SYMPHONY

SYMPHONY HOLDINGS LIMITED

（新灃集團有限公司） *

(Incorporated in Bermuda with limited liability)
(Stock code: 01223)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008, DIVIDEND DECLARATION AND CLOSURE OF BOOKS

GROUP FINANCIAL HIGHLIGHTS

- Group revenue was HK$2,050.6 million in 2008.
- Loss attributable to equity holders of the Company for 2008 was HK$226.5 million.
- Final dividend of HK$0.0100 per share was recommended to be payable on or about Thursday, 2 July 2009.

CHAIRMAN'S STATEMENT

Facing the globally uncertain economic climate, Symphony Holdings Limited ("**Symphony**" or "**Company**", together with its subsidiaries, "**Group**") experienced another difficult year 2008 as expected. The revenue of the Group in 2008 was up by 10.9% to HK$2,050.6 million, in which HK$1,947.4 million and HK$99.0 million were contributed by contract manufacturing and branding business wholly-owned by the Company respectively. The remaining balance of HK$4.1 million was contributed by rental and other income. In addition to the significant adverse global financial effect, a material depreciation of the fair values of the Group's properties and the written-off of goodwill of factories had offset the increase in revenue during the year. Accordingly, total loss for the year was HK$229.7 million.

Symphony's contract manufacturing sector has continually over the past decade yielded positive contribution. Notwithstanding the fact that our major export markets in the United States and Europe continue to be hard hit by the global recession and the difficult operating environment, our manufacturing business recorded a 9.2% increase in sales in 2008. Rising raw material cost, the tightening of the PRC labour and environmental legislations and the appreciation of Renminbi all leaded to a fall in the gross profit margin by 3.8% to 13.6%. To counteract the effect of rising operational cost in China, we relocated our production facilities to Vietnam where the weather and the labour supply are relatively more conducive to shoe manufacturing. Labour and utility costs are also more competitive in Vietnam. As at the end of 2008, we had nine production lines in Hai Phong and Tinh Hai Duong. The global economic downturn had wiped out a number of smaller scale PRC shoe manufacturers and we expect our manufacturing business will eventually benefit from this industry-wide capacity consolidation. To mitigate the effects of the fluctuation of raw material cost, the Company is taking steps to diversify our product range so that we can cater for a wider range of customer base.

Our current brand portfolio includes Pony, Speedo, Berghaus, Mango, Haggar and AEE Italy.

Pony is a US heritage brand with over 40-year history. While the US retail market continued to be adversely affected by the global financial downturn, the US management of Pony intends to focus on performance-inspired lifestyle products, developing global licensing opportunities and exploring new design collaboration opportunities. Ongoing efforts are aimed at cutting administrative cost and identifying new licensees worldwide to generate additional royalty income. In order to weather the global financial crisis and to ensure business efficacy, Pony China has also undertaken reorganization and cost reduction schemes.

The sales of Speedo rocketed in 2008. The points of sale have expanded to 97 in mainland China and Taiwan with gross revenue up to RMB20.1 million. Apart from highly innovative swimwear Michael Phelps wore to win nine gold medals at the Beijing Olympic, Speedo is adding other sports and leisure garments to its product line. We expect continued growth in sales this year and the number of directly managed and franchised stores will increase to 120 in 2009.

Berghaus is a top mountaineering and outdoor gears brand. Symphony was appointed the sole distributor and licensee for Berghaus in China for 18 years. We are launching the Berghaus in mainland China this summer. Ten directly managed stores are planned initially to kick start this year.

Symphony became one of the franchisees of Mango in China in 2008. Mango is an internationally renowned women's fashion originated in Spain. It is a brand widely recognized and welcome in PRC. As an initial step, the Group has set up its Mango stores in Beijing and Shanghai at the end of 2008 and early 2009. Further shops are planned to open in strategic locations in China in 2009.

Haggar, a respected brand of men's apparel in the United States, in which Symphony has invested as a minority shareholder. In 2008, various re-organization and cost-cutting measures have been adopted in Haggar. Aggressive cuts in SG&A had been implemented and non-profitable business units had been closed down. Efforts have been made to focus on core competence and streamline operations. It is in the process of turning around and is expected to generate positive EBITDA and improve in profitability in 2009. Symphony's share of loss in Haggar in 2008 amounted to HK$39.8 million. The arbitration claim for the termination of license by a former Canadian licensee had been settled during the year.

Symphony shared a minority interest in AEE Italy, a top ladies fashion footwear in China. It is poised to take strides in providing fashion minded female consumers with the latest fashion shoes and accessories at an affordable price. Notwithstanding the adverse global financial turmoil, the gross profit margin of AEE Italy has only slightly dropped during the year.

In early 2009, Symphony has partnered Toyota Tsusho Corporation, a member of the Toyota Motor Group for the distribution and retailing of certain affordable luxury apparel and accessories brands originating from Japan, Europe and United States. The first flagship store in Hong Kong is expected to open this summer. China market and internet stores are also in the pipeline.

In the midst of the worldwide financial crisis in 2008, we have slowed down our acquisition of land in China for the development of mega shopping malls and entertainment complexes to complement its brand retailing business. Our proven track record in brand building and continued experience in retail portfolio development provided a solid foundation for us to enter into the outlet mall industry in PRC. We continue to closely monitor the progress of event before a final decision is made.

Meanwhile, Symphony is acutely aware of the continuing slowdown of the global economy and has taken appropriate measures to remain focused on our core manufacturing business to weather the raging financial crisis, while devoting efforts and resources to turnaround the businesses. Symphony endeavours to reduce the operating cost and improve cost effectiveness of our branding business model. Based on our solid cash flow foundation and with a net cash position, the Company is financially sound to favour from any investment opportunities made available during this economic condition to provide synergistic value to its current operation. We remain cautiously optimistic that Symphony will ultimately benefit from new growth opportunities when the global economic recession has bottomed out.

REVIEW OF OERPATION

2008 is a challenging year globally. In the face of the unprecedented difficult business conditions, the Company has suffered a loss of HK$229.7 million, which was attributable to the following factors:

(1) the decrease in fair value of properties as a result of the revaluation and the loss in the fair value of the securities investment accounted for HK$44.0 million;

(2) the written-off of goodwill of two PRC plants located in Dongguan and Fuzhou accounted for HK$57.5 million;

(3) the losses of HK$101.4 million on account of weaker than expected Haggar and Pony performances due to adverse retail environment in the United States and PRC; and

(4) the remaining was due to increase in operating expenses and loss incurred by our wholly-owned brand operations in PRC and Taiwan.

For the year ended 31 December 2008, other income of the Group was HK$38.9 million (2007: HK$79.9 million). The difference was due to a one-off written-off of unclaimed payables of HK$14.2 million, the decrease in the recovery of bad debt provision of HK$13.1million and the remaining balance as a result of reduction of interest income received by the Group.

During the year, the distribution and selling expenses increased by 66.3% to HK$127.8 million (2007: HK$76.9 million). The surge was a result of the increase in labour and administrative cost caused by the increase in points of sale for our retail business in PRC and Taiwan, together with the additional commission paid to a new customer as well as a long term customer for its rising volume of sales orders for our manufacturing business.

During 2008, there was an exceptional cash of HK$62.2 million recorded in the Group's balance sheet which was credited from an early redemption by CALYON and The Hongkong and Shanghai Banking Corporation Limited of the Company's structured deposits. The cash has been used for the purchase of available-for-sale investments upon the redemption.

Trade and other receivables of the Company, as at 31 December 2008, was HK$459.1 million (2007: HK$358.3 million) which was a consequence of an increase in seasonal shipment that took place in December 2008.

Moreover, at the end of 2008, the Company recorded bank balances and cash of HK$281.0 million (2007: HK$519.5 million). The difference was due to a rapid expansion of branding and retailing businesses in PRC, dividend payment and the purchase of tax reserve certificates during the year.

In 2008, the largest markets for the Group were North America and Europe. Sales to North America comprised 49.6% (2007: 55.9%) and orders to Europe comprised 31.6% (2007: 23.6%) of the total sales and the remaining 18.8% (2007: 20.5%) was shared between Asia, Africa, Australia, Latin America and the Middle East.

Production Facilities

The Group has an aggregate number of thirty-seven (37) production lines, of which six (6) are in Panyu, eight (8) are in Zhongshan, eight (8) are in Dongguan, six (6) are in Fuzhou, and a further nine (9) are in Vietnam.

Stores Network

The Group had directly managed and franchised stores in mainland China and Taiwan for the retail and wholesale of three globally renowned brands. Below is a breakdown by geographical location and store type:

	Directly managed stores	Franchised stores
Speedo		
Mainland China	**55**	**34**
Taiwan	**8**	**–**
Pony		
Mainland China	**24**	**44**
Mango		
Mainland China	**1**	**–**

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 dynamic brands development team provides their expertise and foresighted advice to our customers on the retail and wholesale market in mainland China. The maintenance of close relationship with our 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 maximize 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 31 December 2008, the Group had bank balances and cash of HK$281.0 million (2007: HK$519.5 million). The Group was offered banking facilities amounting to HK$117.5 million (2007: HK$155.6 million), none of which had been utilized, 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 31 December 2008, there are approximately 20,000 employees in total for the Group. Employee cost (excluding directors' emoluments) amounted to approximately HK$430.7 million (2007: HK$374.8 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$1.032 each to the directors of the Company ("**Director(s)**") and other eligible participants. During the financial year ended 31 December 2008, none of the outstanding share options was exercised and 6,700,000 share options were lapsed. As at 31 December 2008, the aggregate number of share options outstanding was 78,510,000.

FINANCIAL RESULTS

The board of Directors of the Company ("**Board**") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2008 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December,

	Notes	**2008** **HK$'000**	2007 HK$'000
Revenue	3	**2,050,584**	1,849,207
Cost of sales		**(1,768,865)**	(1,531,487)
Gross profit		**281,719**	317,720
Other income		**38,853**	79,942
Distribution and selling expenses		**(127,843)**	(76,852)
Administrative expenses		**(231,266)**	(184,707)
Other expenses		**(3,360)**	(3,392)
(Decrease) Increase in fair value of investment properties		**(32,050)**	38,255
Gain on disposal of subsidiaries		**13,586**	–
Impairment loss on goodwill		**(57,477)**	–
(Loss) Gain on fair value changes of held-for-trading investments		**(11,998)**	7,177
Share of results of jointly controlled entities		**(101,409)**	(62,259)
Gain on disposal of available-for-sale investments		**–**	368
(Loss) Profit before tax		**(231,245)**	116,252
Taxation	4	**1,554**	(18,216)
(Loss) Profit for the year	5	**(229,691)**	98,036
Attributable to:			
Equity holders of the Company		**(226,508)**	94,929
Minority interests		**(3,183)**	3,107
		(229,691)	98,036
Dividends recognized as distribution during the year	6	**38,369**	164,072
(Loss) Earnings per share	7		
Basic		**(12.99) cents**	5.58 cents
Diluted		**N/A**	5.57 cents

CONSOLIDATED BALANCE SHEET

At 31 December,

	2008 HK$'000	2007 HK$'000
Non-current assets		
Property, plant and equipment	**282,741**	260,660
Investment properties	**112,450**	144,500
Prepaid lease payments	**50,203**	48,155
Deposit paid for acquisition of a property	**–**	9,200
Goodwill	**–**	57,477
Interests in jointly controlled entities	**206,021**	249,195
Available-for-sale investments	**54,366**	23,085
Structured deposits	**–**	62,240
Deferred tax assets	**10,085**	11,326
Club debentures	**2,003**	2,003
	717,869	867,841
Current assets		
Inventories	**269,148**	277,719
Amounts due from jointly controlled entities	**50,692**	32,710
Trade and other receivables	**459,061**	358,317
Prepaid lease payments	**1,301**	1,206
Tax recoverable	**9,714**	–
Held-for-trading investments	**4,055**	428
Bank balances and cash	**280,963**	519,494
	1,074,934	1,189,874
Current liabilities		
Trade and other payables	**395,027**	421,041
Amounts due to jointly controlled entities	**28,006**	8,792
Tax payable	**55,641**	53,419
	478,674	483,252
Net current assets	**596,260**	706,622
Total assets less current liabilities	**1,314,129**	1,574,463
Non-current liabilities		
Deferred tax liabilities	**9,925**	18,425
Net assets	**1,304,204**	1,556,038
Capital and reserves		
Share capital	**436,011**	436,011
Reserves	**835,362**	1,084,657
Equity attributable to equity holders of the Company	**1,271,373**	1,520,668
Minority interests	**32,831**	35,370
	1,304,204	1,556,038

Notes:

1. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

In the current year, the Group has applied the following amendments and interpretations ("**new HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
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 the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improvement Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[7]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods ending on or after 30 June 2009
[5] Effective for annual periods beginning on or after 1 July 2008
[6] Effective for annual periods beginning on or after 1 October 2008
[7] Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the Group's 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 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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 sales of footwear products.

Geographical segments

An analysis of the Group's revenue 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:

2008

	United States of America *HK$'000*	Canada *HK$'000*	Europe *HK$'000*	Asia *HK$'000*	Australia *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
REVENUE							
External sales	924,335	93,572	646,941	252,655	22,276	110,805	2,050,584
RESULTS							
Segment results	44,213	4,476	30,945	15,327	1,065	5,300	101,326
Unallocated income							40,125
Impairment loss on goodwill							(57,477)
Unallocated expenses							(213,810)
Share of results of jointly controlled entities							(101,409)
Loss before tax							(231,245)
Taxation							1,554
Loss for the year							(229,691)
ASSETS							
Segment assets	328,253	33,230	229,743	89,724	7,911	39,348	728,209
Interests in jointly controlled entities							206,021
Deferred tax assets							10,085
Tax recoverable							9,714
Unallocated corporate assets							838,774
Consolidated total assets							1,792,803
LIABILITIES							
Segment liabilities	178,065	18,026	124,628	48,672	4,291	21,345	395,027
Tax payable							55,641
Deferred tax liabilities							9,925
Unallocated corporate liabilities							28,006
Consolidated total liabilities							488,599

OTHER

INFORMATION							
Allowance for inventories	**953**	**96**	**667**	**261**	**23**	**114**	**2,114**
Reversal of allowance for bad and doubtful debts	**(1,285)**	**(130)**	**(899)**	**(351)**	**(31)**	**(154)**	**(2,850)**

Segment assets consist of inventories, trade receivables and other operating assets. Segment liabilities comprise certain trade payables. Property, plant and equipment and prepaid lease payments are not directly attributable to individual customer and cannot be allocated to the segments on a reasonable basis.

2007

	United States of America *HK$'000*	Canada *HK$'000*	Europe *HK$'000*	Asia *HK$'000*	Australia *HK$'000*	Others *HK$'000*	Consoli-dated *HK$'000*
REVENUE							
External sales	939,056	95,357	436,629	225,894	27,216	125,055	1,849,207
RESULTS							
Segment results	123,101	12,500	57,238	31,060	3,568	16,392	243,859
Unallocated income							87,249
Unallocated expenses							(152,597)
Share of results of jointly controlled entities							(62,259)
Profit before tax							116,252
Taxation							(18,216)
Profit for the year							98,036
ASSETS							
Segment assets	322,988	32,798	150,179	77,696	9,361	43,014	636,036
Interests in jointly controlled entities							249,195
Deferred tax assets							11,326
Unallocated corporate assets							1,161,158
Consolidated total assets							2,057,715
LIABILITIES							
Segment liabilities	213,811	21,712	99,415	51,433	6,197	28,473	421,041
Tax payable							53,419
Deferred tax liabilities							18,425
Unallocated corporate liabilities							8,792
Consolidated total liabilities							501,677
OTHER INFORMATION							
Allowance for inventories	2,394	243	1,113	576	70	318	4,714
Reversal of allowance for bad and doubtful debts	(8,089)	(821)	(3,761)	(1,946)	(234)	(1,079)	(15,930)
Unclaimed payables written off	–	–	–	(14,237)	–	–	(14,237)

Segment assets consist of inventories, trade receivables and other operating assets. Segment liabilities comprise certain trade payables. Property, plant and equipment and prepaid lease payments are not directly attributable to individual customer and cannot be allocated to the segments on a reasonable basis.

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

	Carrying amount of segment assets		Capital additions	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**454,613**	343,923	**103,806**	15,989
The People's Republic of China ("**PRC**")	**266,123**	287,699	**37,823**	15,910
Others	**7,473**	4,414	**8,066**	5,272
	728,209	636,036	**149,695**	37,171

4. TAXATION

	2008	2007
	HK$'000	*HK$'000*
CURRENT TAX:		
Hong Kong		
Current year	**37**	911
Under(Over)provision in prior years	**412**	(2)
Other Jurisdictions		
Current year	**4,670**	6,655
(Over)Underprovision in prior years	**(307)**	28
	4,812	7,592
DEFERRED TAX:		
Current year	**(6,366)**	10,624
Taxation attributable to the Company and its subsidiaries	**(1,554)**	18,216

Hong Kong Tax

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment of 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

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 year of assessment of 2001/2002, that is, for the financial year ended 31 December 2001, against certain wholly-owned subsidiaries of the Company.

The Group has lodged objections with IRD against the protective assessments. IRD has agreed to hold over the tax claimed subject to the subsidiaries' purchase of tax reserve certificates ("**TRCs**") of approximately HK$9.7 million. These TRCs were purchased by the subsidiaries. As at 31 December 2008, no provision is considered necessary in respect of the amount of HK$9.7 million included in tax recoverable.

The Directors believe no provision for Hong Kong Profits Tax in respect of protective assessments is necessary. In addition, the inquiries from IRD are still at a fact-finding stage and IRD has not yet expressed any formal opinion on the potential tax liability, if any. The potential tax liability, if any, cannot be readily ascertained at this stage.

In March 2009, the IRD issued protective profits tax assessments, for an aggregate additional tax of approximately HK$27.7 million, relating to the years of assessment of 2002/2003, that is, for the financial years ended 31 December, 2002, against certain wholly-owned subsidiaries of the Company.

Directors believe that no profits tax is payable by the Group in respect of the concerned subsidiaries and no provision for Hong Kong profit tax in respect of the protective assessments is considered necessary. The Group intends to lodge objections with the IRD against the protective assessments.

PRC Tax
For the year ended 31 December 2007, the tax status for certain subsidiaries of the Group operating in PRC, including Zhongshan Jingmei Footwear Industry & Commerce Co Limited 中山精美鞋業有限公司 ("**Zhongshan Jingmei**"), Fuqing Grand Galatica Footwear Co. Ltd. 福清宏太鞋業有限公司 ("**Fuqing Grand Galatica**"), Guangzhou Panyu Xingtaiy Footwear Industry & Commerce Co. Ltd. 廣州番禺興泰鞋業有限公司 ("**Panyu Xingtaiy**") and Zhongshan Huali Footwear Industry & Commerce Co Ltd. 中山華利企業有限公司 ("**Zhongshan Huali**"), are as follows:

- Zhongshan Jingmei and Zhongshan Huali were exempted from the PRC income tax.
- Tax relief for Fuqing Grand Galatica had expired in 2006 and the concessionary tax rate for 2007 was 7.5%.
- Tax relief for Panyu Xingtaiy had expired in 2005 and the concessionary tax rate for 2007 was 12.0%.

On 16 March 2007, PRC promulgated the Law of PRC on Enterprise Income Tax ("**New Law**") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of PRC issued Implementation Regulations of the New Law ("**Implementation Regulations**"). The New Law and Implementation Regulations will change the tax rate to 25.0% for certain subsidiaries from 1 January 2008 onwards. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa (2007) No. 39), certain tax exemption and deduction for the PRC Foreign Enterprise Income Tax ("**FEIT**") is still applicable until the end of the five-year transitional period under the New Law.

For the year ended 31 December 2008, the tax status of each of the above companies under the New Law and Implementation Regulations are as follows:

- Zhongshan Jingmei and Zhongshan Huali continued to enjoy the preferential tax treatment (12.5% tax rate, i.e. 50.0% of the applicable tax rate of 25.0%) for the years from 2008 to 2010. Thereafter, the tax rate will step up to 25.0% from 2011 onwards;
- Fuqing Grand Galatica continued to enjoy the preferential tax treatment, i.e., 9.0% (50.0% of the applicable tax rate of 18.0%) for the year 2008 and 10.0% (50.0% of the applicable tax rate of 20.0%) for the year 2009. Thereafter, the tax rate will step up to 22.0%, 24.0%, 25.0% from 2009 to 2011 respectively;
- The preferential tax treatment for Panyu Xingtaiy was cancelled starting from 2008. Accordingly, the applicable tax rate was 25.0%.

Other PRC subsidiaries not subject to the tax exemption and deduction for the FEIT that is still applicable until the end of the five-year transitional period under the New Law a tax rate of 25.0% will be applicable pursuant to the New Law and Implementation Regulations.

Vietnam Tax
Stateway Vietnam Footwear Co. Ltd ("**Stateway Vietnam**") was entitled to an exemption from enterprise income tax for four years starting with the first profit-making year. For the following nine years, Stateway Vietnam would be entitled to a further tax preferential tax treatment in the form of a 50.0% reduction in the applicable tax rate in Vietnam.

Others

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

The taxation for the year can be reconciled to the (loss) profit per the consolidated income statement as follows:

	2008	2007
	HK$'000	*HK$'000*
(Loss) Profit before tax	**(231,245)**	116,252
Tax at Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	**(38,155)**	20,344
Tax effect of expenses not deductible for tax purpose	**13,661**	5,588
Tax effect of income not taxable for tax purpose	**(5,082)**	(9,547)
Tax effect of share of results of jointly controlled entities	**16,732**	10,895
Underprovision in respect of prior year	**105**	26
Tax effect of tax losses not recognized	**11,409**	2,145
Effect of tax exemptions granted to certain subsidiaries	**(2,237)**	(11,605)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**875**	370
Decrease in opening deferred tax liability arising from a decrease in applicable tax rate	**(209)**	–
Deferred taxation on withholding tax arising on undistributed profits in the PRC subsidiaries	**1,347**	–
Taxation for the year	**(1,554)**	18,216

In addition to the amount credited to the consolidated income statement, deferred tax relating to the revaluation of the Group's properties was charged or credited directly to equity.

5. (LOSS) PROFIT FOR THE YEAR

	2008	2007
	HK$'000	*HK$'000*
(Loss) Profit for the year has been arrived at after charging:		
Directors' emoluments	**8,214**	7,361
Other staff costs	**430,725**	374,750
Retirement benefits schemes contributions, excluding Directors	**16,177**	13,593
	455,116	395,704
Auditors' remuneration	**2,565**	2,399
Allowance for inventories	**2,114**	4,714
Amortization of prepaid lease payments	**1,301**	1,206
Cost of inventories recognized as expense	**1,768,865**	1,531,487
Depreciation	**40,354**	39,305
Exchange losses	**12,263**	6,479
Research and development costs (included in administrative expenses)	**38,282**	32,615
Loss on disposal of property, plant and equipment	**–**	5
and after crediting as other income:		
Gain on disposal of property, plant and equipment	**66**	–
Reversal of allowance for bad and doubtful debts	**2,850**	15,930
Dividends from equity investments	**2,293**	1,189
Exchange gains	**1,974**	4,210
Gross rental income from investment properties	**4,147**	2,206
Less: Direct operating expenses from investment properties	**(1,084)**	(591)

that generated rental income during the year	**3,063**	1,615
Interest income from:		
Bank deposits	**7,680**	26,143
Structured deposits	**398**	345
Available-for-sale investments	**194**	168
Trade debtors (Note)	**49**	150
Loans to a jointly controlled entity	**3,463**	538
Unclaimed payables written off	**–**	14,237

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

6. DIVIDENDS

	2008 *HK$'000*	2007 *HK$'000*
2007 final dividend of HK$0.0220 per share (2007: 2006 final dividend of HK$0.0613 per share) paid	**38,369**	106,867
2007 interim dividend HK$0.0328 per share paid	**–**	57,205
	38,369	164,072

No 2008 interim dividend was declared or paid. For the year ended 2008, a final dividend of HK$0.0100 per share (2007: HK$0.0220 per share) has been proposed by the Directors and is subject to the approval by the shareholders of the Company in a general meeting.

7. (LOSS) EARNINGS PER SHARE

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

	2008	2007
(LOSS) EARNINGS		
(Loss) Profit for the year attributable to equity holders of the Company for the purposes of basic and diluted (loss) earnings per share	**(HK$226,508,000)**	HK$94,929,000
NUMBER OF SHARES		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**1,744,044,773**	1,700,558,971
Effect of dilutive potential ordinary shares issuable under the Company's share option scheme	**–**	3,874,676
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,744,044,773**	1,704,433,647

No diluted loss per share has been presented for 2008 because the exercise of the Company's outstanding share options has an anti-dilutive effect.

PROPOSED FINAL DIVIDEND

The Board recommended a final dividend of HK$0.0100 per share (2007: HK$0.0220 per share), payable on or about Thursday, 2 July 2009 to shareholders whose names appear on the register of members of the Company ("**Register of Members**") at the close of business on Wednesday, 3 June 2009 ("**Shareholders**"). The payment of dividend is subject to the approval of the Shareholders at an annual general meeting of the Company to be held on Wednesday, 10 June 2009 ("**2009 Annual General Meeting**").

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 4 June 2009 to Friday, 5 June 2009, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited on the 26th Floor of Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 3 June 2009.

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 financial year ended 31 December 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 and the external auditors, Messrs. Deloitte Touche Tohmatsu, the accounting principles and practices adopted by the Group and also discussed auditing, internal controls and financial reporting matters including the review of the audited consolidated financial statements for the financial year ended 31 December 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.

On 23 January 2009, Mr. LI, Kwok Lung Alfred Ronald resigned from his offices as chairman of the Board ("**Chairman**") and as Director.

On 9 March 2009, Mr. CHAN, Ting Chuen was appointed the Chairman.

On 30 March 2009, Mr. KU, Edward Yu-Sun passed away and ceased to be a director of the Company.

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

Executive Director
Mr. CHAN, Ting Chuen *(Chairman) (appointed on 9 March 2009)*
Mr. SZE, Sun Sun Tony *(Deputy Chairman & Managing Director)*
Mr. CHANG, Tsung Yuan *(Deputy Chairman)*
Mr. LI, Kwok *Lung* Alfred Ronald *(Chairman) (resigned on 23 January 2009)*
Mr. CHAN, Lu Min
Dr. HO, Ting Seng
Mr. KU, Edward Y. *(deceased on 30 March 2009)*

Non-executive Director
Mr. LI, I Nan

Independent Non-executive Director
Mr. CHENG, Kar Shing
Mr. FENG, Lei Ming
Mr. HO, Shing Chak

GENERAL INFORMATION

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2008 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

ANNUAL GENERAL MEETING

The 2009 Annual General Meeting will be held at the 10th Floor of Island Place Tower, 510 King's Road, North Point, Hong Kong on Wednesday, 10 June 2009 at 9.30 a.m. and the notice of Annual General Meeting will be published and dispatched to the Shareholders in a manner as required by the Listing Rules.

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

For the year ended 31 December 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 Annual Report containing financial statements and notes to the financial statements for the year ended 31 December 2008 ("**2008 Annual 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 Annual Report on or before Thursday, 30 April 2009.

APPRECIATION

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

By Order of the Board
CHAN, Ting Chuen
Chairman

Hong Kong, 6 April 2009

* *For identification purposes only*