bye-laws of the Company.

Under 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 (the "Audit Committee") are currently under review and have yet to be posted on the website of the Company.

Audit Committee

In compliance with the Listing Rules, the Audit Committee comprises of three independent non-executive directors and one non-executive director of the Company. The Audit Committee has reviewed with the management of the Company and the external auditors, Deloitte Touche Tohmatsu, 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 unaudited condensed consolidated financial statements for the six months ended 30 June 2007 of the Group.

Remuneration Committee

In compliance with the Listing Rules, the remuneration committee of the Company was established and comprises of three independent non-executive directors, who are responsible for advising the Board on the emolument policies towards directors.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

PUBLICATION OF RESULTS ON THE WEBSITE

The interim report of the Company for the six months ended 30 June 2007 containing all the information required by paragraph 46 of Appendix 16 of the Listing Rules will be published on websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkex.com.hk>) and the Company (<http://www.symphonyholdings.com>) in due course.

APPRECIATION

The Board 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.

By Order of the Board
Li Kwok Lung Alfred Ronald
Chairman

Hong Kong, 13 September 2007

** For identification purposes only*