

2008 INTERIM REPORT



SYMPHONY

SYMPHONY HOLDINGS LIMITED
INCORPORATED IN BERMUDA WITH LIMITED LIABILITY

Stock Code: 01223

CONTENTS

Chairman’s Statement and Outlook	1
Operation Review	3
Condensed Consolidated Income Statement	5
Condensed Consolidated Balance Sheet	6
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Cash Flow Statement	9
Notes to the Condensed Consolidated Financial Statements	10
Corporate Governance	21
Information to Stakeholders	29

CHAIRMAN'S STATEMENT AND OUTLOOK

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 1.0% 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.

CHAIRMAN'S STATEMENT AND OUTLOOK

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 six 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 six 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.

OPERATION REVIEW

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).

As at 30 June 2008, other income of the Group was HK\$19.1 million (2007: HK\$57.7 million). The change was mainly due to the following reasons:

- (a) A one time write-off by Group creditors of long-standing accounts payable in the amount of HK\$14.9 million in the corresponding period in 2007 that was not repeated in 2008.
- (b) A reduction in interest income received which was HK\$7.1 million less than in the corresponding period in 2007 caused by the tightening of payment terms by customers and the fact that interest rates offered by banks were lower in 2008 compared to 2007.
- (c) A reduction in the general provision for accounts receivable of HK\$9.6 million. The general provision for accounts receivable as at the beginning of 2007 was HK\$25.0 million. As at 30 June 2007, the general provision for accounts receivable was reduced by the amount of HK\$9.6 million. The balance to be carried forward was HK\$15.4 million. As at the beginning of 2008, the balance became approximately HK\$9.1 million due to additional write back during the second half of 2007. The balance was increased to HK\$9.6 million as at 30 June 2008.
- (d) A reduction in investment gain recognised from held-for-trading investment in the amount of HK\$1.8 million. The amount of investment gain for the corresponding period in 2007 was HK\$2.4 million and that for the period under review was HK\$0.5 million.
- (e) The differences in foreign exchange rates between the book rate and the conversion rate during the period was HK\$4.9 million. The Company did not recognise any exchange gains during the six months ended 30 June 2008.

During the period, share of loss of jointly controlled entities increased from HK\$2.0 million to HK\$23.0 million. The loss recognised arose mainly from losses of Pony and Haggar incurred in brand building and development. During the six months ended 30 June 2007, the Company recognised an one-off exceptional gain in the amount of HK\$18.5 million from the termination of its licence, joint venture and distribution agreement in relation to the products of a global brand in the People’s Republic of China (“**PRC**”). This one-off exceptional gain offset some of the losses incurred in the brand building exercise.

The Company received additional cash of HK\$62.2 million for the six months ended 30 June 2007 as a result of an early redemption by the issuers of the structured deposits. The issuers of the aforementioned instruments were CALYON and The Hongkong and Shanghai Banking Corporation Limited.

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 38 production lines, of which 8 are in Panyu, 10 are in Zhongshan, 8 are in Dongguan, 4 are in Fuzhou, and a further 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 the design of products 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 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 share options are awarded to eligible employees of the Group based on their performance and individual merits.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June	
		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 taxation	4	(28,882)	100,336
Taxation	5	(2,942)	(8,512)
Profit/(Loss) for the period		(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 paid	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

	Notes	At 30 June 2008 HK\$'000 (Unaudited)	At 31 December 2007 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	267,076	260,660
Investment properties	8	240,922	144,500
Prepaid lease payments		49,355	48,155
Deposit made for acquisition of a property		–	9,200
Goodwill		57,477	57,477
Interests in jointly controlled entities		163,528	221,133
Amount due from a jointly controlled entity	9	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		21,937	32,710
Trade and other receivables	10	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	11	426,170	421,041
Amount due to a jointly controlled entity		18	8,792
Tax payable		44,457	53,419
Dividend payable		38,369	–
		509,014	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	12	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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Properties Revaluation Reserve	Investment Revaluation Reserve	Translation Reserve	Share Option Reserve	Accumulated 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
The Group										
As 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 differences arising on translation of foreign operations	-	-	-	-	3,240	-	-	3,240	644	3,884
Share of reserve of a jointly controlled entity	-	-	-	-	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 and expenses for the period	-	-	-	-	4,614	-	89,505	94,119	2,963	97,082
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	(5,982)	(5,982)
Effects of share option	19,660	75,656	-	-	-	(14,160)	-	81,156	-	81,156
Dividends paid	-	-	-	-	-	-	(106,867)	(106,867)	-	(106,867)
As 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
Surplus arising on revaluation of buildings	-	-	12,631	-	-	-	-	12,631	-	12,631
Surplus arising on revaluation of available-for-sale investments	-	-	-	943	-	-	-	943	-	943
Deferred tax liability arising on revaluation of buildings	-	-	(1,857)	-	-	-	-	(1,857)	-	(1,857)
Exchange differences arising on translation of foreign operations	-	-	152	-	9,884	-	-	10,036	(110)	9,926
Share of reserve of a jointly controlled entity	-	-	-	-	673	25	-	698	-	698

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Properties Revaluation Reserve	Investment Revaluation Reserve	Translation Reserve	Share Option Reserve	Accumulated 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
Net income recognised directly in equity	-	-	10,926	943	10,557	25	-	22,451	(110)	22,341
Profit for the period	-	-	-	-	-	-	5,424	5,424	788	6,212
Total recognised income and expenses for the period	-	-	10,926	943	10,557	25	5,424	27,875	678	28,553
Effects of share option	175	674	-	-	-	(397)	270	722	-	722
Dividends paid	-	-	-	-	-	-	(57,205)	(57,205)	-	(57,205)
As at 31 December 2007 (audited)	436,011	364,638	15,477	943	36,706	15,368	651,525	1,520,668	35,370	1,556,038
Exchange differences arising on translation of foreign operations	-	-	-	-	21,722	-	-	21,722	-	21,722
Share of reserve of a jointly controlled entity	-	-	-	-	3,787	-	-	3,787	-	3,787
Net income recognised directly in equity	-	-	-	-	25,509	-	-	25,509	-	25,509
Profit for the period	-	-	-	-	-	-	(31,359)	(31,359)	(465)	(31,824)
Total recognised income for the period	-	-	-	-	25,509	-	(31,359)	(5,850)	(465)	(6,315)
Lapse of share options	-	-	-	-	-	(25)	-	(25)	-	(25)
Dividends paid	-	-	-	-	-	-	(38,369)	(38,369)	-	(38,369)
As at 30 June 2008 (unaudited)	436,011	364,638	15,477	943	62,215	15,343	581,797	1,476,424	34,905	1,511,329

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Net cash from operating activities		
Deposit paid for acquisition of securities	–	(50,122)
Other operating activities	6,104	58,519
	6,104	8,397
Net cash used in investing activities		
Purchase of property, plant and equipment	(13,401)	(17,021)
Purchase of investment properties	(96,422)	–
Acquisition of additional interest in a subsidiary	–	(5,982)
Additions in prepaid lease payments	–	(8,790)
Purchase of available-for-sale securities	(38,854)	(8,013)
Interest income	7,520	14,609
Other investing cash flows	(1,533)	(12,771)
	(142,690)	(37,968)
Net cash from/(used in) financing activities		
Proceeds from issue of shares	–	81,156
Other financing cash flows	(8,774)	1,314
	(8,774)	82,470
Net increase/(decrease) in cash and cash equivalents	(145,360)	52,899
Cash and cash equivalents at 1 January	519,494	627,706
Effect of foreign exchange rate change	9,760	(598)
Cash and cash equivalents at June 30, representing bank balances and cash	383,894	680,007

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 the current interim period, the Group has applied, for the first time, the following new interpretations issued by HKICPA, which were 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:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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. Hong Kong Accounting Standard 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 (“**Directors**”) anticipate that the application of these new or revised 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 revenue and contribution to results are contributed by activities other than the manufacture and sale of footwear products.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Geographical segments

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

	For the six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Revenue		
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 HK\$'000	2007 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	2,094	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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 expenses	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)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. TAXATION

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

Hong Kong Profits Tax was calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the period.

Taxation arising in other jurisdictions was 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 (“**Subsidiaries**”).

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. DIVIDENDS

	For the six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
2007 final dividend of HK\$0.0220 per share declared	38,369	–
2006 final dividend of HK\$0.0613 per share declared and paid	–	106,867
	38,369	106,867
2007 interim dividend of HK\$0.0328 declared subsequent to period end	–	57,205

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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
<hr/>		
EARNINGS		
Profit/(Loss) for the period attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	HK\$(31,824,000)	HK\$89,505,000
<hr/>		
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	–	15,131,304
<hr/>		
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,744,044,773	1,686,085,041
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No diluted earnings per share was presented for the six months ended 30 June 2008 because the exercise price of the share option of the Company was higher than the average market price during the relevant period.

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\$13,401,000 (2007: HK\$17,021,000).

At 30 June 2008, Directors have considered the carrying amounts of the Group's buildings and investment properties at revalued amounts and have concluded that their fair values at that date did not differ significantly from their carrying amounts at 30 June 2008.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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\$80,424,000 (31 December 2007: HK\$28,062,000) 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 12 months from the balance sheet date, accordingly, the loan is classified as non-current and included in interests in jointly controlled entities.

10. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables are trade receivables of HK\$294,411,000 (31 December 2007: HK\$269,137,000) and an aged analysis is as follows:

	30.06.2008	31.12.2007
	HK\$'000	HK\$'000
0 to 30 days	184,742	154,927
31 to 60 days	65,419	71,142
61 to 90 days	13,370	22,393
Over 90 days	40,430	29,745
	303,961	278,207
Less: Allowances for bad and doubtful debts	(9,550)	(9,070)
	294,411	269,137

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$259,824,000 (31 December 2007: HK\$255,618,000) and an aged analysis is as follows:

	30.06.2008	31.12.2007
	HK\$'000	HK\$'000
0 to 30 days	112,045	113,830
31 to 60 days	85,563	85,577
61 to 90 days	32,662	25,029
Over 90 days	29,554	31,182
	259,824	255,618

12. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.25 each		
Authorised:		
At 31 December 2007 and 30 June 2008	8,000,000	2,000,000
Issued and fully paid:		
At 1 January 2008	1,744,045	436,011
At 30 June 2008	1,744,045	436,011

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payments paid under operating lease for land and buildings during the period was HK\$15,293,000 (six months ended 30 June 2007: HK\$12,283,000).

At the balance sheet date, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating lease which fall due as follows:

	30.06.2008	31.12.2007
	HK\$'000	HK\$'000
Within one year	26,124	18,207
In the second to fifth year inclusive	33,852	17,880
	59,976	36,087

Operating lease payments represent rentals payable by the Group for certain of its land and buildings. Leases are negotiated and rentals are fixed for terms ranging from 2 to 5 years.

The Group as lessor

Property rental income earned during the period was approximately HK\$1,836,000 (six months ended 30 June 2007: HK\$1,114,000). The properties held for rental purposes have committed tenants for the next 1 to 2 years.

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

	30.06.2008	31.12.2007
	HK\$'000	HK\$'000
Within one year	7,071	1,701
In the second to fifth year inclusive	10,100	–
	17,171	1,701

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. CAPITAL COMMITMENT

At 30 June 2008, the Group had commitments of approximately HK\$688,000 (31 December 2007: HK\$82,830,000) for capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment.

15. RELATED PARTY TRANSACTIONS

(a) 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	
	2008 HK\$'000	2007 HK\$'000
Management fee income	–	480
Interests received	1,543	70

(b) 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	
	2008 HK\$'000	2007 HK\$'000
Short-term benefits	5,785	4,415
Post-employment benefits	202	147
Total	5,987	4,562

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

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (“**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.

BOARD COMMITTEES

The terms of reference of the audit committee of the Company (“**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.

Audit Committee

The Audit Committee comprises wholly non-executive directors of the Company (“**Non-executive Directors**”), amongst which 3 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 comprises 3 independent Non-executive Directors. It is responsible for advising the Board on the emolument policies towards Directors and senior management.

CORPORATE GOVERNANCE

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 report, 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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 30 June 2008, 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 (“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:

CORPORATE GOVERNANCE

Long Positions in Shares

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

Director	Notes	Number of ordinary shares held by				Total number of ordinary shares	Percentage of the issued share capital of the Company
		beneficial owner	spouse and/or children under 18	controlled corporation	discretionary trust		
Chan Ting Chuen	1	5,000,000	–	–	885,285,730	890,285,730	51.05%
Chang Tsung Yuan	1	6,000,000	–	–	–	6,000,000	0.34%
Li Kwok Lung Alfred Ronald	2	12,260,000	400,000	11,799,886	–	24,459,886	1.40%
Sze Sun Sun Tony	1	–	–	851,685,958	–	851,685,958	48.83%

Notes:

- Well Success Investment Limited (“**Well Success**”) had a direct interest in 851,685,958 shares of the Company. First Dynamic International Limited (“**First Dynamic**”) held more than one-third of the issued share capital of Well Success.

Royal Pacific Limited (“**Royal Pacific**”) had a direct interest in 33,599,772 shares of the Company and held more than one-third of the issued share capital of First Dynamic. Royal Pacific was wholly-owned by TC Chan Family Holdings Limited (“**TCCFHL**”), which in turn was wholly-owned by TC Chan Management (PTC) Limited (formerly TC Chan Management Limited) (“**TCCM(PTC)L**”), which was a trustee of a discretionary trust. Ultimately, Royal Pacific was held by a discretionary trust, of which Mr. Chan Ting Chuen (“**Mr. Chan**”) was the founder, and Mr Chan and his family members were the discretionary beneficiaries. Accordingly, Mr. Chan was or deemed to be interested in 890,285,730 shares of the Company.

Alexon International Limited (“**Alexon**”) held more than one-third of the issued share capital of First Dynamic. Mr. Sze Sun Sun Tony (“**Mr. Sze**”) was interested in the entire issued share capital of Alexon and was therefore deemed to be interested in 851,685,958 shares of the Company.

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

- Ever Growing Assets Limited (“**Ever Growing**”) had a direct interest in 11,799,886 shares of the Company. Mr. Li Kwok Lung Alfred Ronald held the entire issued share capital of Ever Growing and was therefore deemed to be interested in 11,799,886 shares of the Company.

CORPORATE GOVERNANCE

Short Positions in Shares

Save as disclosed above and in the section "Share Options", 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 2008.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 30 June 2008, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Long Positions in Shares

Ordinary shares of HK\$0.25 each of the Company

Name of shareholder	Notes	Capacity	Number of issued ordinary shares held by			Percentage of the issued share capital of the Company
			direct interests	deemed interests	total interests	
Well Success	1	Beneficial owner	851,685,958	–	851,685,958	48.83%
First Dynamic	1	Interest of controlled corporation	–	851,685,958	851,685,958	48.83%
Alexon	1	Interest of controlled corporation	–	851,685,958	851,685,958	48.83%
Mr. Sze	3	Beneficial owner	–	851,685,958	851,685,958	48.83%
Lau Yuk Wah ("Madam Lau")	3	Spouse	–	851,685,958	851,685,958	48.83%
Royal Pacific	1	Beneficial owner and interest of controlled corporation	33,599,772	851,685,958	885,285,730	50.76%
TCCFHL	4	Interest of controlled corporation	–	885,285,730	885,285,730	50.76%

CORPORATE GOVERNANCE

Name of shareholder	Notes	Capacity	Number of issued ordinary shares held by			Percentage of the issued share capital of the Company
			direct interests	deemed interests	total interests	
TCCM(PTC)L	4	Trustee	–	885,285,730	885,285,730	50.76%
Mr. Chan	4	Beneficial owner, founder and beneficiary of trust	5,000,000	885,285,730	890,285,730	51.05%
Ng Shuk Fong (“Madam Ng”)	4	Spouse and beneficiary of trust	–	890,285,730	890,285,730	51.05%
Frensham Investments Limited (“Frensham”)	2	Beneficial owner and interest of controlled corporation	83,999,430	851,685,958	935,685,388	53.65%
Pou Yuen Industrial (Holdings) Limited (“Pou Yuen”)	2	Interest of controlled corporation	–	935,685,388	935,685,388	53.65%
Yue Yuen Industrial Limited (“Yue Yuen Industrial”)	2	Interest of controlled corporation	–	935,685,388	935,685,388	53.65%
Pou Hing Industrial Company Limited (“Pou Hing”)	2	Interest of controlled corporation	–	935,685,388	935,685,388	53.65%
Yue Yuen Industrial (Holdings) Limited (“Yue Yuen”)	2	Interest of controlled corporation	–	935,685,388	935,685,388	53.65%
Wealthplus Holdings Limited (“Wealthplus”)	2	Interest of controlled corporation	–	935,685,388	935,685,388	53.65%
Pou Chen Corporation (“Pou Chen”)	2	Interest of controlled corporation	–	935,685,388	935,685,388	53.65%

CORPORATE GOVERNANCE

Notes:

1. As at 30 June 2008, Well Success was directly interested in 851,685,958 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 851,685,958 shares of the Company.
2. As at 30 June 2008, Frensham had a direct interest 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 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 851,685,958 shares of the Company. Accordingly, Frensham, Pou Yuen, Yue Yuen Industrial, Pou Hing, Yue Yuen, Wealthplus and Pou Chen were or deemed to be interested in 935,685,388 shares of the Company.
3. Madam Lau is the wife of Mr. Sze, a director of the Company. As at 30 June 2008, Mr. Sze was interested in the entire issued share capital of Alexon (see Note 1), therefore he was deemed to be interested in 851,685,958 shares of the Company. Accordingly, Madam Lau was deemed to be interested in a total of 851,685,958 shares of the Company.
4. Madam Ng is the wife of Mr. Chan, a director of the Company. Royal Pacific is wholly-owned by TCCFHL, which in turn is wholly-owned by TCCML, which is a trustee of a discretionary trust. Ultimately, Royal Pacific was held by a discretionary trust, of which Mr. Chan and his family members were the discretionary beneficiaries and Mr. Chan was the founder. As at 30 June 2008, Royal Pacific was directly interested in 33,599,772 shares and was deemed to be interested in 851,685,958 shares of the Company (see Note 1), therefore both Mr. Chan and Madam Ng were deemed to be interested in 885,285,730 shares of the Company. Furthermore, Mr. Chan was directly interested in 5,000,000 shares of the Company. Accordingly, Madam Ng was deemed to be interested in a total of 890,285,730 shares of the Company.

Short Positions in Shares

The Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2008.

CORPORATE GOVERNANCE

SHARE OPTIONS

The Company adopted a share option scheme on 22 October 2001 (“**2001 Scheme**”).

On 2 August 2006, the Company granted 166,050,000 share options to the Directors and the other eligible participants at an exercise price of HK\$1.032 each pursuant to the 2001 Scheme.

During the six months ended 30 June 2008, none of the share option was exercised and 500,000 share options lapsed. As at 30 June 2008, the aggregate number of share option outstanding was 84,710,000.

The following table discloses details of the 2001 Scheme held by Directors, employees and a consultant and the movements in such holdings during the six months ended 30 June 2008:

Category/Name	Date of grant (day.month.year)	Exercisable period (day.month.year)	Exercise price per share (HK\$)	Number of share options			
				outstanding as at 01.01.2008	exercised during the period	lapsed during the period	outstanding as at 30.06.2008
Directors							
Chan Lu Min	02.08.2006	01.09.2006 – 31.08.2009	1.032	5,000,000	–	–	5,000,000
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	4,000,000	–	–	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
				43,600,000	–	–	43,600,000
Employees							
Employees	02.08.2006	01.09.2006 – 31.08.2009	1.032	40,610,000	–	500,000	40,110,000
Consultants							
Consultant	02.08.2006	01.09.2006 – 31.08.2009	1.032	1,000,000	–	–	1,000,000

CORPORATE GOVERNANCE

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, each of them confirmed his compliance with the required standard set out in the Model Code during the six months ended 30 June 2008.

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.

SHAREHOLDERS' COMMUNICATIONS

The Board recognises the importance of maintaining an effective mutual communication with its stakeholders. Designated management staff meets with research analysts and institutional investors on an on-going basis and provides them with the latest and comprehensive information about the corporate developments of the Group. In addition, the Company utilises its website (www.symphonyholdings.com) as a channel to provide updated information in a timely manner in order to strengthen the communication with its stakeholders.

INFORMATION TO STAKEHOLDERS

Interim Dividend

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.

Interim Report

The interim report of the Company for the six months ended 30 June 2008 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>).

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