



SYMPHONY HOLDINGS LIMITED

新 禮 集 團 有 限 公 司

(incorporated in Bermuda with limited liability) (於百慕達註冊成立之有限公司)

Stock code 股份代號：1223



07

INTERIM REPORT

中期報告





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OPERATION REVIEW

For over six years, Symphony Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) have 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 a global branded athletic shoe 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 Renminbi against global currencies and domestic labour cost inflation both increased cost in US dollar

OPERATION REVIEW

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.

Segment Information

Sales to North America constituted approximately 58% (2006: 67%) of the Group's total turnover; 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, none of which has been utilised, indicating a zero gearing ratio on the basis of total borrowings over shareholders' fund.

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

Human Resources

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.

Purchase, Sale or Redemption of the Company's Listed Securities

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

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 mainstream activities. 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 those 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 US\$444 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 the People's Republic of China ("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 the Chinese consumers.

Finally, the board of directors of the Company (the "**Board**") would like to take this opportunity to express our gratitude to all our stakeholders for their continuous support. We would also like to further thank our team of dedicated staff for their invaluable services and contributions.

Li Kwok Lung Alfred Ronald, *Chairman*
Hong Kong • 13 September 2007

INTERIM FINANCIAL INFORMATION

The Board is pleased to announce the unaudited condensed consolidated financial statements of 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

	Notes	For the six months ended 30 June,	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover	3	960,109	997,819
Cost of sales		(773,553)	(772,386)
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)
Share of results of jointly controlled entities		(2,009)	84,960
Surplus on revaluation of buildings		–	197
Profit before taxation	4	100,336	151,394
Taxation	5	(8,512)	(10,354)
Profit for the period		91,824	141,040
Attributable to:			
Equity holders of the parent		89,505	136,889
Minority interests		2,319	4,151
		91,824	141,040
Dividends paid	6	–	121,523
Earnings per share	7		
Basic		HK5.36 cents	HK8.22 cents
Diluted		HK5.31 cents	N/A

INTERIM FINANCIAL INFORMATION

Condensed Consolidated Balance Sheet

At 30 June 2007

	Notes	At 30 June 2007 HK\$'000 (Unaudited)	At 31 December 2006 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	257,832	256,231
Investment properties	8	80,000	80,000
Prepaid lease payments		66,768	58,504
Deposit made for acquisition of a property		–	489
Goodwill		57,477	57,477
Interests in jointly controlled entities	9	299,165	299,800
Amount due from a jointly controlled entity	9	14,040	–
Available-for-sale investments		19,231	11,218
Structured deposits		62,400	62,160
Deferred tax assets		12,398	14,106
		869,311	839,985
Current assets			
Inventories		198,387	246,560
Amounts due from jointly controlled entities		1,756	2,079
Trade and other receivables	10	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
		1,272,052	1,183,765
Current liabilities			
Trade and other payables	11	384,943	445,767
Amount due to a jointly controlled entity		1,815	501
Tax payable		54,970	50,179
Dividend payable		106,867	–
		548,595	496,447

INTERIM FINANCIAL INFORMATION

Condensed Consolidated Balance Sheet (Continued)

At 30 June 2007

	Notes	At 30 June 2007 HK\$'000 (Unaudited)	At 31 December 2006 HK\$'000 (Audited)
Net current assets		723,457	687,318
Total assets less current liabilities		1,592,768	1,527,303
Non-current liabilities			
Deferred tax liabilities		8,800	8,724
		1,583,968	1,518,579
Capital and reserves			
Share capital	12	435,836	416,176
Reserves		1,113,440	1,064,692
Equity attributable to equity holders of the parent		1,549,276	1,480,868
Minority interests		34,692	37,711
		1,583,968	1,518,579

INTERIM FINANCIAL INFORMATION

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007

	Attributable to equity holders of the parent									
	Share capital	Share premium	Properties revaluation reserve	Translation reserve	Share options reserve	Other reserve (Note)	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006 (audited)	416,176	288,308	6,080	9,752	-	296	684,279	1,404,891	30,270	1,435,161
Exchange difference arising from translation of foreign operation	-	-	-	2,074	-	-	-	2,074	-	2,074
Share of reserve of jointly controlled entities	-	-	-	208	-	-	-	208	-	208
Net income recognised directly in equity	-	-	-	2,282	-	-	-	2,282	-	2,282
Profit for the period	-	-	-	-	-	-	136,889	136,889	4,151	141,040
Total recognised income for the period	-	-	-	2,282	-	-	136,889	139,171	4,151	143,322
Dividends paid	-	-	-	-	-	-	(121,523)	(121,523)	-	(121,523)
At 30 June 2006 (unaudited)	416,176	288,308	6,080	12,034	-	296	699,645	1,422,539	34,421	1,456,960
Transfer	-	-	-	-	-	(296)	296	-	-	-
Deficit arising on revaluation of buildings	-	-	(2,370)	-	-	-	-	(2,370)	-	(2,370)
Reversal of deferred tax liability arising on revaluation of buildings	-	-	508	-	-	-	-	508	-	508
Exchange difference arising from translation of foreign operation	-	-	333	9,067	-	-	-	9,400	-	9,400
Share of reserve of a jointly controlled entity	-	-	-	434	-	-	-	434	-	434
Net (expense) income recognised directly in equity	-	-	(1,529)	9,501	-	(296)	296	7,972	-	7,972
Profit for the period	-	-	-	-	-	-	70,398	70,398	3,290	73,688
Total recognised income and expenses for the period	-	-	(1,529)	9,501	-	(296)	70,694	78,370	3,290	81,660

INTERIM FINANCIAL INFORMATION

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2007

	Attributable to equity holders of the parent									
	Share capital	Share premium	Properties revaluation reserve	Translation reserve	Share options reserve	Other reserve (Note)	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recognition of equity settled share-based payments	-	-	-	-	29,900	-	-	29,900	-	29,900
Dividends paid	-	-	-	-	-	-	(49,941)	(49,941)	-	(49,941)
At 31 December 2006 (audited)	416,176	288,308	4,551	21,535	29,900	-	720,398	1,480,868	37,711	1,518,579
Exchange difference arising from translation of foreign operation	-	-	-	3,240	-	-	-	3,240	644	3,884
Share of reserve of jointly controlled entities	-	-	-	1,374	-	-	-	1,374	-	1,374
Net income recognised directly in equity	-	-	-	4,614	-	-	-	4,614	644	5,258
Profit for the period	-	-	-	-	-	-	89,505	89,505	2,319	91,824
Total recognised income for the period	-	-	-	4,614	-	-	89,505	94,119	2,963	97,082
Shares issued under share option scheme	19,660	75,656	-	-	(14,160)	-	-	81,156	-	81,156
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	(5,982)	(5,982)
Dividend declared	-	-	-	-	-	-	(106,867)	(106,867)	-	(106,867)
At 30 June 2007 (unaudited)	435,836	363,964	4,551	26,149	15,740	-	703,036	1,549,276	34,692	1,583,968

Note: Other reserve of the Group represents statutory reserve appropriated from the profit after tax of a subsidiary of a jointly controlled entity registered in PRC, other than Hong Kong under the PRC laws and regulations.

INTERIM FINANCIAL INFORMATION

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2007

	For the six months ended 30 June,	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Net cash from operating activities		
Deposit paid for acquisition of securities	(50,122)	–
Other operating activities	58,519	64,416
	8,397	64,416
Net cash used in investing activities		
Purchase of property, plant and equipment	(17,021)	(28,647)
Acquisition of additional interest in a subsidiary	(5,982)	–
Purchase of interest in a jointly controlled entity	–	(81,438)
Additions in prepaid lease payments	(8,790)	–
Purchase of available-for-sale securities	(8,013)	–
Interest income	14,609	17,370
Other investing cash flows	(12,771)	842
	(37,968)	(91,873)
Net cash from (used in) financing activities		
Proceeds from issue of shares	81,156	–
Other financing cash flows	1,314	(121,523)
	82,470	(121,523)
Net increase (decrease) in cash and cash equivalents	52,899	(148,980)
Cash and cash equivalents at 1 January	627,706	740,442
Effect of foreign exchange rate change	(598)	492
Cash and cash equivalents at June 30, representing bank balances and cash	680,007	591,954

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 “**Exchange**”) (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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The Group has not early applied the following new or revised 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 Arrangements 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 (the “**Directors**”) anticipate that the application of these new or revised 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,	
	2007 HK\$'000	2006 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
	960,109	997,819

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (CONTINUED)

Geographical Segments (Continued)

	For the six months ended 30 June,	
	2007 HK\$'000	2006 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
	109,305	89,670
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
	100,336	151,394
Taxation	(8,512)	(10,354)
	91,824	141,040

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. PROFIT BEFORE TAXATION

	For the six months ended 30 June,	
	2007 HK\$'000	2006 HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Cost of inventories recognised as expenses	773,553	772,386
Depreciation and amortisation	19,284	18,403
(Reversal of) allowance for bad and doubtful debts for trade debtors	(9,570)	20,411
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)	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. TAXATION

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

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 jurisdictions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. DIVIDENDS

	For the six months ended 30 June,	
	2007 HK\$'000	2006 HK\$'000
Final dividend declared for 2006 – HK\$0.0613 per share	106,867	–
Final dividend declared and paid for 2005 – HK\$0.0730 per share	–	121,523
	106,867	121,523
Interim dividend declared subsequent to period end – HK\$0.0328 (2006: HK\$0.0300) per share	57,205	49,941

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\$0.0300) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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,	
	2007	2006
Profit for the period attributable to equity holders of the Company for the purposes of basic earnings per share	HK\$89,505,000	HK\$136,889,000
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	15,131,304	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,686,085,421	1,664,704,773

No diluted earnings per share was 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group acquired property, plant and equipment at a cost of HK\$17,021,000 (2006: HK\$28,647,000).

At 30 June 2007, the Directors have considered the carrying amounts of the Group's buildings and investment properties at revalued amounts and have concluded that at that date, their fair values did not differ significantly from their carrying amounts.

9. MOVEMENTS IN INTERESTS IN JOINTLY CONTROLLED ENTITIES / AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

During the period, the Group advanced a loan of HK\$14,040,000 to a jointly controlled entity at an interest rate of 6% per annum. In the opinion of the Directors, the Group will not demand repayment of the loan within twelve months from the balance sheet date, accordingly, the loan was classified as non-current.

During the period ended 30 June 2006, the Group invested an amount of US\$10,500,000, equivalent to approximately HK\$81,438,000 as capital contribution in a jointly controlled entity.

On 28 June 2006, the board of directors of New Point Industrial Limited ("**New Point**"), a non-wholly owned subsidiary of a jointly controlled entity of the Group, approved and entered into an agreement to terminate a joint venture agreement, license agreement and distribution agreement in relation to products of a global brand in PRC. As a result of this termination, a compensation was payable to New Point and the Group's share of profits of jointly controlled entities for the six months ended 30 June 2006 was increased by approximately HK\$93 million representing the unconditional portion of the compensation received during that period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. TRADE AND OTHER RECEIVABLES

The Group allows a credit period ranging from 60 days to 90 days to its trade customers.

Included in trade and other receivables are trade receivables of HK\$292,607,000 (31 December 2006: HK\$246,495,000) and an aged analysis is as follows:

	At 30 June 2007 HK\$'000	At 31 December 2006 HK\$'000
0 to 30 days	188,066	163,254
31 to 60 days	76,924	32,224
61 to 90 days	22,889	16,807
Over 90 days	20,158	59,210
	308,037	271,495
Less: Allowances for bad and doubtful debts	(15,430)	(25,000)
	292,607	246,495

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$219,377,000 (31 December 2006: HK\$242,677,000) and an aged analysis is as follows:

	At 30 June 2007 HK\$'000	At 31 December 2006 HK\$'000
0 to 30 days	94,018	102,313
31 to 60 days	71,642	76,592
61 to 90 days	23,543	20,083
Over 90 days	30,174	43,689
	219,377	242,677

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. SHARE CAPITAL

	Number of Shares (‘000)	Amount HK\$‘000
Ordinary shares of HK\$0.25 each		
Authorised:		
At 31 December 2006 and 30 June 2007	8,000,000	2,000,000
Issued and fully paid:		
At 1 January 2007	1,664,705	416,176
Exercise of share options	78,639	19,660
At 30 June 2007	1,743,344	435,836

13. OPERATING LEASE COMMITMENTS

The Group as Lessee

Minimum lease payments paid under operating leases for plants during the period was HK\$12,283,000 (six months ended 30 June 2006: HK\$10,896,000).

At the balance sheet date, the Group had commitments for future minimum lease payments in respect of plants under non-cancellable operating leases which fell due as follows:

	At 30 June 2007 HK\$‘000	At 31 December 2006 HK\$‘000
Within one year	23,028	25,161
In the second to fifth year inclusive	21,926	33,114
	44,954	58,275

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. OPERATING LEASE COMMITMENTS (CONTINUED)

The Group as Lessee (Continued)

Operating lease payments represent rentals payable by the Group for certain of its plants. Leases are negotiated and rentals are fixed for terms ranging from two to five years.

The Group as Lessor

Property rental income earned during the period was approximately HK\$1,114,000 (six months ended 30 June 2006: HK\$1,074,000). The properties held for rental purposes have committed tenants for the next one to two years.

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

	At 30 June 2007 HK\$'000	At 31 December 2006 HK\$'000
Within one year	2,076	2,189
In the second to fifth year inclusive	1,000	2,001
	3,076	4,190

14. CAPITAL COMMITMENT

At 30 June 2007, the Group had commitments of approximately HK\$864,000 (31 December 2006: HK\$4,755,000) for capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. RELATED PARTY TRANSACTIONS

Transactions with a Jointly Controlled Entity

During the period, the Group had transactions with a jointly controlled entity and its subsidiaries, as follows:

	For the six months ended 30 June,	
	2007	2006
	HK\$'000	HK\$'000
Management fee income	480	497
Interest received	70	2,288

Compensation of Key Management Personnel

The remuneration of Directors and key management executives during the period was as follows:

	For the six months ended 30 June,	
	2007	2006
	HK\$'000	HK\$'000
Short-term benefits	4,415	4,601
Post-employment benefits	147	74
Total	4,562	4,675

The remuneration of Directors and key management executives is determined by the remuneration committee of the Company (the "**Remuneration Committee**") having regard to the duties and responsibilities of individuals, the prevailing market conditions and the overall performance of the Company.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

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 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)

The Company has adopted the Model Code. Having made specific enquiry, all Directors confirmed that they have complied with the Model Code as set out in Appendix 10 to the Listing Rules throughout the six months ended 30 June 2007.

AUDIT COMMITTEE

In compliance with the Listing Rules, the Audit Committee comprises three independent non-executive directors (“**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 of the Group for the six months ended 30 June 2007.

REMUNERATION COMMITTEE

In compliance with the Listing Rules, the Remuneration Committee was established and comprises three Independent Non-executive Directors, who are responsible for advising the Board on the emolument policies towards Directors.

CORPORATE GOVERNANCE

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 and offered themselves for re-election.

As from 25 June 2007 and up to the date of this report, the Directors are:

<i>Executive Directors</i>	<i>Non-executive Directors</i>
Mr. Li Kwok Lung Alfred Ronald (<i>Chairman</i>)	Mr. Li I Nan
Mr. Sze Sun Sun Tony (<i>Deputy Chairman and Managing Director</i>)	<i>Independent Non-executive Directors</i>
Mr. Chang Tsung Yuan (<i>Deputy Chairman</i>)	Mr. Cheng Kar Shing
Mr. Ku Edward Y.	Mr. Feng Lei Ming
Mr. Chan Lu Min	Mr. Ho Shing Chak
Dr. Ho Ting Seng	
Mr. Chan Ting Chuen	

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 30 June 2007, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), (a) which were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or the chief executives were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Exchange pursuant to the Model Code in the Listing Rules were as follows:

Long Positions in Shares

Ordinary shares of HK\$0.25 each of the Company:

Director	Notes	Number of ordinary shares			Total	Percentage of the issued share capital of the Company
		Held by beneficial owner	Held by spouse and/or children under 18	Held by controlled corporation		
Mr. Chan Ting Chuen	1	5,000,000	-	874,827,172	879,827,172	50.47%
Mr. Chang Tsung Yuan	1	13,550,000	-	-	13,550,000	0.78%
Dr. Ho Ting Seng		1,000,000	-	-	1,000,000	0.06%
Mr. Li Kwok Lung Alfred Ronald	2	12,260,000	400,000	11,799,886	24,459,886	1.40%
Mr. Sze Sun Sun Tony	1	10,000,000	-	841,227,400	851,227,400	48.83%

CORPORATE GOVERNANCE

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES (CONTINUED)

Long Positions in Shares (Continued)

Notes:

1. As at 30 June 2007, the total number of issued shares of the Company was 1,743,344,773 ordinary shares. Well Success Investment Limited ("**Well Success**") was directly interested in 841,227,400 shares in the Company.

First Dynamic International Limited ("**First Dynamic**") held more than one-third of the issued share capital of Well Success. Each of Royal Pacific Limited ("**Royal Pacific**") and Alexon International Limited ("**Alexon**") held more than one-third of the total issued share capital of First Dynamic. Accordingly, First Dynamic, Royal Pacific and Alexon were deemed to be interested in 841,227,400 shares in the Company.

Mr. Chang Tsung Yuan was a substantial shareholder of Well Success in which he held 20% of its issued share capital.

Mr. Chan Ting Chuen ("**Mr. Chan**") held 5,000,000 shares in the Company in a personal capacity. Royal Pacific was directly interested in 33,599,772 shares in the Company. Mr. Chan was interested in the entire issued share capital of Royal Pacific and was therefore deemed to be interested in 874,827,172 shares in the Company. Accordingly, Mr. Chan was interested in an aggregate of 879,827,172 shares in the Company, representing a 50.47% shareholding.

Mr. Sze Sun Sun Tony ("**Mr. Sze**") held 10,000,000 shares in the Company in a personal capacity. He was interested in the entire issued share capital of Alexon and was therefore deemed to be interested in 841,227,400 shares in the Company. Accordingly, Mr. Sze was interested in an aggregate of 851,227,400 shares in the Company, representing a 48.83% shareholding.

2. Mr. Li Kwok Lung Alfred Ronald ("**Mr. Li**") and his spouse held 12,660,000 shares in the Company in a personal capacity. Ever Growing Assets Limited ("**Ever Growing**") had a direct interest in 11,799,886 shares in the Company. Mr Li held the entire issued share capital of Ever Growing and was therefore deemed to be interested in 11,799,886 shares in the Company. Accordingly, Mr. Li was interested in an aggregate of 24,459,886 shares in the Company, representing a 1.40% shareholding.

Short Positions in Shares

Save as disclosed above and in the section "Stock Option Scheme", none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2007.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, as at 30 June 2007, the following substantial shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

CORPORATE GOVERNANCE

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Long Positions in Shares

Ordinary shares of HK\$0.25 each of the Company:

Shareholder	Note	Capacity	Number of issued ordinary shares held			Percentage of the issued share capital of the Company
			Direct interests	Deemed interests	Total interests	
Well Success	1	Beneficial Owner	841,227,400	-	841,227,400	48.25%
First Dynamic	1	Held by controlled corporation	-	841,227,400	841,227,400	48.25%
Alexon	1	Held by controlled corporation	-	841,227,400	841,227,400	48.25%
Royal Pacific	1	Beneficial Owner and held by controlled corporation	33,599,772	841,227,400	874,827,172	50.18%
Frensham Investments Limited ("Frensham")	2	Beneficial Owner and held by controlled corporation	83,999,430	841,227,400	925,226,830	53.07%
Pou Yuen Industrial (Holdings) Limited ("Pou Yuen")	2	Held by controlled corporation	-	925,226,830	925,226,830	53.07%
Yue Yuen Industrial Limited ("Yue Yuen Industrial")	2	Held by controlled corporation	-	925,226,830	925,226,830	53.07%
Pou Hing Industrial Company Limited ("Pou Hing Company")	2	Held by controlled corporation	-	925,226,830	925,226,830	53.07%
Yue Yuen Industrial (Holdings) Limited ("Yue Yuen")	2	Held by controlled corporation	-	925,226,830	925,226,830	53.07%
Wealthplus Holdings Limited ("Wealthplus")	2	Held by controlled corporation	-	925,226,830	925,226,830	53.07%
Pou Chen Corporation ("Pou Chen")	2	Held by controlled corporation	-	925,226,830	925,226,830	53.07%
Madam Lau Yuk Wah ("Madam Lau")	3	Held by spouse	-	851,227,400	851,227,400	48.83%
Madam Ng Shuk Fong ("Madam Ng")	3	Held by spouse	-	879,827,172	879,827,172	50.47%
Chartered Asset Management Pte Ltd		Investment Manager	96,809,000	-	96,809,000	5.55%

CORPORATE GOVERNANCE

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Long Positions in Shares (Continued)

Notes:

1. Well Success was directly interested in 841,227,400 shares of the Company. First Dynamic held more than one-third of the issued share capital of Well Success. Each of Royal Pacific and Alexon held more than one-third of the issued share capital of First Dynamic. Accordingly, First Dynamic, Royal Pacific and Alexon were deemed to be interested in 841,227,400 shares of the Company.
2. Frensham was directly interested in 83,999,430 shares of the Company and held more than one-third of the issued share capital of Well Success. Frensham was a wholly-owned subsidiary of Pou Yuen which in turn was a wholly-owned subsidiary of Yue Yuen Industrial. Yue Yuen Industrial was a wholly-owned subsidiary of Pou Hing Company which in turn was a wholly-owned subsidiary of Yue Yuen. Wealthplus, a wholly-owned subsidiary of Pou Chen, held over 35% interests in Yue Yuen and therefore all of them were deemed to be interested in 841,227,400 shares in the Company. Accordingly, Frensham, Pou Yuen, Yue Yuen Industrial, Pou Hing Company, Yue Yuen, Wealthplus and Pou Chen were or deemed to be interested in 925,226,830 shares of the Company.
3. Madam Lau is the wife of Mr. Sze and was deemed to be interested in a total of 851,227,400 shares of the Company. Madam Ng is the wife of Mr. Chan and was deemed to be interested in a total of 879,827,172 shares of the Company.

Short Positions in Shares

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions of substantial shareholders in the issued share capital of the Company as at 30 June 2007.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at a special general meeting of the Company on 22 October 2001, the Company adopted a new share option scheme (the "**2001 Scheme**"). The 2001 Scheme replaced the share option scheme adopted on 9 February 1995 (as amended on 9 December 1997) (the "**1997 Scheme**"). After the adoption of the 2001 Scheme, no further option can be granted under the 1997 Scheme. No share option of the 1997 Scheme has been outstanding since 31 December 2003.

CORPORATE GOVERNANCE

SHARE OPTION SCHEME (CONTINUED)

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 pursuant to the 2001 Scheme. During the period under review, 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. The following table summarises the movements of the outstanding share options during the period under the 2001 Scheme:

Category/Name	Date granted (day/month/year)	Exercisable period (day/month/year)	Exercise price per share (HK\$)	Number of share options			
				Outstanding	Exercised	Lapsed	Outstanding
				as at 1 January 2007	during the period	during the period	as at 30 June 2007
Directors							
Chan Lu Min	02/08/2006	01/09/2006 – 31/08/2009	1.032	5,000,000	-	-	5,000,000
Chan Ting Chuen	02/08/2006	01/09/2006 – 31/08/2009	1.032	5,000,000	5,000,000	-	-
Chang Tsung Yuan	02/08/2006	01/09/2006 – 31/08/2009	1.032	16,500,000	16,500,000	-	-
Cheng Kar Shing	02/08/2006	01/09/2006 – 31/08/2009	1.032	500,000	-	-	500,000
Feng Lei Ming	02/08/2006	01/09/2006 – 31/08/2009	1.032	600,000	-	-	600,000
Ho Shing Chak	02/08/2006	01/09/2006 – 31/08/2009	1.032	500,000	-	-	500,000
Ho Ting Seng	02/08/2006	01/09/2006 – 31/08/2009	1.032	10,000,000	6,000,000	-	4,000,000
Ku Edward Y.	02/08/2006	01/09/2006 – 31/08/2009	1.032	16,500,000	-	-	16,500,000
Li I Nan	02/08/2006	01/09/2006 – 31/08/2009	1.032	16,500,000	-	-	16,500,000
Li Kwok Lung Alfred Ronald	02/08/2006	01/09/2006 – 31/08/2009	1.032	10,000,000	10,000,000	-	-
Sze Sun Sun Tony	02/08/2006	01/09/2006 – 31/08/2009	1.032	16,500,000	16,500,000	-	-
				97,600,000	54,000,000	-	43,600,000
Employees	02/08/2006	01/09/2006 – 31/08/2009	1.032	67,450,000	24,640,000	1,450,000	41,360,000
Consultant	02/08/2006	01/09/2006 – 31/08/2009	1.032	1,000,000	-	-	1,000,000
				68,450,000	24,640,000	1,450,000	42,360,000

INFORMATION TO STAKEHOLDERS

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.0328 (2006: HK\$0.0300) per ordinary share, payable on or about Friday, 12 October 2007 to the shareholders whose names appear in 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.

INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2007 printed in English and Chinese is available on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkex.com.hk>) and the Company (<http://www.symphonyholdings.com>).

REGISTERED OFFICE

Address: Clarendon House, 2 Church Street, Hamilton HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Address: 10/F, Island Place Tower, 510 King's Road, North Point, Hong Kong

Email: info@symphonyholdings.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Name: The Bank of Bermuda Limited

Address: 6 Front Street, Hamilton HM11, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Name: Tricor Tengis Limited

Address: 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

Telephone: (852) 2980 1333

Fax: (852) 2810 8185

STOCK CODE

Exchange: 01223

DIVIDEND

Interim dividend: \$0.0328 per ordinary share

Book close period: Wednesday, 3 October 2007 – Friday, 5 October 2007

Payment date for interim dividend: on or about Friday, 12 October 2007



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