



SYMPHONY HOLDINGS LIMITED

(新豐集團有限公司) *

(Incorporated in Bermuda with limited liability)

(Stock code: 01223)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

GROUP FINANCIAL HIGHLIGHTS

- Group revenue was HK\$974.5 million for the six months ended 30 June 2008.
- Loss attributable to equity holders of the Company for the six months ended 30 June 2008 was HK\$31.8 million.

CHAIRMAN'S STATEMENT AND OUTLOOK

For the six months ended 30 June 2008, turnover of Symphony Holdings Limited (the "**Company**" or "**Symphony**") and its subsidiaries (the "**Group**") was HK\$974.5 million (2007: HK\$960.1 million). Loss attributable to equity holders of the Company for the six months ended 30 June 2008 was HK\$31.8 million (2007: Profit attributable to equity holders of the Company was HK\$91.8 million).

The contract manufacturing sector in Southern China continues to face a number of challenges. The combination of slowing economies in North America and Europe, increases in raw material and labour costs, and higher tax and environmental protection costs, all combined to cause the closure of thousands of shoe manufacturers during the second half of 2007 and the first half of 2008. However, the Symphony Group's factories were able to maintain substantially the same level of sales revenue, with a modest decline in revenue of less than 1% during the first half of 2008 and remain profitable. However, the said costs increase led to a decline of gross profit margin to 14.1%. During the period, Symphony doubled its production capacity in Vietnam, where cost is substantially lower than Southern China. Although the US and European economies continue to stagnate and retail sales has hit a multi-year low, those economies are still recording growth. Symphony's management believes that a global economic recovery would be in place by the second half of 2009, when problems in bubble asset markets and in the major economies work themselves out. Therefore, we remain cautiously optimistic.

Symphony is the exclusive licensee and distributor of Speedo swimwear and gears in China and Taiwan for a period of 18 years commencing 2007. During the Beijing Olympics, the world witnessed in real time the dominance of Speedo among the world's best swimmers. World record breakers like Michael Phelps used highly innovative Speedo products to win gold medals. Given the wide exposure which Speedo enjoyed during the Beijing Olympics, we expect Speedo will quickly take over as the leading brand in China.

Berghaus has appointed Symphony as its sole distributor and licensee for China for a period of 18 years commencing August 2008. Berghaus is the top name in mountaineering and outdoor gears, with a fanatic global following, and widely recognised as the best in its class, and was awarded the Queen's Award for Innovation in 2006. Celebrity British mountaineers, such as Sir Chris Bonington and Thomas Huber have officially used Berghaus products. Symphony is confident of the prospects of the China market for the best products in the world, as outdoor activities become the next hot areas.

Pony is an aspiring sports brand in the United States. The Symphony Group has an attributable 40% interest in Pony. The intention behind the acquisition of Pony was to rebuild this vintage brand into an aspiring shoe brand. Although Pony's new product line of sports performance athletic shoes have received considerable media coverage and basketball stars endorsement, the Pony management considers that given the current weak US retail environment is not an appropriate time for Pony to commit significant brand building resources. While conserving cash and maintaining a lean and mean team to await the recovery of the US retail sector before launching a big marketing push, Pony is negotiating with several potential partners in Japan and China to enter those markets as a "hot" fashion shoe brand. Meanwhile, the Group's share of loss of Pony for the first 6 months of 2008 came to approximately HK\$11.9 million. Symphony remains excited and supportive of Pony.

Haggar, a respected brand of men's apparel in the United States, and in which the Group has an attributed 7.0% interest, has encountered more headwinds in the slowing US retail environment in the first half of 2008. Symphony's share of loss of Haggar in the first 6 months of 2008 amounted to approximately HK\$9.6 million. Haggar depends on the continuing funding support of its shareholders. Under a new CEO, Haggar is implementing a turnaround plan, which involves reduction of staff and other expenses, the elimination of unprofitable business segments such as women's wear, the scaling back of certain operations, the rationalisation of supplies, and the use of licensees to enter global markets. It is expected that such plan will be made available to Symphony in the near future at which time Symphony can decide on the appropriate level of participation funding support for Haggar. Haggar is defending an arbitration claim for compensation for alleged wrongful termination of licence by a former Canadian licensee and the outcome may adversely affect the viability of Haggar.

BUSINESS PERFORMANCE

Segment Information

During the period, sales to North America comprised 52.0% (2007: 58.0%) and orders to Europe comprised 29.0% (2007: 21.0%) of the total sales and the remaining 19.0% (2007: 21.0%) was shared between Asia, Africa, Australia, Latin America and the Middle East.

Production Facilities

The Group has an aggregate number of thirty-eight (38) production lines, 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 eight (8) are in Vietnam.

Customer Relationship Maintenance and Research and Development

Our extensive experience and working knowledge on the manufacturing process, production materials and procurement allows us to work closely with our customers to achieve quality and efficiency and produce cost-effective products. Our close relationship with customers has built an in-depth understanding of their needs so that we are capable of anticipating and resolving their problems expeditiously and effectively. Our research and development team improves products design to maximise their comfort, endurance and functionality, and where necessary, introduces new technology to enhance their market appeal. Our value-added contributions enable us to maintain our long-term partnership with our customers.

Liquidity and Capital Resources

As at 30 June 2008, the Group had bank balances and cash of HK\$383.9 million (2007: HK\$680.0 million). The Group was offered banking facilities amounting to HK\$155.6 million (2007: 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 its certain subsidiaries. There is currently no charge on the Group's assets.

Human Resources

As at 30 June 2008, the total number of employees of the Group was approximately 20,000. Employee cost (excluding directors' emoluments) amounted to approximately HK\$216.8 million (2007: HK\$190.8 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.

Share Options

On 2 August 2006, the Company granted 166,050,000 share options at an exercise price of HK\$1.0320 each to the directors of the Company ("**Director(s)**") and the other eligible participants. During the six months ended 30 June 2008, none of the share options was exercised and 500,000 share options lapsed. As at 30 June 2008, the aggregate number of share options outstanding was 84,710,000.

FINANCIAL RESULTS

The board of directors of the Company ("**Board**") is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2008 together with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June

	Notes	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Revenue	3	974,453	960,109
Cost of sales		(834,082)	(773,553)
Gross profit		140,371	186,556
Other income		19,119	57,713
Distribution and selling expenses		(45,260)	(43,844)
Administrative expenses		(116,433)	(96,177)
Other expenses		(3,630)	(1,903)
Share of results of jointly controlled entities		(23,049)	(2,009)
Profit/(Loss) before tax		(28,882)	100,336
Taxation	4	(2,942)	(8,512)
Profit/(Loss) for the period	5	(31,824)	91,824
Attributable to:			
Equity holders of the parent		(31,359)	89,505
Minority interests		(465)	2,319
		(31,824)	91,824
Dividends recognised as distribution during the period	6	—	—
Earnings per share	7		
Basic		HK(1.80) cents	HK5.36 cents
Diluted		HK(1.80) cents	HK5.31 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	At 30 June 2008 HK\$'000 (Unaudited)	At 31 December 2007 HK\$'000 (Audited)
Non-current assets		
Property, plant and equipment	267,076	260,660
Investment properties	240,922	144,500
Prepaid lease payments	49,355	48,155
Deposit paid for acquisition of properties	–	9,200
Goodwill	57,477	57,477
Interests in jointly controlled entities	163,528	221,133
Amount due from a jointly controlled entity	80,424	28,062
Available-for-sale investments	61,939	23,085
Structured deposits	–	62,240
Deferred tax assets	11,434	11,326
Club debentures	2,003	2,003
	934,158	867,841
Current assets		
Inventories	338,766	277,719
Amounts due from jointly controlled entities	21,938	32,710
Trade and other receivables	349,584	358,317
Prepaid lease payments	639	1,206
Held-for-trading investments	9,971	428
Bank balances and cash	383,894	519,494
	1,104,791	1,189,874
Current liabilities		
Trade and other payables	426,170	421,041
Amounts due to jointly controlled entities	18	8,792
Tax payable	44,457	53,419
Dividend payable	38,369	–
	509,013	483,252
Net current assets	595,777	706,622
Total assets less current liabilities	1,529,935	1,574,463
Non-current liabilities		
Deferred tax liabilities	18,606	18,425
	1,511,329	1,556,038
Capital and reserves		
Share capital	436,011	436,011
Reserves	1,040,412	1,084,657
Equity attributable to equity holders of the parent	1,476,423	1,520,668
Minority interests	34,906	35,370
	1,511,329	1,556,038

Notes:

1. BASIC FOR 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 ("**Exchange**") ("**Listing Rules**") and with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountant ("**HKICPA**").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain 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 Group's annual financial statements for the year ended 31 December 2007. In addition, the Group has applied the following accounting policies during the current interim period.

In the current interim period, the Group has applied, for the first time, the following interpretations issued by HKICPA, which are effective for the Group's financial year beginning 1 January 2008.

HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³

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

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

The adoption of Hong Kong Financial Reporting Standard 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

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

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

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 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, based on location of customers, irrespective of the origin of the goods, is presented below:

		For the six months ended 30 June	
		2008	2007
		HK\$'000	HK\$'000
Turnover			
United States of America		464,008	499,454
Europe		285,388	203,556
Asia		115,634	105,188
Canada		43,089	54,910
Others		66,334	97,001
		974,453	960,109
		For the six months ended 30 June	
		2008	2007
		HK\$'000	HK\$'000
Results			
United States of America		15,059	56,440
Europe		9,262	23,003
Asia		5,309	12,694
Canada		1,398	6,205
Others		2,098	10,693
		33,122	109,305
Unallocated corporate income		17,856	48,143
Unallocated corporate expenses		(56,811)	(55,103)
Share of results of jointly controlled entities		(23,049)	(2,009)
Profit/(Loss) before taxation		(28,882)	100,336
Taxation		(2,942)	(8,512)
Profit/(Loss) for the period		(31,824)	91,824

4. PROFIT BEFORE TAXATION

		For the six months ended 30 June	
		2008	2007
		HK\$'000	HK\$'000
Profit/(Loss) before taxation has been arrived at after charging/(crediting):			
Cost of inventories recognized as expense		834,082	773,553
Depreciation and amortisation		19,652	19,284
(Reversal of)/allowance for bad and doubtful debts for trade debtors		480	(9,570)
Amortisation of prepaid lease payments		684	776
Research and development expenses		22,675	24,158
Interest income from:			
Bank deposits		(5,830)	(14,188)
Available-for-sale investments		(98)	(84)
Trade debtors		(49)	(267)
Loans to a jointly controlled entity		(1,542)	(70)
Dividend income from available-for-sale investments		(665)	(437)
Unclaimed payables written-off		–	(14,237)

5. TAXATION

	For the six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Current tax:		
Hong Kong	364	1,502
Other jurisdictions	2,505	5,256
	<u>2,869</u>	<u>6,758</u>
Deferred tax:		
Current period	73	1,754
	<u>73</u>	<u>1,754</u>
Taxation attributable to the Company and its subsidiaries	<u>2,942</u>	<u>8,512</u>

Hong Kong Profits Tax is calculated at 16.5% (2007: 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.

In March 2008, the Inland Revenue Department ("IRD") issued protective profits tax assessments, for an aggregate additional tax of approximately HK\$15.4 million, relating to the years of assessment 2001/2002, that is, for the financial years ended 31 December 2001, against certain wholly-owned subsidiaries of the Group.

The Group lodged objections with the IRD against the protective assessments. The IRD agreed to hold over the tax claimed completely subject to the subsidiaries in question purchasing tax reserve certificates ("TRCs") of HK\$9,714,228. These TRCs were purchased by the subsidiaries of the Group.

Directors believe that no profits tax is payable in respect of the concerned subsidiaries and no provision for Hong Kong Profits Tax in respect of the protective assessments is considered necessary.

6. DIVIDENDS

	For the six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
2007 final dividend of HK\$0.022 per share declared	38,369	–
2006 final dividend of HK\$0.0613 per share declared and paid	–	106,867
	<u>38,369</u>	<u>106,867</u>
2007 Interim dividend of HK\$0.0328 declared subsequent to period end	–	57,205

The Directors do not recommend the payment of an interim dividend (2007: HK\$0.0328 per ordinary share).

7. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2008	2007
EARNINGS		
Profit/(Loss) for the period attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	<u>(HK\$31,824,000)</u>	<u>HK\$89,505,000</u>
NUMBER OF SHARES		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,744,044,773	1,670,954,117
Effect of dilutive potential ordinary shares issuable under the Company's share option scheme	<u>–</u>	<u>15,131,304</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,744,044,773</u>	<u>1,686,085,042</u>

No diluted earnings per share was presented for the six months ended 30 June 2008 because the exercise price of the options of the Company was higher than the average market price during the relevant period.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend (2007: HK\$0.0328 per ordinary share) for the six months ended 30 June 2008.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the “**CG Code**”) throughout the six months ended 30 June 2008, only with deviation from code provision A.4.1 of the CG Code.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and are subject to re-election. Directors (including non-executive Directors) 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.

Audit Committee

The audit committee of the Company (“**Audit Committee**”) comprises wholly non-executive Directors of the Company (“**Non-executive Directors**”), amongst which three are independent. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and 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 2008 of the Group.

Remuneration Committee

The remuneration committee of the Company (“**Remuneration Committee**”) comprises three independent non-executive Directors. It is responsible for advising the Board on the emolument policies towards Directors and senior management.

The terms of reference of the Audit Committee and the Remuneration Committee, explaining their roles and the authorities delegated to them by the Board, are available on request and included on the website of the Company.

Board of Directors

At an annual general meeting of the Company held on Thursday, 12 June 2008, Mr. Chan Lu Min, Mr. Chan Ting Chuen, Dr. Ho Ting Seng and Mr. Li I Nan retired and were re-elected as Directors.

As from 12 June 2008 and up to the date of this announcement, the Board comprises:

Executive Director

Mr. Li Kwok Lung Alfred Ronald (*Chairman*)

Mr. Sze Sun Sun Tony (*Deputy Chairman & 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 Director

Mr. Li I Nan

Independent Non-executive Director

Mr. Cheng Kar Shing

Mr. Feng Lei Min

Mr. Ho Shing Chak

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

For the six months ended 30 June 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATIONS OF DETAILED RESULTS

The Interim Report containing financial statements and notes to the financial statements for the six months ended 30 June 2008 ("**2008 Interim Report**") will be published on both the websites of the Company (www.symphonyholdings.com) and the Exchange (www.hkex.com.hk). Shareholders shall receive copies of the 2008 Interim Report on or before Monday, 29 September 2008.

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 period.

By Order of the Board
Li Kwok Lung Alfred Ronald
Chairman

Hong Kong • 10 September 2008

** For identification purposes only*